



**Government
of South Australia**

STATE OPERA SOUTH AUSTRALIA

2019-20 Annual Report

STATE OPERA SOUTH AUSTRALIA

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Date presented to Minister: 30 September 2020

To:

The Honourable Steven Marshall MP
Premier

This annual report will be presented to Parliament to meet the statutory reporting requirements of *State Opera of South Australia Act, 1976* and the requirements of Premier and Cabinet Circular *PC013 Annual Reporting*.

This report is verified to be accurate for the purposes of annual reporting to the Parliament of South Australia.

Submitted on behalf of the State Opera South Australia by:

John Irving

Chair

Date

24/9/2020

Signature

A handwritten signature in blue ink, consisting of a large, stylized 'J' followed by a horizontal line extending to the right.

From the Executive Director

The 12 months preceding this Annual Report have been some of the most successful, joyous, difficult, and uncertain times in the history of State Opera. We have gone from record successes at the box office and national critical acclaim, to a silenced performing arts company like all others around the country at this time. The recent months, in particular, have truly stopped us in our tracks and forced us to re-think and re-evaluate everything we do and how we might do it.

However, it remains important what while we acknowledge the havoc wreaked by COVID-19 on our entire industry, we recognise and remember the impressive work State Opera delivered in the second half of 2019 (the first two quarters of our fiscal year):

1. *Boojum* by Martin Wesley-Smith in the Playhouse
2. *Christina's World* by Ross Edwards in the Netley Studio
3. *Madeline Lee* by John Haddock in the Netley Studio
4. Girls' Night Out, Strauss Gala at Adelaide Town Hall
5. *Madama Butterfly* in the Festival Theatre
6. *Mikado* in the Festival Theatre

The volume, quality and diversity of this work alone sets this Company apart from every other state-based opera company in Australia. To present five operatic productions within a six-month period is virtually unheard of in most parts of the Western world, and it is a credit to the agile and ambitious team at State Opera that we have been able to harness the appetite amongst local arts-going audiences for more of what we do. In addition, valuable community engagement activity including Pop-Up Chorus, Opera Discovery Days, Pre-Concert Talks and Creative Development Workshops filled our calendar and our year so that we reached more people than ever before through this wonderful artform. Inspired and led by our Artistic Director Mr Stuart Maunder AM, we hosted masterclasses, coaching sessions, auditions, and a highly successful inaugural Opera Winter School so that every aspiring opera singer in South Australia has a place they can call home. The importance of volume is a belief which we will carry forward into every year so that all the artists we support can eventually find their way onto our stages.

We have increased our sponsorship and philanthropic income, as well as continued to find every avenue possible to remain connected to our audiences via digital initiatives and small, allowable events.

In the last 18 months there have been many changes at State Opera including our business operations and systems, our structure, our aspirations (which continue to grow) and our desire to produce more work. It is to their credit that our supporters have taken these changes in their stride and adapted over time to State Opera's new approach to marketing, communications, design and technology. Our professionalisation of the business, captured now in processes, policies and online tools, has meant clarity and improved service delivery to ensure that we meet, and hopefully exceed, the expectations of our Government funding partners.

I am honoured to be leading one of the flagship arts companies in Australia, and the Company we consider to be the jewel in the crown of South Australia's cultural industry. I have no doubt that when the current circumstances recover we can make huge strides in performing arts and business excellence in this State. We look forward to a new era in 2021 where we will once again be able to deliver a full program and announce opportunities and exciting projects.

Yours sincerely

A handwritten signature in black ink, reading "Yarmila Alfonzetti". The signature is written in a cursive, flowing style with a large initial 'Y'.

Yarmila Alfonzetti
Executive Director
State Opera South Australia

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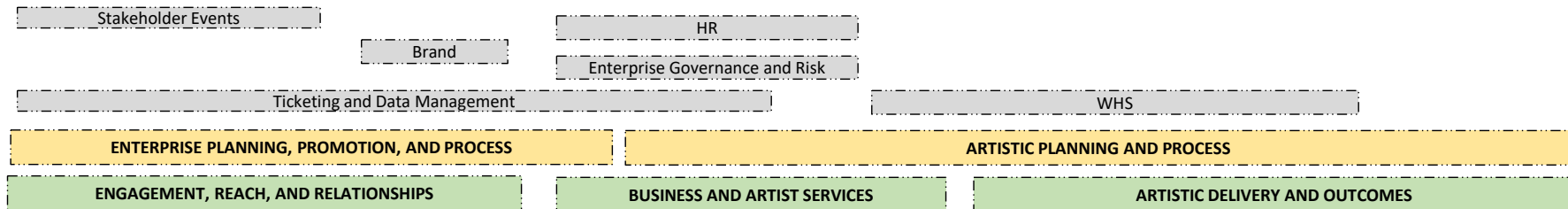
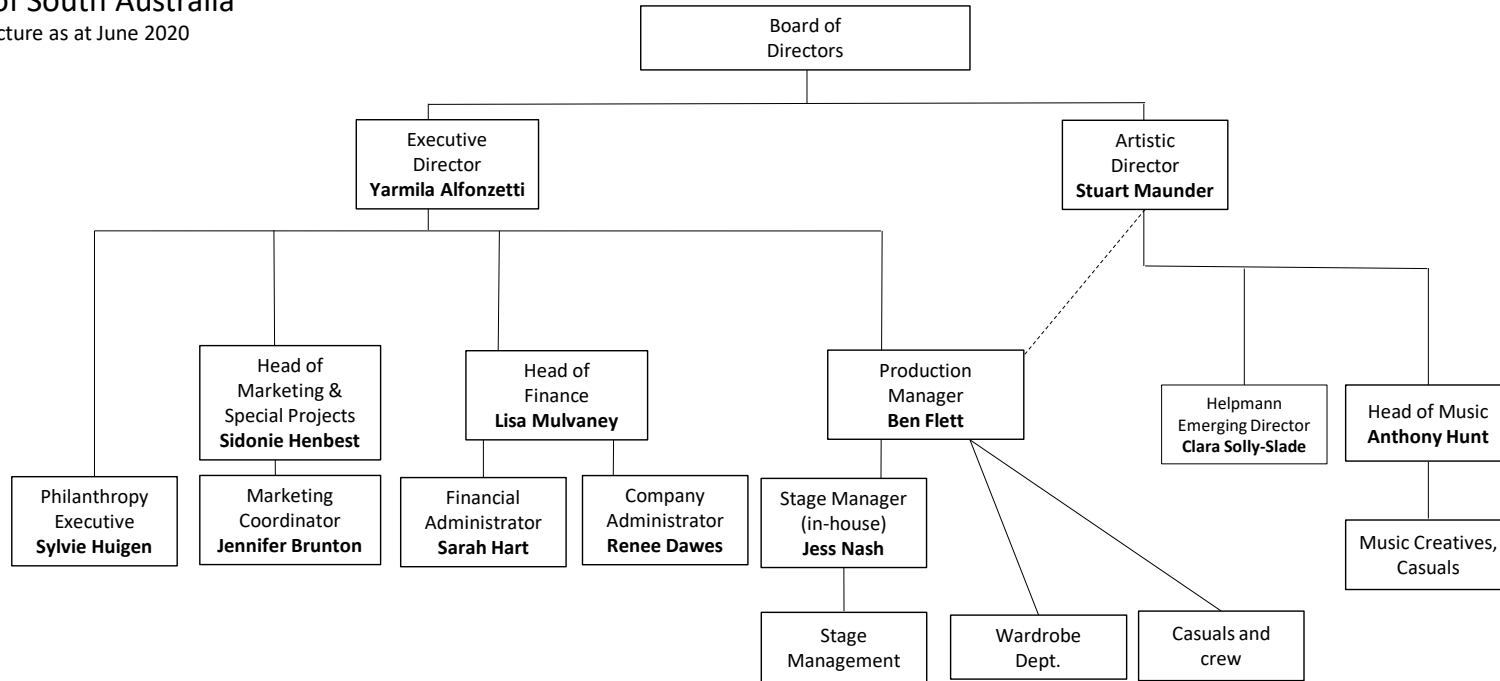
Overview: about the agency

Our strategic focus

Our Purpose	To give everyone a chance to feel the visceral, physical and emotional power that only the combination of music, drama, movement and spectacle that is found in the all-encompassing artform of opera can deliver.
Our Vision	More opera. More people. <i>More ways. More often.</i>
Our Mission	By expanding the reach, relevance, impact and recognition of the operatic artform to new and diverse audiences, State Opera South Australia will be an exceptional cultural service to the State of South Australia.
Our Values	<ol style="list-style-type: none"> 1. Craftsmanship – the quality of the process reflects the outcome 2. Integrity – in programming, with colleagues, and across the industry 3. Nimbleness – staying small and aware 4. Distinctiveness – hold onto our individuality
Our functions, objectives and deliverables	<ol style="list-style-type: none"> 1. Support development of great art 2. Creating pathways for artists and sector 3. Engagement with audiences 4. Contribution to vibrant society and culture

Our organisational structure

State Opera of South Australia
Organisational Structure as at June 2020



Changes to the agency

During 2019-20 there were no changes to the agency's structure and objectives as a result of internal reviews or machinery of government changes.

Our Minister

The Hon Steven Marshall MP is the Premier of South Australia. The Premier oversees Aboriginal Affairs and Reconciliation, Defence and Space Industries, Tourism, Arts, Veterans' Affairs and Multicultural Affairs.

Our Executive team

Yarmila Alfonzetti is the Executive Director, responsible for the overall strategy and operations of the State Opera of South Australia (SOSA), particularly in the areas of finance, human resources, and development.

Stuart Maunder AM is the Artistic Director, responsible for the artistic curation of an annual program for SOSA, including directing several artistic productions each year.

Legislation administered by the agency

State Opera of South Australia Act 1976

The agency's performance

Performance at a glance

The 12 months of FY2019-2020 commenced at a similar cracking pace as the first half of 2019. An ongoing process of change, growth and capacity building for State Opera were embraced by the Board, the administrative team and key stakeholders so that the Company could continue to present a significant volume of work.

Box office revenue throughout Q1, Q2 and Q3 was variable with income expectations for Mikado and Madama Butterfly not met; mainly we believe due to optimism that patrons would double their attendance by purchasing to both operas which were presented in rep (alternating) in the Festival Theatre not being borne out by reality.

The volume of engagement across Q1 and Q2 had set the Company up well for a successful 2020 with a large subscription offering and numerous community engagement activities bolstering the mainstage and chamber opera work. In the week commencing Monday 16 March, various announcements and restrictions about the new COVID-19 pandemic came into effect, and State Opera moved to cancel the remaining performances in FY20. This included a very well-sold Carmina Burana at Memorial Drive, an almost sold-out Teddy Tahu Rhodes recital at Adelaide Town Hall, and a mainstage production of Barber of Seville in the Festival Theatre.

The Company moved quickly to comply with workplace restrictions, manage patron and artist communications, assess new risks and mitigate issues around many dozens of artist, venue and production contracts that were cancelled.

Despite the extreme difficulties that have come with the uncertainty of the current situation, State Opera has delivered a successful Annual Appeal fundraising campaign, a raft of digital performances and projects which have provided paid work for our artists and crew as well as ongoing patron engagement (<https://stateopera.com.au/arias-from-the-archives-state-opera/>), and a free highly-sought after education program called the Confident Conductor for school teachers (<https://stateopera.com.au/productions/the-confident-conductor/>).

The Company will post a loss of \$321,000 due mostly to box office revenue shortfalls referred to above, pay-outs for work cancelled due to COVID, and a downturn in the value of shares in our investment portfolio. The Company has a commitment to generating a minimum surplus in subsequent years to address the need for reserves to be rebuilt as a safety net for the years when performances may be compromised.

Agency contribution to whole of Government objectives

Key objective	Agency's contribution <i>prior to COVID-19</i> (Q1 and Q2 of FY20)
More jobs	The State Opera Strategic Plan demonstrates sector leadership and grows the profile of Australian art and artists. By significantly increasing the volume of programming with five operas and one mainstage concert delivered in the last six months of 2019, the employment of South Australians on the opera stage by SOSA has been widely acknowledged. SOSA is a major employer of creatives in this State, including directors, designers, lighting designers, and numerous backstage and artist support personnel.
Lower costs	State Opera has streamlined systems and processes in order to deliver more opera for more people at a lower cost. This has been achieved by implementing a Customer Relationship Management System to track data and manage patron expenditure, switching from MYOB to Xero, utilising tools such as Airtable and Deputy, and scheduling analysis opportunities for overheads, revenue, etc. State Opera is actively investigating ways to reduce overheads over time, especially regarding annual lease and storage facility costs.
Better Services	In the last 12 months State Opera has significantly increased its capability in providing better service to customers and to our artists - maximising our use of BASS ticketing and box office services has created efficiencies for ticket buyers as well as clearer and more accurate online transactions. Artists are now provided with modern contracts which include clarity about their award entitlements, and contracts are issued and managed electronically via Docusign so that records and confidential finance information can be stored securely.

Agency specific objectives and performance

ARTFORM – Recognised as an opera company that displays innovation, adventure and excellence

Agency objectives	Indicators	Performance
<p>Developing and implementing a measurable artistic vibrancy process</p>	<p>Online and direct surveys of audiences – at least 80% positive response rate. Peer assessment through external independent review - minimum 75% positive report based on separate assessment of each production and presentation in the annual program of works, covering casting, quality of presentation, process, conductor, orchestra and levels of artistic diversity and innovation.</p>	<p>80%+ positive feedback from audience. 75%+ positive reports from peer assessors.</p>
<p>Commissioning and presenting new work at the forefront of artistic practice including Australian work independently or as a co-production</p>	<p>Present at least two productions per annum directed by an Australian.</p> <p>Employ Australians where possible to direct, design, conduct and sing operas created by SOSA.</p> <p>Commit to a target of least 50% of principal singers across the annual program being Australian and at least 10% being from South Australia</p> <p>Present operas composed by Australians. Work closely with Adelaide Symphony Orchestra (ASO) and prioritise their partnership for mainstage performance.</p> <p>Program one opera per annum which has not been seen for 10 years or more in Australia.</p>	<p>Boojum – directed by Joseph Mitchell</p> <p>Madeline Lee – directed by Douglas McNicoll</p> <p>All Australian designers, directors and conductors in FY20</p> <p>Australian singer’s statistical data collection by Australia Council</p> <p>Lost Operas of Oz – all three composed by Australians</p> <p>Christina’s World – Ross Edwards</p>

Contributing to the development and presentation of high-quality arts programs and cultural practice in Adelaide and across South Australia	Exploration of non-Festival Centre venues to expand reach and scope of productions. Invest in developing and creating new venues so that there are alternate viable constant venues with seating capacity. Where feasible, secure major event status for specialist projects and strengthen collaboration with other presenters. Be an active participant in The Opera Conference so that new work can be assured of a showing in Australia. Industry recognition of quality of productions. Promote the SOSA program interstate and create unique opportunities such as specialist tours to attract visitors. Program at least one period per annum where overnight visitors can see more than one opera on consecutive days.	Presented work at Netley Opera Studio and Adelaide Town Hall. National distribution of season brochure and national media announcement of season. Presented Madama Butterfly and Mikado in rep.
Attracting performers of national and international standard	Within budgetary constraints, engage Australian-based and expatriate performers with national and/or international profiles in appropriate roles. Be known as champions of Australian artists and as a showcase platform for our best talent.	At least 50% of artists across the annual program are Australians.
Employ more staff so that work on different productions and programs can take place concurrently	Increase revenue and dedicate a larger percentage of turnover to staff overheads. Permanent staff employed in all key business areas (management, marketing, development, finance).	Engaged new Head of Finance and Events & Ticketing staff.

Corporate performance summary

1. **Investment in staff:** SOSA staff participated in several professional development programs throughout the year including staff team development sessions, attendance at conferences interstate (especially Development), and working with mentors.

2. **Strategic Planning:** The Board, along with the Executive and key senior staff, undertook dedicated strategic planning sessions facilitated by external specialists (Sandwalk Partners), to refine and consolidate the future direction and goals for the company.

3. **Sustainable staff structure:** The Executive implemented several new roles, reporting lines, and work practices to ensure a high-performing, sustainable human

resource function for the organisation.

4. Staff policies: A renewed focus was placed on ensuring the organisation had a suite of fit-for-purpose formal policies, and several key policies were developed and/or adopted this year including the Risk Management Plan, Diversity and Inclusion Policy and Action Plan, and the Data Collection, Storage and Privacy Policy.

Employment opportunity programs

Program name	Performance
Helpmann Emerging Director Fellowship	This program was continued for a second year supported by the James and Diana Ramsay Foundation.
Secondary & Tertiary Work Experience and Internships	State Opera regularly accepts and incorporates secondary and tertiary students into the administration team offering exceptional firsthand opportunities to lead about the performing arts and an arts management career.
Surtitled Operators	State Opera has selected a number of senior tertiary music students from the Elder Conservatorium to mentor and train as surtitled operators. These emerging professionals were given their first fully paid engagement for Madama Butterfly in November 2019.

Agency performance management and development systems

Performance management and development system	Performance
Biannual Performance Management & Development Sessions with all full-time, part-time, and casual staff	100% of staff completed a Performance Management & Development review.
Annual Board review of Director KPIs	Reviewed in December 2019

Work health, safety and return to work programs

Program name	Performance
Inductions for all new staff members	Inductions completed for all new office employees; volunteers; and artistic performers.
Online WHS training	100% completion rate of all mandatory WHS e-learning courses across the organisation.
COVID workplace management plan	Created and delivered to manage working from home, return to work, ergonomic assessments and mental health support.
Fire Warden training and evacuations	Fire wardens attended training. Whole-of-precinct fire evacuation drill successfully undertaken.
Self-audit program	Self-audit undertaken on WHS risks in conjunction with DPC WHS Consultant. A number of corrective actions closed out. Agency is on track to meet all items on WHS Activity Planner.
WHS & IM Management System	Developed and maintained by the Department of the Premier and Cabinet and used by agency.

Workplace injury claims	Current year 2019-20	Past year 2018-19	% Change (+ / -)
Total new workplace injury claims	2	1	-50%
Fatalities	0	0	0%
Seriously injured workers*	0	0	0%
Significant injuries (where lost time exceeds a working week, expressed as frequency rate per 1000 FTE)	0	0	0%

**number of claimants assessed during the reporting period as having a whole person impairment of 30% or more under the Return to Work Act 2014 (Part 2 Division 5)*

Work health and safety regulations	Current year 2019-20	Past year 2018-19	% Change (+ / -)
Number of notifiable incidents (<i>Work Health and Safety Act 2012, Part 3</i>)	1	0	-100%
Number of provisional improvement and prohibition notices (<i>Work Health and Safety Act 2012 Sections 90, 191 and 195</i>)	0	0	0%

Return to work costs**	Current year 2019-20	Past year 2018-19	% Change (+ / -)
Total gross workers compensation expenditure (\$)	\$71,345	\$7,467	+104%
Income support payments – gross (\$)	0	0	0%

**before third party recovery

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/state-opera-south-australia-whs-reporting-from-2020>

Executive employment in the agency

Executive classification	Number of executives
Executive Director / CEO	1

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/state-opera-south-australia-executive-employment-from-2012-2020>

The [Office of the Commissioner for Public Sector Employment](#) has a [workforce information](#) page that provides further information on the breakdown of executive gender, salary and tenure by agency.

Financial performance

Financial performance at a glance

The following is a brief summary of the overall financial position of the agency. The information is unaudited. Full audited financial statements for 2019-20 are attached to this report.

Statement of Comprehensive Income	2019-20 Budget \$000s	2019-20 Actual \$000s	Variation \$000s	Past year 2018-19 Actual \$000s
Total Income	5,591	4,548	(1,043)	5,290
Total Expense	5,493	4,869	624	6,248
Net result	98	(321)	(419)	(958)
Total Comprehensive Result	98	(321)	(419)	(958)

Statement of Financial Position	2019-20 Budget \$000s	2019-20 Actual \$000s	Variation \$000s	Past year 2018-19 Actual \$000s
Current assets	3,556	2,521	1,035	3,444
Non-current assets	528	456	72	543
Total assets	4,085	2,977	1,108	3,987
Current liabilities	2,039	1,400	638	2,039
Non-current liabilities	50	0	50	50
Total liabilities	2,089	1,400	688	2,089
Net assets	1,996	1,577	419	1,898
Equity	1,996	1,577	419	1,898

Consultants disclosure

The following is a summary of external consultants that have been engaged by the agency, the nature of work undertaken, and the actual payments made for the work undertaken during the financial year.

Consultancies with a contract value below \$10,000 each

Consultancies	Purpose	\$ Actual payment
All consultancies below \$10,000 each - combined	Various	-

Consultancies with a contract value above \$10,000 each

Consultancies	Purpose	\$ Actual payment
Melissa Jane King	Business Development	\$16,500
Sandwalk Partners	Strategic Planning	\$15,325
	Total	\$31,825

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/state-opera-south-australia-consultants-from-2012-2020>

See also the [Consolidated Financial Report of the Department of Treasury and Finance](#) for total value of consultancy contracts across the South Australian Public Sector.

Contractors disclosure

The following is a summary of external contractors that have been engaged by the agency, the nature of work undertaken, and the actual payments made for work undertaken during the financial year.

Contractors with a contract value below \$10,000

Contractors	Purpose	\$ Actual payment
All contractors below \$10,000 each - combined	Various	\$113,205

Contractors with a contract value above \$10,000 each

Contractors	Purpose	\$ Actual payment
Contractors above \$10,000 – combined	Creative Artists & Performers	\$ 664,446
	Total	\$777,651

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/state-opera-south-australia-contractors-from-2020>

The details of South Australian Government-awarded contracts for goods, services, and works are displayed on the SA Tenders and Contracts website. [View the agency list of contracts](#).

The website also provides details of [across government contracts](#).

Risk management

Risk and audit at a glance

The Risk & Performance Committee (R&P Committee), a sub-committee of the Board of State Opera, continues to meet regularly to assess whole-of-organisational risks, opportunities which require financial authority, and future strategies where an oversight of performance, human resources and WHS may be important. Key priorities for this group include the effective oversight of policies and procedures, management controls, risk management matrices and independent assurance. The Committee has an essential role in overseeing these activities and monitoring changes in the industry and community in which our organisation operates.

The operating principles of the R&P Committee include SOSA aligning to the following actions:

- Strive for excellence, prioritising the community it serves;
- The Executive Team is responsible for effective management of SOSA, which involves ensuring the principles and objects of the **Public Sector Act 2009** and the Code of Ethics are advanced and observed in the management and day-to-day operations of the agency; this includes agency culture; and
- The Executive Director and Artistic Director have a duty to manage risk as a key mechanism for ensuring good performance in delivering the agency's strategic objectives.

The R&P Committee also establishes and monitors governance standards, including:

- That the Executive Director must establish and maintain effective policies, procedures and systems for the identification, assessment, monitoring, management and annual review of financial risks; and
- That broader drivers of risk need to be considered, namely performance, people and culture, and reputation.

Fraud detected in the agency

Category/nature of fraud	Number of instances
Nil	Nil

NB: Fraud reported includes actual and reasonably suspected incidents of fraud.

Strategies implemented to control and prevent fraud

No material new formal strategies were implemented to control and prevent fraud during 2019-2020.

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/state-opera-south-australia-fraud-detected-from-2012-2020>

Public interest disclosure

Number of occasions on which public interest information has been disclosed to a responsible officer of the agency under the *Public Interest Disclosure Act 2018*:

0

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/state-opera-of-south-australia-public-disclosure-2020>

Note: Disclosure of public interest information was previously reported under the *Whistleblowers Protection Act 1993* and repealed by the *Public Interest Disclosure Act 2018* on 1/7/2019.

Reporting required under any other act or regulation

Act or Regulation	Requirement
Nil	Nil

Reporting required under the *Carers' Recognition Act 2005*

Nil

Public complaints

Number of public complaints reported

Complaint categories	Sub-categories	Example	Number of Complaints 2019-20
Professional behaviour	Staff attitude	Failure to demonstrate values such as empathy, respect, fairness, courtesy, extra mile; cultural competency	0
Professional behaviour	Staff competency	Failure to action service request; poorly informed decisions; incorrect or incomplete service provided	0
Professional behaviour	Staff knowledge	Lack of service specific knowledge; incomplete or out-of-date knowledge	0
Communication	Communication quality	Inadequate, delayed or absent communication with customer	1
Communication	Confidentiality	Customer's confidentiality or privacy not respected; information shared incorrectly	0
Service delivery	Systems/technology	System offline; inaccessible to customer; incorrect result/information provided; poor system design	0
Service delivery	Access to services	Service difficult to find; location poor; facilities/environment poor standard; not accessible to customers with disabilities	1
Service delivery	Process	Processing error; incorrect process used; delay in processing application; process not customer responsive	0
Policy	Policy application	Incorrect policy interpretation; incorrect policy applied; conflicting policy advice given	0
Policy	Policy content	Policy content difficult to understand; policy unreasonable or disadvantages customer	0

Complaint categories	Sub-categories	Example	Number of Complaints 2019-20
Service quality	Information	Incorrect, incomplete, out dated or inadequate information; not fit for purpose	0
Service quality	Access to information	Information difficult to understand, hard to find or difficult to use; not plain English	0
Service quality	Timeliness	Lack of staff punctuality; excessive waiting times (outside of service standard); timelines not met	0
Service quality	Safety	Maintenance; personal or family safety; duty of care not shown; poor security service/ premises; poor cleanliness	0
Service quality	Service responsiveness	Service design doesn't meet customer needs; poor service fit with customer expectations	0
No case to answer	No case to answer	Third party; customer misunderstanding; redirected to another agency; insufficient information to investigate	0
		Total	2

Additional Metrics	Total
Number of positive feedback comments	61
Number of negative feedback comments	2
Total number of feedback comments	63
% complaints resolved within policy timeframes	100

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/state-opera-south-australia-additional-metrics>

Service Improvements resulting from complaints or consumer suggestions over 2019-20 (current year)

New process implemented - Stage management notify marketing team to communicate where any adult content contained in productions and communicated to audience at selling ticket stage.

New process implemented -Facility access and reasonable distance to travel for wheelchair checked for future events

Appendix: Audited financial statements 2019-20



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To the Chair State Opera of South Australia

Opinion

I have audited the financial report of the State Opera of South Australia for the financial year ended 30 June 2020.

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 2020, its financial performance and its cash flows for the year then ended in accordance with relevant 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 2020
- a Statement of Financial Position as at 30 June 2020
- a Statement of Changes in Equity for the year ended 30 June 2020
- a Statement of Cash Flows for the year ended 30 June 2020
- 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* (including Independence Standards) have been met.

I believe that the audit evidence I have 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 relevant 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

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 West Beach Trust for the financial year ended 30 June 2020.

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.

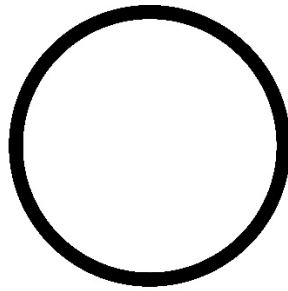
I communicate with the Executive Director and the Chair, Board of Management about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Andrew Richardson

Auditor-General

23 September 2020



STATE OPERA
SOUTH AUSTRALIA

ABN 31 382 679 566

State Opera of South Australia

Financial Statements
For the year ended
30 June 2020

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State Opera of South Australia Certification of the Financial Statements

For the year ended 30 June 2020

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 2020 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: 11/9/2020

State Opera of South Australia

Statement of Comprehensive Income

For the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Expenses			
Employee benefit expenses	2.3	1,646	1,989
Supplies and services	3.1	2,898	3,943
Depreciation and amortisation	3.2	29	27
Grants and subsidies	3.3	296	289
Total expenses		4,869	6,248
Income			
Fees and charges	4.2	989	1,744
Commonwealth grants and payments	4.3	1,582	1,557
Interest and dividends	4.4	44	64
Net change in the market value of investments		(60)	22
Resources received free of charge	4.6	39	-
Other income	4.5	401	344
Total income		2,995	3,731
Net cost of providing services		(1,874)	(2,517)
Revenues from / (payments to) SA Government			
Revenues from SA Government	4.1	1,553	1,559
Net result		(321)	(958)
Total comprehensive result		(321)	(958)

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 Opera of South Australia

Statement of Financial Position

As at 30 June 2020

	Note	30 Jun 2020 \$'000	30 Jun 2019 \$'000
Assets			
Current assets			
Cash and cash equivalents	6.1	2,248	3,259
Receivables	6.2	273	185
Total current assets		2,521	3,444
Non-current assets			
Other financial assets	6.3	356	416
Plant and equipment	5.1	68	85
Intangible assets	5.2	32	42
Total non-current assets		456	543
Total assets		2,977	3,987
Liabilities			
Current liabilities			
Payables	7.1	111	628
Employee benefits	2.4	71	66
Provisions	7.2	-	60
Other current liabilities	7.3	1,218	1,285
Total current liabilities		1,400	2,039
Non-current liabilities			
Employee benefits	2.4	-	4
Other non-current liabilities	7.3	-	46
Total non-current liabilities		-	50
Total liabilities		1,400	2,089
Net assets		1,577	1,898
Equity			
Reserves		1,239	2,079
Retained earnings		338	(181)
Total equity		1,577	1,898

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 2020

	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 2018	808	237	990	821	2856
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
Total comprehensive result for 2019-20	-	-	-	(321)	(321)
Transfer between equity components	(808)	-	(32)	840	-
Balance at 30 June 2020	-	237	1,002	338	1,577

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

State Opera of South Australia

Statement of Cash Flows

For the year ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities			
<i>Cash outflows</i>			
Employee benefits payments		(1,727)	(2,060)
Payments for supplies and services		(3,706)	(4,395)
Payments of grants and subsidies		(296)	(289)
Cash used in operations		(5,729)	(6,744)
<i>Cash inflows</i>			
Receipts from Commonwealth		1,727	2,686
Box office and production		948	1,769
Sponsorship and donations		284	310
Interest received		21	51
Dividend received		23	13
GST recovered from the ATO	8.3	8	143
Other receipts		156	2
Cash generated from operations		3,167	4,974
<i>Cash flows from SA Government</i>			
Receipts from SA Government		1,553	1,562
Cash generated from SA Government		1,553	1,562
Net cash provided by/(used in) operating activities		(1,009)	(208)
Cash flows from investing activities			
<i>Cash outflows</i>			
Purchase of plant and equipment		(2)	(14)
Purchase of intangibles		-	(56)
Cash used in investing activities		(2)	(70)
Net cash provided by/(used in) investing activities		(2)	(70)
Net increase/(decrease) in cash and cash equivalents		(1,011)	(278)
Cash and cash equivalents at the beginning of the period		3,259	3,537
Cash and cash equivalents at the end of the period	6.1	2,248	3,259

The accompanying notes form part of these financial statements.

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 2019-2020 financial statements the Company adopted AASB 15 – Revenue from Contracts with Customers, AASB 16 – Leases and AASB 1058 – Income of Not for Profit Entities. 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.

1.3 Impact of COVID-19 pandemic on the company

The COVID-19 pandemic has impacted on the operations of the company and the impacts are included under the relevant disclosure notes. The key impacts in 2019-20 were:

- All Company live performance activity was ceased from Monday 23 March 2020. This included cancellation of the following mainstage productions already on sale since Oct 2019 – *Carmina Burana*, *Barber of Seville*, *Sweeney Todd*, and *Macbeth*. Significant ancillary activity, including recitals, community engagement and education activity was also cancelled.
- In line with all other major performing arts companies across the country, the Company will continue to be impacted by a significant reduction in box office income and activity while reduced venue capacities remain in place as directed by SA Health.
- In addition, restrictions on travel, social distancing rules and the ongoing economic impact to individual patrons mean that the viability of the Company to deliver successful product to the market remains at risk throughout 2020.

The accompanying notes form part of these financial statements.

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 \$454,000 in 2019-20 and \$442,000 in 2018-19.

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 2019-2020, 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 2020 financial year were:

The State Opera of South Australia Board

Mr John Irving (Chair)
Master Elizabeth Olsson
Mr Peter Michell
Dr Christine Rothauser
Dr Beata Byok (joined Nov 2019)

Professor Brenda Wilson
Ms Imelda Alexopoulos
Dr Thomas Millhouse
Mrs Robina Weir (dep. Oct 2019)

Risk and Performance Committee

Mr John Irving (Chair) (dep. March 2020)
Mr Peter Michell
Ms Imelda Alexopoulos (joined March 2020)

Master Elizabeth Olsson (Chair from March 2020)
Professor Brenda Wilson (joined March 2020)

Fundraising Committee

Professor Brenda Wilson (Chair)
Mr John Irving
Ms Imelda Alexopoulos

Dr Thomas Millhouse
Dr Christine Rothauser
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

	2020 \$'000	2019 \$'000
Salaries and wages	1,332	1,525
Long service leave	(3)	80
Annual leave	2	70
Employment on-costs - superannuation	196	193
Employment on-costs - other	48	65
Workers compensation	71	23
Other employee related expenses	-	33
Total	1,646	1,989

The annual leave expense has been reduced significantly as a result of proactive leave management during the extended downtime from COVID.

No employee is currently entitled to long service leave.

The accompanying notes form part of these financial statements.

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

	2020 \$'000	2019 \$'000
The number of employees whose remuneration received or receivable falls within the following bands:		
\$154 001 to \$174 000	1	2
\$174 001 to \$194 000	1	-
Total	2	2

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 \$350,000 (\$334,000).

2.4. Employee benefits liability

	2020 \$'000	2019 \$'000
Current		
Accrued salaries and wages	29	29
Annual leave	42	37
Total current employee benefits	71	66
Non-current		
Long service leave	-	4
Total non-current employee benefits	-	4
Total employee benefits	-	70

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 in note 11.1. Long service leave was paid out mid-year upon resignation of staff and no further provision required for this financial year as no existing employee has been employed greater than 5 years.

3. Expenses

Employee benefits expenses are disclosed in note 2.3.

3.1. Supplies and services

	2020 \$'000	2019 \$'000
Accommodation	238	223
Advertising and marketing	329	297
Consultants	31	18
Contractors - performers, creatives, technical	778	1,266
External accounting and bookkeeping	4	84
Foreign Currency	3	-
General administration and consumables	267	343
Information technology expenses	44	31
Legal costs	43	5
Minor works, maintenance and equipment	2	6
Production expense	668	526
Season launch	-	38
Telecommunications	10	8
Travel	151	226
Venue hire and expenses	330	872
Total supplies and services	2,898	3,943

Accommodation

The company's accommodation is provided by the Department of Planning, Transport and Infrastructure (DPTI) under Memoranda of Administrative Arrangement (MoAA) issued in accordance with Government-wide accommodation policies. These MoAA do not meet the definition of lease set out in AASB 16.

In prior years, expenses associated with MoAA have been classified as operating lease payments. Expenses associated with MoAA have been re-classified as accommodation expenses for both the current year and the comparative. Further details about this reclassification is set out in Note 9.1.

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	2020 \$'000	No	2019 \$'000
Below \$10 000	-	-	3	18
\$10 000 or above	2	31	-	-
Total	2	31	3	18

The accompanying notes form part of these financial statements.

3.2. Depreciation and amortisation

	2020 \$'000	2019 \$'000
Production equipment	11	11
Furniture and equipment	4	3
Computer equipment	4	4
Intangible assets	10	9
Total depreciation and amortisation	29	27

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 reviewed 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)
Furniture and equipment	5-10
Computer equipment	3
Intangible assets	5

Depreciation and amortisation methods are reviewed annually.

3.3. Grants and subsidies

	2020 \$'000	2019 \$'000
Recurrent grant	296	289
Total grants and subsidies	296	289

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.

4. Income

The Company is jointly funded through the *Multi-Partite Funding 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

	2020 \$'000	2019 \$'000
Revenues from SA Government	1,553	1,559
Total net revenues from SA Government	1,553	1,559

The accompanying notes form part of these financial statements.

Revenues received from SA Government are recognised upon receipt.

Total revenues from SA Government consist of \$1,552,999 (\$1,559,000) for operational funding.

4.2. Fees and charges

	2020 \$'000	2019 \$'000
<u>Comprises revenue for operas and other events staged during the year:</u>		
<u>Opera</u>		
Boojum	35	-
Christina's World	13	-
Girls Night Out	76	-
Madeline Lee	12	-
Madama Butterfly	482	-
Mikado	355	-
Wallis Giunta	11	-
Other events	5	-
2019 Productions	-	1,489
Total Opera	989	1,489
<hr/>		
Total revenue for operas and other events staged during the year:	989	1,489
<u>Other fees and charges</u>		
2019 Co-production	-	255
Total Other fees and charges	-	255
Total box office and production revenue	989	1,744

Box office and production revenue is recognized when the operas events have been staged during the year.

4.3. Commonwealth grants and payments

	2020 \$'000	2019 \$'000
Grants	1,582	1,557
Total Commonwealth grants and payments	1,582	1,557

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

	2020 \$'000	2019 \$'000
Investment with SAFA	14	43
Cash and cash equivalents	7	8
Dividends	23	13
Total interest and dividends	44	64

4.5. Other income

	2020 \$'000	2019 \$'000
Sponsorship	53	125
Donations	254	167
Foundations	79	50
Sundry Income	15	2
Total other Income	401	344

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. The COVID cancellation has allowed the company to harness community goodwill via individual philanthropic gifts.

Foundations

Foundation income is recognised either when received or according to the foundation's agreement. Foundation investments are recognized when received and 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.

4.6. Resources received free of charge

	2020 \$'000	2019 \$'000
Services received free of charge – Adina apartments	6	-
Services received free of charge - PWC	8	-
Services received free of charge – Adelaide Oval	1	-
Goods received free of charge - Shingleback	23	-
Goods receive free of charge – Tynte Flowers	1	-
Total resources received free of charge	39	-

Resources received free of charge were subsequently expensed at fair value when consumed/used.

5 Non-financial assets

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

5.1. Plant and equipment

Property, plant and equipment comprises owned and right-of-use (leased) tangible assets that do not meet the definition of investment property.

	2020 \$'000	2019 \$'000
Computer equipment		
Computer equipment at cost (deemed fair value)	77	77
Accumulated depreciation at the end of the period	(72)	(68)
Total computer equipment	5	9
Furniture and equipment		
Furniture and equipment at cost (deemed fair value)	48	48
Accumulated depreciation at the end of the period	(37)	(33)
Total furniture and equipment	11	15
Production equipment		
Production equipment at cost (deemed fair value)	243	241
Accumulated depreciation at the end of the period	(191)	(180)
Total production equipment	52	61
Total plant and equipment	68	85

Plant and equipment with a value equal to or in excess of \$1,000 is capitalised, otherwise it is expensed. Plant and equipment owned by the company is recorded at fair value.

Impairment

There are no indicators of impairment at 30 June 2020.

Reconciliation 2019-20

	Computer equipment \$'000	Furniture and equipment \$,000	Production equipment \$'000	Total \$'000
Carrying amount at 1 July 2019	9	15	61	85
Acquisitions	-	-	2	2
Depreciation	(4)	(4)	(11)	(19)
Carrying amount at 30 June 2020	5	11	52	68

The accompanying notes form part of these financial statements.

5.2. Intangible assets

	2020 \$'000	2019 \$'000
Purchased computer software		
Purchased computer software (deemed fair value)	51	51
Accumulated amortisation at end of period	(19)	(9)
Total purchased computer software	32	42
Total intangible assets	32	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 2019-20

	Other computer software \$'000	Total \$'000
Carrying amount at 1 July 2019	42	42
Amortisation	(10)	(10)
Carrying amount at 30 June 2020	32	32

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

	2020 \$'000	2019 \$'000
Short term deposits	1,930	1,465
Cash at bank	318	1,790
Cash on hand	-	4
Total cash and cash equivalents	2,248	3,259

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 \$1.8m (\$1.3m) deposited with SAFA. All other accounts are deposited with private sector financial institutions.

6.2 Trade receivables

	2020 \$'000	2019 \$'000
Current		
Trade receivables		

The accompanying notes form part of these financial statements.

From government entities	-	13
From non-government entities	18	3
Total trade receivables	18	16
Prepayments	255	169
Total current receivables	273	185
Total receivables	273	185

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

	2020 \$'000	2019 \$'000
Non-current		
Shares and units held in listed entities	356	416
Total non-current investments	356	416
Total investments	356	416

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

7. Liabilities

Employee benefits liabilities are disclosed in note 2.4.

7.1 Payables and accruals

	2020 \$'000	2019 \$'000
Current		
Payables		
Trade payables	15	460
Accrued expenses	56	41
GST Payable	(5)	55
Employment on-costs	42	64
Credit cards payable	3	8
Total current payables and accruals	111	628
Total payables	111	628

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 are discharged.

The accompanying notes form part of these financial statements.

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 changed from the 2019 rate (41%) to the 2020 rate (42%) . On-cost remains unchanged from the 2019 rate of 9.8%. These rates are used in the employment on-costs calculation. The net financial effect of the changes in the current financial year is immaterial.

7.2. Provisions

	2020 \$'000	2019 \$'000
Current		
Provision for workers compensation	-	60
Total current provisions	-	60

Movement in provisions

	2020 \$'000	2019 \$'000
Carrying amount at the beginning of the period	60	44
Movement in provisions	(60)	16
Carrying amount at the end of the period	-	60

A workers compensation claim was settled out in the year. No provision has been reported as there are no other unsettled workers compensation claims as at 30 June 2020. The Company is responsible for the payment of workers compensation claims.

7.3 Other liabilities

Box office income \$256,000 (\$396,000) was deferred until the future periods in which the productions occur. In July 2020 a refund of box office income of \$162,000 occurred due to two postponed shows.

Sponsorship income \$27,000 (\$50,000) was deferred until the following financial year to the period of the production per the sponsorship agreement.

Grant income \$872,000 (\$839,000) that was received at the end of 2019-20 from the Australian Council for the Arts was provided to fund the Company's future programs.

Other unearned income of \$63,000 (\$0) includes funding for the Helpmann Academy Fellowship, Artist Development Program, and other minor future program funds.

	2020 \$'000	2019 \$'000
Current		
Unearned income		
Advance box office	256	396
Advance sponsorship	27	50
Advance grants	872	839
Advance others	63	-
Total unearned income	1,218	1,285
Total current other liabilities	1,218	1,285
Non-current		
Unearned income		
Advance grants	-	46
Total unearned income	-	46
Total non-current other liabilities	-	46
Total other liabilities	1,218	1,331

The accompanying notes form part of these financial statements.

8. Other Disclosures

8.1. Equity

Future productions reserve

In line with State Opera SA Reserves Investment Policy, the trading losses from 2018-19 and 2019-2020 have resulted in the depletion of the future productions reserve.

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.

	2020	2019
	\$'000	\$'000
Thora and Frank Pearce Opera Foundation		
Balance 1 July	203	201
Interest revenue	2	2
Total Thora and Frank Pearce Opera Foundation	205	203
Represented by:		
Cash and cash equivalents	205	203
Total	205	203
Diana Ramsay Fund		
Balance 1 July	831	788
Dividend income	23	13
Interest Revenue	3	8
Changes in market value of investments	(60)	22
Total Diana Ramsay Fund	797	831
Represented by:		
Cash and cash equivalents	441	415
Other financial assets	356	416
Total	797	831

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.

The accompanying notes form part of these financial statements.

Changes in accounting policy

9.1. AASB 16 Leases

AASB 16 sets out a comprehensive model for lessee accounting that addresses recognition, measurement, presentation and disclosure of leases. Lessor accounting is largely unchanged. AASB 16 Leases replaces AASB 117 Leases and related interpretations.

Impact on the 2019-20 financial statements

The Company disclosed in its 2018-19 financial report total undiscounted operating lease commitments of \$1.1 million under AASB 117.

The Company has accommodation services provided by the Department of Planning, Transport and Infrastructure (DPTI) under Memoranda of Administrative Arrangement (MoAA) issued in accordance with Government-wide accommodation policies.

These MoAA do not meet the definition of lease set out either in AASB 16 or in the former standard AASB 117. Accordingly, there is no difference between the 2018-19 undiscounted operating lease commitments disclosed under AASB 117 and the operating lease commitments recognised as at 1 July 2019.

Commitments related to accommodation services provided by DPTI are included in Note 10.1.

The misclassification did not impact on the Statement of Comprehensive Income or the Statement of Financial Position in prior years. This misclassification impacted items within the supplies and services expenses line. Note 3.1 applies the correct classification for both the current and comparative years

9.2. AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers establishes a revenue recognition model for revenue arising from contracts with customers. It requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. AASB 15 supersedes AASB 111 Construction contracts, AASB 118 Revenue and related Interpretations and applies to all revenue arising from contracts with customers.

Impacts on the financial statements are explained below together with impacts from adoption of AASB 1058 Income of Not-for-Profit Entities.

Significant accounting policies relate to the application of AASB 15 are disclosed under relevant notes.

9.3. AASB 1058 Income of Not-for-Profit Entities

AASB 1058 Income of Not-for-Profit Entities establishes new income recognition requirements for not-for-profit entities. Its requirements apply where the consideration to acquire an asset, including cash, is significantly less than fair value principally to the entity to further its objectives. AASB 1058 also contains requirements for the receipt of volunteer services. AASB 1058 supersedes income recognition requirements in AASB 1004 Contributions, AASB 118 Revenue and AASB 111 Construction Contracts. However, elements of AASB 1004 remain in place, primarily in relation to restructures of administrative arrangements and other contributions and distributions by owners.

Impact on the 2019-20 financial statements

On transition, there was no impact on retained earnings.

There are also no impacts on the financial statements from the timing of recognition of revenue by the Company. Revenues received in advance for future productions and programs are recorded as liabilities in the Statement of Financial Position. Refer to note 7.3 for further details.

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.

Expenditure commitments

	2020 \$'000	2019 \$'000
Commitments in relation to accommodation contracted for at the reporting date but not recognised as liabilities are payable as follows:		
Within one year	211	208
Later than one year but not longer than five years	650	857
Total operating lease commitments	861	1,065

The company's expenditure commitments are for agreements for:

- memorandum of administrative arrangements (MoAA) with the Department of Planning, Transport and Infrastructure for accommodation at the Netley Opera Studio, which is used primarily for office accommodation and rehearsals, as well as occasional performances and storage.
- storage facilities to store its production sets, costumes and effects. As at July 2020 one of the facilities is no longer leased effective July 2020. A second storage facility commenced 16 September 2019 with a 12 month contract and quarterly rental payments.

Production contracts commitments

The Company, by the nature of its operations, has entered into contracts with artists for performances scheduled to take place subsequent to 30 June 2020. 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, hired scenery, or costumes not used. Due to the Covid pandemic there has been no engagement with theatre proprietors for performances scheduled post 30 June 2020.

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

	2020 \$'000	2019 \$'000
Performers' salaries, etc		
Within one year	102	372
Total performers salaries, etc	102	372
Construction and hire agreements		
Within one year	-	290
Total construction and hire agreements	-	290
Total production contract commitments	-	662

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.

The accompanying notes form part of these financial statements.

10.3. Events after the reporting period

The COVID-19 pandemic will continue to impact the operations of the company in 2020-21. The key expected impacts are:

- In July 2020 a refund of box office income of \$162,000 occurred due to two postponed shows.
- Sponsorship, philanthropy, trust and grant have been, and will continue to be, adversely affected as these sources of income are intrinsically linked to the public-facing activity of the Company.
- The overall economic and employment downturn across the State will have a long-lasting negative impact on the ability of the Company to achieve non-Government income targets due to the performing arts reliance on the leisure-spend capacity of the target demographic.
- The Company will adopt a new COVID-Recovery Strategic Plan throughout CY2021 and 2022 focusing on a new and diversified business model which will give greater flexibility to performance activity should changes continue to create an uncertain public engagement landscape. The Company is small, creative, and well-placed to adapt to restricted conditions while core Government funding remains in place to support wages, overheads, and artists.

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 2019 (1.25%) to 2020 (0.75%).

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 decreased the salary inflation rate from 2019 (4%) to 2020 (2.5%). As a result there would be a decrease in the reported long service leave liability. Due to no employees being employed for greater than 5 years, 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

The accompanying notes form part of these financial statements.

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.

The Company's exposure to market risk is low due to the nature of the financial instruments held, there has been a significant decrease in the value of the equity holdings in this financial year attributed to the Covid-19 pandemic. 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 2021. A new 2-year funding arrangement will be in place for 2021-2022.

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 of financial instruments

The Company measures all financial instruments at fair value through profit or loss.

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.

Category of financial asset and financial liability	Note	2020 Carrying amount / Fair value (\$'000)	2020 Contractual maturities	
			Within 1 year (\$'000)	1-5 years (\$'000)
<u>Financial assets</u>				
Cash and cash equivalents	6.1	2,248	2,248	-
Other financial assets	6.3	356	-	356
Receivables	6.2	18	18	-
Total financial assets		2,622	2,266	356
<u>Financial liabilities</u>				
Payables	7.1	35	35	-
Total financial liabilities		35	35	-

The accompanying notes form part of these financial statements.

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.