



**Government
of South Australia**

STATE OPERA SOUTH AUSTRALIA

2018-19 Annual Report

STATE OPERA SOUTH AUSTRALIA

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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.

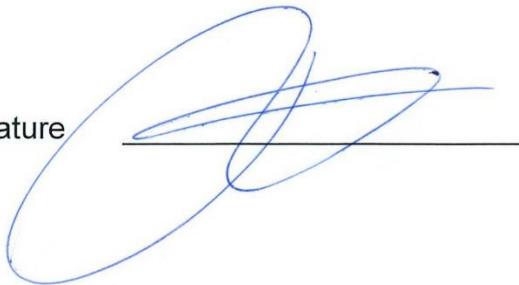
Submitted on behalf of the State Opera South Australia by:

John Irving

Chair

Date 20-9-19

Signature



From the Chief Executive

I am very proud to have played a part in the exciting and opportunity-driven changes that have taken place throughout all aspects of State Opera South Australia in FY18-19. From the re-imagining of the capability and capacity of this small company to deliver large-scale projects, to the growth of our workforce, to the incredible productions that have kicked off an ambitious 2019 season program - the last twelve months have been a wonderful time for opera in this State.

This is a company renowned for showcasing world-class Australian singers, and which consistently develops, creates and presents some of the great works of this rich and wonderful art form. As an employer of so many South Australians, both on the stage and behind the scenes, State Opera has also set a benchmark for other companies to follow by championing home-grown creative talent. We are leading the way for other performing arts companies in our programming of Australian works, and our ongoing commitment to our own cultural development and expansion has been applauded far and wide.

It's always challenging to capture what we do from July to June, rather than from January to December where our work practices follow the arc of our artistic program, but even so I am delighted that this company has proven once again that we have so much to enjoy, explore and celebrate. Our wonderful audiences and friends have supported us in **new venues** (*Dido & Aeneas* at Plant 4 Bowden, *Carmen* in Victoria Square, *Cunning Little Vixen* in the Ridley Centre), in **new ventures** (Opera Winter School, Le Miserables flash mob at Central Market, Opera Discovery Days and Pop-Up Chorus) and in **new gatherings** (High Note Dinner, Artistic Director's Circle, The Opera Club) which have made this the busiest year on record!

We have enjoyed fruitful associations with the Adelaide Symphony Orchestra, the Adelaide Festival, and Adelaide Botanic High School, and developed excellent and ongoing partnerships with local commercial businesses, suppliers and media. I am particularly pleased that we have implemented systems, processes, tools and plans that will set this company up to operate professionally in the 21st century, and that ultimately will aid us in reaching more audiences, selling more tickets, and securing continued investment from donors and sponsors due to the excellence of our product.



Yarmila Alfonzetti
Chief Executive
State Opera South Australia

Contents

Contents.....	4
Overview: about the agency.....	6
Our strategic focus	6
Our organisational structure.....	7
Changes to the agency	7
Our Minister	8
Our Executive team	8
The agency's performance.....	9
Performance at a glance	9
Agency contribution to whole of Government objectives.....	10
Agency specific objectives and performance	11
Corporate performance summary	17
Employment opportunity programs	17
Agency performance management and development systems.....	18
Work health, safety and return to work programs	18
Executive employment in the agency.....	20
Financial performance	21
Financial performance at a glance	21
Consultants disclosure	21
Contractors disclosure	22
Risk management.....	23
Risk and audit at a glance.....	23
Fraud detected in the agency.....	23
Strategies implemented to control and prevent fraud.....	23
Whistle-blowers disclosure.....	24
Reporting required under any other act or regulation	24
Reporting required under the <i>Carers' Recognition Act 2005</i>	24
Public complaints.....	25

Number of public complaints reported	25
Service improvements for period	27
Appendix: Audited financial statements 2018-19.....	28

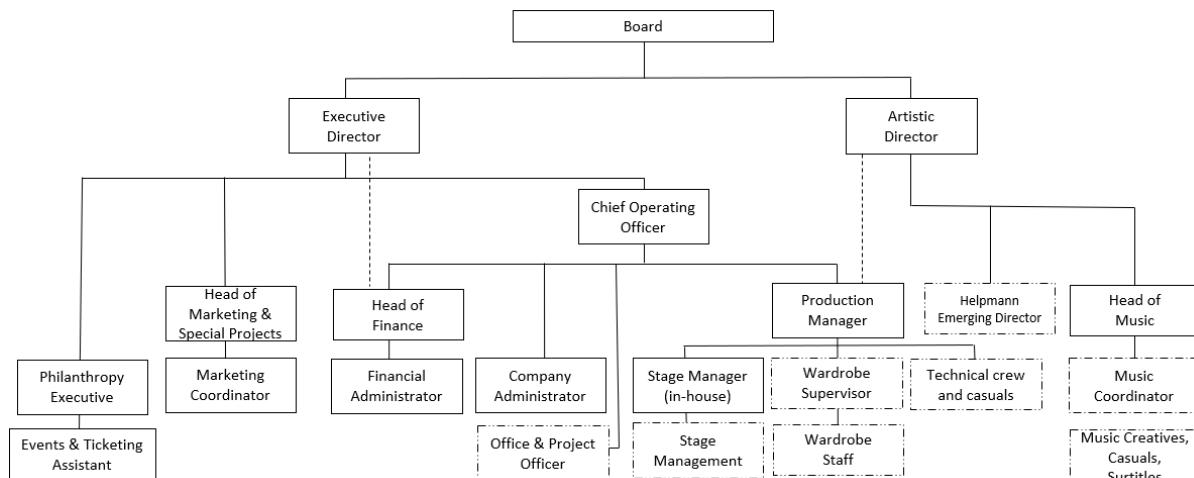
Overview: about the agency

Our strategic focus

Our Purpose	<p>State Opera of South Australia (SOSA) exists to provide a broad, deep, and relevant cultural service to residents of South Australia and beyond, and to advance the development of the art form of opera by:</p> <ol style="list-style-type: none"> 1. Consistently producing and performing critically-acclaimed opera, with a balanced repertoire that encompasses core classics, lesser-known masterpieces, new and unusual works. 2. Creating a diverse, innovative, wide-ranging program of open engagement and education activities that reaches the widest possible community. 3. Developing exceptional emerging operatic talent.
Our Vision	<p>To be a twenty-first century Australian arts company, uniquely placed to provide a cultural service to the State of South Australia. To be recognised for our artistic program, for relentlessly pursuing the expansion of our reach and impact, and for investing in meaningful engagement for the benefit of the operatic art form.</p>
Our Values	<p>Relevance - Present work that will traverse all types of audiences.</p> <p>Acknowledge and embody diversity - Over the next three years, we will present nine Australian operas, and showcase opera as a living, relatable, exhilarating art form that has relevance and appeal today.</p> <p>Integrity - Showcase the diversity and flexibility of our programming whilst maintaining the high artistic standard for which SOSA and our partner the Adelaide Symphony Orchestra are renowned.</p> <p>Quality - To develop greater rigour around our strategic, operational and artistic outcomes.</p> <p>Distinctiveness - The program reflects SOSA's artistic vision to showcase Australian work performed by the best Australian and South Australian artists and conducted by international artists of renown.</p>

	Learning - We are committed to SOSA being a vibrant, sustainable company that actively seeks feedback from our stakeholders, including funding agencies, peers and audiences, and uses this feedback to reflect on success and failure and to continue to adjust our strategic, operational and artistic planning.
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



Changes to the agency

For some time, funding agencies had been concerned that SOSA employed a very small number of key personnel whose unsustainably high workload was assessed to pose a material risk to the company. The new Executive Team has moved swiftly with support from the Board to create a new, sustainable and appropriate organisational structure for the company with the creation of five new positions including:

- Chief Operating Officer
- Head of Marketing
- Development Executive
- Marketing Coordinator
- Company Administrator

The new organisational structure has been established to meet the objectives of the Strategic Plan. SOSA has also engaged a Finance team, a full-time Stage Manager and a Production Manager, and accesses other resources through short-term contracts and consultancies. The Directors have worked to deliver KPIs established by the Board Risk & Performance Committee with a set of stringent outcomes.

The Executive Team will continue to work closely with the Chair and SOSA Board to reflect on our current artistic, operational and fiscal position. The SOSA Board approved a 2019 Artistic Program which captures the hallmarks of a new era of opera in South Australia. The program includes a large access-centred family-friendly event intended to balance the Adelaide Festival's more exclusive and high-end position around the operatic art form, clever uses of new and interesting venues, familiar works from the great canon of repertoire and a set of rare Australian works that will be revived and recorded for posterity by SOSA.

By championing engagement (broad) and impact (deep), SOSA succeeds in delivering leadership in the sector as well as relevance for countless opera-lovers, arts patrons, students, children, families and industry specialists alike. SOSA aspires to establish Adelaide as a significant national and international destination for opera, whilst maintaining our existing audiences and growing new markets in the community.

SOSA has increased the volume of performances to at least 4-5 major productions in 2019. This increase is ambitious and has certain financial and operational risk factors attached however, in the case of SOSA where visibility plays a factor in our success, the increase in volume is vital. Volume directly leads to relevance which will ensure the company connects deeply to audiences and expands our reach over time.

There were no machinery of government changes uniquely affecting the agency.

Our Minister

The Hon Steven Marshall MP is the Minister for the Arts.

Our Executive team

Yarmila Alfonzetti is the Executive Director, responsible for the overall strategy and operations of SOSA, particularly in the areas of finance, human resources, and development.

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

The agency's performance

Performance at a glance

This has been a significant year of change, growth and capacity building for State Opera where important structural changes to business operations, systems and human resources have been made as an investment into the future health and viability of the company.

Box office revenue alone almost doubled from \$728,000 in FY2017-18 to \$1,391,000 in FY2018-19 and current revenue projections for CY2019 are positive and showing a growth trend.

Overall, the organisation's earned income has increased by 41% from FY2017-18 to FY2018-19 (\$2,628,000 to \$3,708,000). This was achieved despite the substantial challenges and issues encountered regularly throughout the year, most specifically the use of non-traditional venues and their unknown costs, the inheritance of programming choices, unresolved business issues which required addressing, and the South Australian Government efficiency dividend.

The need for ongoing work required on operational integration issues became clear throughout the year due to the difference between production cost assumptions vs projected box office income; important steps were already in place to manage some aspects of this, however changes in personnel and systems meant that more stringent planning and reforecasting was required.

Considering the reputational issues faced by the company and the departure of a number of sponsors at the end of 2018, the sponsorship, grant and foundation income results are pleasing; and on balance the company is in a strong position to present a 2020 season.

Agency contribution to whole of Government objectives

Key objective	Agency's contribution
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, and allowing casts and choruses to expand, 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	The new but now permanent mission at SOSA is “More opera for more people”. Providing access to this art form by reducing one of the barriers to entry – cost of tickets – has been a significant success this year. This important aspiration meant a fresher marketing approach and a revised pricing strategy which offered a broad range of ticket prices that encouraged more South Australians to experience opera. The audience number has grown dramatically in the course of 12 months - with additional inventory becoming available through increased programming, there was an opportunity to add in significantly lower ticket prices for some performances. Tickets were available at a wide range of price points, including accessible, low-cost tickets being made available for particular productions. The season program was and will be suitably varied so that it is not the expectation that audiences will be able to, or want to, attend everything. The historic subscription model was revised to encourage and reward incrementally increased buying patterns, and facilitate the necessary move to new venues and performance schedules required due to lack of access to the Festival Theatre.
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

Note: SOSA operates its artistic activity within a calendar year model, however is required to undertake financial reporting on a financial year basis. Therefore, there will be some discrepancies within these tables. For examples, programs which are initiated in one calendar year but are financially reported in the next, or pilot projects which may run over 18 months. SOSA is currently considering the viability of a shift to financial reporting based on a calendar year, however that will take some time to implement. All outcomes and performance measures noted in the below tables reference the 2019 calendar year artistic program.

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

Agency objectives	Indicators	Performance against objectives in 2019
Developing and implementing a measurable artistic vibrancy process	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.	80%+ positive feedback from audience. 75%+ positive reports from peer assessors.
Commissioning and presenting new work at the forefront of artistic practice including Australian work independently or as a co-production	Present at least two productions per annum directed by an Australian. Employ Australians where possible to direct, design, conduct and sing operas created by SOSA. Commit to a target of least 50% of principal singers across the annual program being Australian and at least 10% being from South Australia Present operas composed by Australians. Work closely with Adelaide Symphony Orchestra (ASO) and prioritise their partnership for mainstage	Three fully staged operas and one opera-in-concert presented. Lost Opera of Oz series presented. Utilised ASO for four productions.

	performance. Program one opera or productions of an opera per annum which has not been seen for 10 years or more in Australia.	
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.	Developed non-traditional venues (Victoria Square) as a seated, ticketed venue. Presented one major outdoor event. National distribution of season brochure and national media announcement of season. Australian premiere of new production of Madame Butterfly in November 2019.
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).	4FTE to at least 5FTE achieved. Staff engaged in all key areas.
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SECTOR DEVELOPMENT – Demonstrates sector leadership and grow the profile of Australian art and artists

Agency objectives	Indicators	Performance against objectives in 2019
Support and develop connections and collaborations with individual artists and the small to medium sector	Engage with different art forms and practitioners across the sector and major and small to medium companies to create experiences unique to Adelaide. At least one project/performance per annum in partnership with an arts company other than the ASO and/or an individual artist.	Partnership formed in 2019 with Brink Productions for development of a new opera work.
Demonstrating commitment to nurturing and development of artists at various stages of career	James & Diana Ramsay Foundation Artist Development Program. Implementation of Opera Learning Program. Growth in number of opportunities and participants.	At least 10 emerging artists given roles in SOSA productions. Two-week Winter School program occurred in 2019.
Demonstrating leadership role in the development of arts in South Australia	Engagement in local and national debate, commentary and advocacy on arts issues. Involvement in state and national committees, media coverage and public speaking engagements. Be a lead employer of South Australian artists and practitioners. Excellence in workplace processes and procedures in adherence with State Government regulations. High number of artists employed per annum.	Executive Director on Helpmann Classical & Opera Panel, National Choral Summit Group, and SA Music Education Round Table. Speaking engagements at local community groups. Over 200 individual artists and creative practitioners engaged in 2019.

Demonstrate commitment to developing and delivering opera education initiatives across the full education spectrum	Education partnerships including with Adelaide secondary schools and Elder Conservatorium. Sound number of students attending SOSA productions and education initiatives. Continuation and development of initiatives through online engagement, pre-performance talks and a full “Open Stage” program of adult education events.	School group attendance at Carmen in the Square and Cunning Little Vixen in 2019. Strong engagement from secondary and tertiary youth in Winter School. Provided full education offering for Adelaide Festival’s opera production the Magic Flute. Strong participation in Opera Discovery Days and Pop Up Chorus adult education initiatives.
Maintain and develop SOSA’s international profile and reputation	Collaboration with international companies and artists. Presentation of specialist works and works of scale which attract international attention. Program at least one production per annum which has not yet been seen in Australia; Program one opera or productions of an opera per annum which has not been seen for 10 years or more in Australia.	Australian premiere of new production of Madame Butterfly in November 2019. Lost Opera of Oz series.

ACCESS – Ensures more Australians have access to and engagement with the arts

Agency objectives	Indicators	Performance against objectives in 2019
Presenting an annual season of performances in Adelaide	Programming of multiple events in a season package across of range of venues. Strong paid attendances.	Four main stage operas, one opera-in-concert, three Australian operas available for purchase in various ticket packages. Over 11,000 tickets sold to date for 2019 artistic season.
Development of audiences that reflect the diversity	Presentation of a diverse program of works and events in multiple venues and regions.	Strong new audience / first time attendee ticket

of the company's marketplace		sales, in particular for Carmen in the Square.
Undertaking education and learning activities in schools and community	Schools program and community workshops.	Touring and community partnership initiatives currently in development.
Touring to regional centres and/or capital cities based on collaborative approach with relevant state-based companies (as agreed)	Collaboration with interstate companies and presenters.	Regional tour to three centres of the Red Cross Gala: Songs from Operetta and WWI.
Delivering educational engagement with regional South Australia including through touring, education, learning and digital platforms	Regional school opera/ music education, programs and workshops.	Cunning Little Vixen included in DreamBIG festival; Carmen in the Square live streamed to Port Pirie.

FINANCIAL AND GOVERNANCE – Demonstrates sound financial and governance practices

Agency objectives	Indicators	Performance against objectives in 2019
Diversifying and growing the company's revenue base	Philanthropy, bequests, donors, corporate sponsorship, increase in audience base. Growth in revenue and diversification of income sources	Strong growth in philanthropy throughout 2019. Several new corporate partners. Significant increase in audience base.
Adopting entrepreneurial and innovative approaches to support viability	Project funding, targeted philanthropy, matched funding, donor special interest groups. Growth in revenue	Growth in revenue. Met Tripartite funding agreement-stipulated non-government revenue target.

Maintaining reserves	Sound financial reporting results. Benchmark 20% reserves.	Benchmark of at least 20% maintained.
Maintaining operating margin	Sound financial reporting results. Exceed operating margin by 1% each year.	Despite increase in revenue, company operated at deficit for FY19.
Working capital	Sound financial reporting results. Exceed industry standard of 2:1 (SOSA historically 5.38 (FY17) and 4.94 (FY16)).	Industry standard achieved.
Maintaining adequate liquidity	Sound financial reporting results. Maintain at least 25% of annual turnover as accessible cash-at-hand.	Target of 25% achieved.
Having strong governance and management capabilities in accordance with Essential Governance Practices for Arts Organisations guidelines	Board oversight in risk and finance via regular Board meetings and financial accountability via annual audit.	Risk and Performance Committee formed and commenced regular meetings and report reviews.
Regular and open dialogue with stakeholders including funding bodies	Regular meetings, reporting, communication. Positive feedback and continuation of funding.	Positive relationships maintained. Funding confirmed for two additional years.

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, 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, 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 in respect of Respectful Behaviours, Privacy, Financial Delegation, and Remuneration and Performance Management.

Employment opportunity programs

Program name	Performance
Helpmann Emerging Director Fellowship	In partnership with the Helpmann Academy and the State Theatre Company of South Australia, State Opera initiated an annual fellowship program. This program offers one young talented emerging director within their first 5 years of their practice a placement within the company to work alongside professional Directors. The successful applicant is paid a wage plus superannuation and is involved in a broad range of skills and experience-enhancing projects.
Secondary & Tertiary Work Experience and Internships	State Opera regularly accepts and incorporates secondary and tertiary students into the administration team offering exceptional first-hand opportunities to lead about the performing arts and an arts management career.
Opera Winter School	State Opera Winter School combines high level performing arts tuition with an emphasis on developing stage skills and ensemble skills. The inaugural State Opera Winter School was open to senior secondary and tertiary students who have a passion for singing and acting on the stage. Run in Adelaide over two weeks between Monday 24 June and Saturday 6 July 2019, the school provided strong foundational learning around the craft of opera and included valuable performance experience alongside professional opera singers as part of the program.

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	Scheduled for 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.
Respectful Behaviours policy implemented	Creation and implementation of Respectful Behaviours policy to ensure mental and emotional wellbeing of all staff.
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 2018-19	Past year 2017-18	% Change (+ / -)
Total new workplace injury claims	1	0	100%
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 2018-19	Past year 2017-18	% Change (+ / -)
Number of notifiable incidents (<i>Work Health and Safety Act 2012, Part 3</i>)	0	0	0%
Number of provisional improvement, 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 2018-19	Past year 2017-18	% Change (+ / -)
Total gross workers compensation expenditure (\$)	\$7467.67	0	100%
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/af8e5fd4-f0b3-4726-b617-ff9141c97fd1>

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/5bcb287f-2146-4c30-bfe7-304123caebdb>

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 2018-19 are attached to this report.

Statement of Comprehensive Income	2018-19 Budget \$000s	2018-19 Actual \$000s	Variation \$000s	2017-18 Actual \$000s
Expenses	5,574	6,248	(674)	3,980
Revenues	4,016	3,731	(285)	2,664
Net cost of providing services	(1,558)	(2,517)	(959)	(1,316)
Net Revenue from SA Government	1,559	1,559	0	1,589
Net result	(1)	(958)	(959)	273
Total Comprehensive Result	(1)	(958)	(959)	273

Statement of Financial Position	2018-19 Budget \$000s	2018-19 Actual \$000s	Variation \$000s	2017-18 Actual \$000s
Current assets	3,276	3,444	168	3,568
Non-current assets	507	543	36	484
Total assets	3,783	3,987	204	4,052
Current liabilities	990	2,039	(1049)	1,054
Non-current liabilities	117	50	(67)	142
Total liabilities	1107	2,089	(982)	1,196
Net assets	2,676	1,898	(778)	2,856
Equity	2,676	1,898	(778)	2,856

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 (provision of specialist advice)	\$18,000

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

Consultancies	Purpose	\$ Actual payment
Nil		
	Total	Nil

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/42fd49cb-b4cc-44c0-8a5a-407ba4ad66af>

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. The below figures also include allowances and loadings where relevant.

Contractors with a contract value below \$10,000

Contractors	Purpose	\$ Actual payment
All contractors below \$10,000 each - combined	Various (artists, creative team members, crew, etc)	\$455,398

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

Contractors	Purpose	\$ Actual payment
All contractors above \$10,000 each - combined ¹	Artists (perform operatic productions)	\$770,602

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/e1acdb76-3037-4b8f-a611-83aea43b2f47>

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 scope of the Risk & Performance Committee (RPC), which has historically focused on audit and risk issues, has been expanded in FY2018-19 to include consideration of 'performance' - the ability to achieve strategic priorities. Key priorities for this group include the effective oversight of policies and procedures, management controls, risk management matrices and independent assurance. The RPC has an essential role in overseeing these activities and monitoring changes in the industry and community in which our organisation operates.

Formal governance structures provided an important framework through which appropriate behaviours can be encouraged and supported; and through which poor behaviours can be detected and addressed.

The operating principles of the RPC 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

¹ Contractor fees, particularly for performing artists, are commercial-in-confidence. Therefore, individual contractor names and fee values are not individually outlined within this report.

- 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 in 2018-19.

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/635132ae-b237-4a07-aa7c-560b4e44b67b>

Whistle-blowers disclosure

Number of occasions on which public interest information has been disclosed to a responsible officer of the agency under the *Whistleblowers Protection Act 1993*:

0

Data for previous years is available at: <https://data.sa.gov.au/data/dataset/5626a988-d3fd-4324-b054-ba41281bc58c>

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 2018-19
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	0
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	2
Service delivery	Access to services	Service difficult to find; location poor; facilities/ environment poor standard; not accessible to customers with disabilities	3
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

Complaint categories	Sub-categories	Example	Number of Complaints 2018-19
Policy	Policy content	Policy content difficult to understand; policy unreasonable or disadvantages customer	0
Service quality	Information	Incorrect, incomplete, out dated or inadequate information; not fit for purpose	1
Service quality	Access to information	Information difficult to understand, hard to find or difficult to use; not plain English	1
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	1
Service quality	Service responsiveness	Service design doesn't meet customer needs; poor service fit with customer expectations	1
No case to answer	No case to answer	Third party; customer misunderstanding; redirected to another agency; insufficient information to investigate	1
		Total	10

Additional Metrics	Total
Number of positive feedback comments	30+
Number of negative feedback comments	10
Total number of feedback comments	40
% complaints resolved within policy timeframes	100%

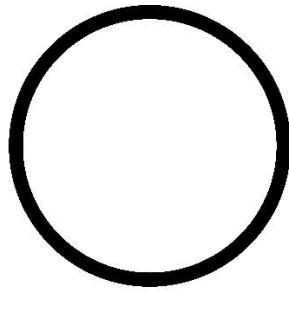
Data for previous years is available at: <https://data.sa.gov.au/data/dataset/0c7d380f-31a0-40b7-ad69-6aed272f88ea>

Service improvements for period

Service improvements that responded to customer complaints or feedback

The agency was able to respond to and address most complaints and instances of feedback immediately, given they were often operational and easily addressed by an improvement in, or revisions of, service delivery.

Appendix: Audited financial statements 2018-19



**STATE OPERA
SOUTH AUSTRALIA**

ABN 31 382 679 566

State Opera of South Australia

Financial Statements
For the year ended
30 June 2019

Contents

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

State Opera of South Australia

Certification of the Financial Statements

For the year ended 30 June 2019

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

- comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Australian Accounting Standards;
- are in accordance with the accounts and records of the State Opera of South Australia; and
- present a true and fair view of the financial position of the State Opera of South Australia as at 30 June 2019 and the results of its operation and cash flows for the financial year.

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



John Irving
Chair Board of Management



Yarmila Alfonzetti
Executive Director



Lisa Mulvaney

Lisa Mulvaney
Head of Finance

Date: 20/07/19

State Opera of South Australia

Statement of Comprehensive Income

For the year ended 30 June 2019

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

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 2019

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

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

State Opera of South Australia

Statement of Changes in Equity

For the year ended 30 June 2019

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

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 2019

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

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

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

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

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

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

1.2 Objectives

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

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

2. Board, committees and employees

2.1. Key management personnel

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

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

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

Transactions with key management personnel and other related parties

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

2.2. Board and committee members

Members during the 2019 financial year were:

The State Opera of South Australia Board

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

Risk and Performance Committee (established September 2018)

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

Fundraising Committee (established October 2018)

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

Board and committee remuneration

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

2.3. Employee benefits expenses

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

Employment on-costs - superannuation

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

Executive remuneration

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

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

2.4. Employee benefits liability

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

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

Salaries and wages, annual leave and sick leave

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

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

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

Long service leave

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

3. Expenses

Employee benefits expenses are disclosed in note 2.3.

3.1. Supplies and services

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

Consultants

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

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

3.2. Depreciation and amortisation

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

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

Review of accounting estimates

Assets' residual values, useful lives and amortisation methods are 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)
Production equipment	5-10
Office furniture and equipment	5-10
Computer equipment	3
Intangible assets	5

Depreciation and amortisation methods are reviewed annually.

3.3. Grants and subsidies

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

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

4. Income

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

4.1. Net revenues from SA Government

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

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

4.2. Fees and charges

	2019 \$'000	2018 \$'000
Comprises revenue for operas and other events staged during the year:		
Opera		
The Master Singers	157	-
Dido and Aneas	49	-
The Red Cross Gala	67	-
The Merry Widow	644	-
King Arthur	53	-
Carmen	420	-
The Cunning Little Vixen	67	-
Other productions	32	-
2018 Productions	-	743
Total Opera	1,489	743
Total revenue for operas and other events staged during the year:	1,489	743
Other fees and charges		
Co-production - The Pearl Fishers	80	-
Co-production - The Merry Widow	175	-
Total Other fees and charges	255	-
Total box office and production revenue	1,744	743

4.3. Commonwealth grants and payments

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

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

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

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

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

4.4. Interest and dividends

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

4.5. Other income

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

Sponsorship

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

Donations

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

Foundations

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

5 Non-financial assets

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

5.1. Plant and equipment

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

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

Impairment

There are no indicators of impairment at 30 June 2019.

Reconciliation 2018-19

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

Disposals

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

5.2. Intangible assets

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

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

Reconciliation 2018-19

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

6. Financial assets

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

6.1 Cash and cash equivalents

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

Short term deposits

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

6.2 Receivables

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

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

Impairment of receivables

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

6.3 Other financial assets

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

Other financial assets

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

7. Liabilities

Employee benefits liabilities are disclosed in note 2.4.

7.1 Payables and accruals

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

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

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

Employment on-costs

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

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

As a result of an actuarial assessment performed by the Department of Treasury and Finance, the proportion of long service leave taken as leave has not changed from the 2018 rate (41%) and the average factor for the calculation of employer superannuation cost on-costs has changed from the 2018 rate (9.9%) to 9.8%. These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year is immaterial.

7.2. Provisions

	2019 \$'000	2018 \$'000
Current		
Provision for workers compensation	60	13
Total current provisions	60	13
Non-current		
Provision for workers compensation	-	31
Total non-current provisions	-	31
Total provisions	60	44
Movement in provisions		
	2019 \$'000	2018 \$'000
Carrying amount at the beginning of the period	44	44
Additional provisions recognised	16	-
Carrying amount at the end of the period	60	44

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

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

7.3 Other liabilities

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

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

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

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

8. Other Disclosures

8.1. Equity

Future productions reserve

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

Reserves Incentive Scheme funds reserve

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

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

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

Trust funds reserves

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

8.2. Trust funds

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

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

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

8.3. Cash flow

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

9. Changes in accounting policy

9.1. Treasurer's Instructions (Accounting Policy Statements)

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

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

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

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

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

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

9.2. AASB 9 Financial instruments

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

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

- *AASB 101 Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. In prior year, this information was presented as part of other expenses.
- *AASB 7 Financial Instruments*: Disclosures require amended disclosures due to changes arising from AASB 9, these disclosures have been provided for the current year because the comparatives have not been restated.

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

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

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

10. Outlook

10.1. Unrecognised contractual commitments

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

Operating lease commitments

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

There are no purchase options available to the Company.

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

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

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

Production contracts commitments

The Company, by the nature of its operations, has entered into contracts with artists and theatre proprietors for performances scheduled to take place subsequent to 30 June 2019. The terms and conditions of the contracts may also place a liability on the Company to pay some or all of these amounts should the artist not be engaged or the theatre, hired scenery, or costumes not used.

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

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

10.2. Contingent assets and liabilities

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

The Company has no contingent assets or liabilities to report.

10.3. Impact of standards and statements not yet effective

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

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

There have been no material impacts on the Company.

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

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

Impact on the 2019-20 financial statements

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

Related accounting policies

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

AASB 16 – Leases

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

Impact on 2019-20 financial statements

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

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

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

Related accounting policies

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

10.4. Events after the reporting period

The Company has no events to report.

11. Measurement and risk

11.1. Long service leave liability – measurement

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

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

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

This decrease in the bond yield, which is used as the rate to discount future long service leave cash flows, results in a minimal impact upon the long service leave liability.

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

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

11.2. Fair value

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

Initial recognition

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

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

11.3. Financial instruments

Financial risk management

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

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

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

Liquidity risk

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

Refer to notes 7.1 and 7.3 for further information.

Impairment of financial assets

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

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

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

Categorisation of financial instruments

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

Classification applicable until 30 June 2018 under AASB 139 Financial Instruments:

Recognition and Measurement

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

- *Held-to-maturity investments*
- *Loan and receivables*
- *Financial liabilities measured at cost.*

Classification applicable from 1 July 2018 under AASB 9 Financial Instruments

On initial recognition, a financial asset is classified as measured at fair value through fair value through profit or loss (FVTPL).

The Company measures all financial instruments at FVTPL.

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

Receivables and payables

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

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