



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

To the Chair, Board of Management 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 2022.

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 2022, 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 - Simplified Reporting Requirements.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2022
- a Statement of Financial Position as at 30 June 2022
- a Statement of Changes in Equity for the year ended 30 June 2022
- a Statement of Cash Flows for the year ended 30 June 2022
- notes, comprising material accounting policies and other explanatory information
- a Certificate from the Interim Executive Director and Chair, Board of Management and the Chief Financial Officer.

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 Interim Executive Director and the Board for the financial report

The Interim 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 - Simplified Reporting Requirements, 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.

In preparing the financial report, the Interim Executive Director is responsible for assessing the entity's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Interim Executive Director is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

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 State Opera of South Australia for the financial year ended 30 June 2022.

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 Interim Executive Director
- conclude on the appropriateness of the Interim Executive Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- 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.

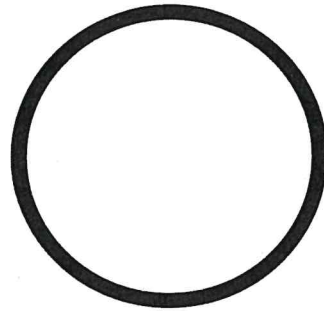
I communicate with the Interim Executive Director and the Chair, Board of Management about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Daniel O'Donohue
Assistant Auditor-General (Financial Audit)

16 September 2022

OFFICIAL



STATE OPERA
SOUTH AUSTRALIA

ABN 31 382 679 566

STATE OPERA OF SOUTH AUSTRALIA

Financial Statements
for the year ended
30 June 2022

OFFICIAL

**STATE OPERA OF SOUTH AUSTRALIA
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STATE OPERA OF SOUTH AUSTRALIA
CERTIFICATION OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 June 2022

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

- are in accordance with the accounts and records of the Company;
- comply with relevant Treasurer's Instructions issued,
- comply with relevant accounting standards; and
- present a true and fair view of the financial position of the Company at the end of the financial year and the result of its operations 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 financial statements have been effective.

Date 13 September 2022



John Irving
Interim Executive Director, and
Chair Board of Management



Nicole Mathee
Chief Financial Officer

STATE OPERA OF SOUTH AUSTRALIA

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Note	2022 \$'000	2021 \$'000
Income			
Revenues from SA Government	2.1	1,535	1,537
Commonwealth-sourced grants and funding	2.2	2,072	1,607
SA Government grants, subsidies and transfers	2.3	5	2
Sales of goods and services	2.4	1,419	874
Interest and dividends	2.5	33	19
Net changes in fair value of investments (FVTPL)		(26)	97
Resources received free of charge	2.6	5	5
Other income	2.7	988	409
Total income		6,031	4,550
Expenses			
Employee benefits expenses	3.3	1,962	1,412
Supplies and services	4.1	4,277	2,328
Depreciation and amortisation	4.2	34	29
Other expenses	4.3	-	1
Total expenses		6,273	3,770
Net result from operations		(242)	780
Share of results of associates	4.4	(79)	(76)
Net result for the period		(321)	704
Total comprehensive result		(321)	704

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 2022

	Note	2022 \$'000	2021 \$'000
Current assets			
Cash and cash equivalents	6.2	2,926	2,783
Receivables	6.3	626	534
Total current assets		3,552	3,317
Non-current assets			
Other financial assets	6.4	432	454
Investments in associates	6.5	215	142
Property, plant and equipment	5.1	69	86
Intangible assets	5.2	72	22
Receivables	6.3	189	-
Total non-current assets		977	704
Total assets		4,529	4,021
Current liabilities			
Payables	7.2	180	301
Contract liabilities	7.3	1,959	1,091
Employee benefits liabilities	3.4	103	105
Provisions	7.4	24	3
Total current liabilities		2,266	1,500
Non-current liabilities			
Employee benefits liabilities	3.4	14	14
Provisions	7.4	70	7
Total non-current liabilities		84	21
Total liabilities		2,350	1,521
Net Assets		2,179	2,500
Equity			
Reserves	8.1	1,639	1,353
Retained earnings	8.1	540	1,147
Total Equity		2,179	2,500

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 2022

	Reserves Incentive Scheme Funds Reserve \$'000	Trust Funds Reserves \$'000	Future Productions Reserve \$'000	Significant Bequests Reserve \$'000	Accumulated Surplus \$'000	Total \$'000
Balance at 30 June 2020	237	1,002	-	-	557	1,796
Total comprehensive result for 2020-21	-	-	-	-	704	704
Transfer between equity components	-	114	-	-	(114)	-
Balance at 30 June 2021	237	1,116	-	-	1,147	2,500
Total comprehensive result for 2021-22	-	-	-	-	(321)	(321)
Transfer between equity components	76	(66)	-	276	(286)	-
Balance at 30 June 2022	313	1,050	-	276	540	2,179

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 2022

	Note No.	2022 \$'000	2021 \$'000
Cash inflows			
Revenues from SA Government		1,635	1,537
Commonwealth-sourced grants and funding		2,920	1,782
SA Government grants, subsidies and transfers		5	2
Box office and production		1,420	626
Sponsorship and donations		796	359
Interest received		5	4
Dividends received		23	15
GST recovered from the ATO	8.2	166	62
Other receipts		78	96
Cash generated from operations		7,048	4,483
Cash outflows			
Employee benefits payments		(1,881)	(1,395)
Payments for supplies and services		(4,828)	(2,511)
Other payments		-	-
Cash used in operations		(6,709)	(3,906)
Net cash provided by/(used in) operating activities		339	577
Cash outflows			
Purchase of property, plant and equipment		(8)	(42)
Purchase of intangibles		(37)	-
Contribution towards The Opera Conference		(151)	-
Cash used in investing activities		(196)	(42)
Net cash provided by/(used in) investing activities		(196)	(42)
Net increase/(decrease) in cash and cash equivalents		143	535
Cash and cash equivalents at the beginning of the period		2,783	2,248
Cash and cash equivalents at the end of the period	6.2	2,926	2,783

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

STATE OPERA OF SOUTH AUSTRALIA

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 June 2022

1 About the State Opera of South Australia

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.

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 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;
- Promote or commission the scoring and writing of operas and other theatrical works for operatic or theatrical performance; 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 2021-22 were:

STATE OPERA OF SOUTH AUSTRALIA

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 June 2022

- In September 2021, two productions had to be postponed to May 2022. Travel restrictions affected the principals from inter-state and South Australia was still navigating changes within the State as a consequence of the pandemic. The September postponement and the May 2022 productions both resulted in significant sunk costs due to venue obligations, cover artists, continued isolation disruptions and loss of key production personnel leaving the industry.
- The Company continued to perform at an indoor venue capacity of 75% throughout 2021-22.

1.4 Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

In June 2021, the Company entered into a Tripartite Funding Agreement 2021 to 2024 with Federal and State Governments, via the Australia Council for the Arts and Arts SA, confirming funding to the end of the 2024 calendar year. Due to the outbreak of COVID-19, the Australia Council for the Arts and Arts SA provided reporting and other grant condition relief, including removing requirements on meeting audience KPIs, varying the purposes and outcomes of funding and allowing funding to be repurposed to pay essential bills including salaries and wages, rent and utilities, which allowed funding to be retained to date.

The Company notes that uncertainty remains, including any potential further outbreaks of COVID-19, and fluctuating audience numbers allowed at performances. However, management and the board are confident that the dynamic management operating policies, business review measures implemented, and available cash are adequate to enable the Company to meet operating and financial commitments for at least the next 12 months should the operations be impacted by further COVID-19 disruptions.

For the above reasons, the directors have prepared the financial report on a going concern basis.

2 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.

Where there is an enforceable agreement with sufficiently specific performance obligations, revenue is recognised under AASB 15 which requires recognition when control of a promised good or service is passed to the customer at an amount which reflects the expected consideration.

AASB 1058 establishes principles for not-for-profit entities that apply to revenue streams which are either not enforceable or do not have sufficiently specific performance obligations to fall within AASB 15. AASB 1058 also applies to:

- a) transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and
- b) the receipt of volunteer services.

If the consideration provided to acquire an asset, including cash, is significantly less than the fair value of that asset, or if no consideration was provided, and the difference is principally to enable the entity to further its objectives, such a transaction is within the scope of AASB 1058.

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability. Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed are net of goods and services tax (GST).

STATE OPERA OF SOUTH AUSTRALIA

**NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 June 2022**

2.1 Revenues from SA Government	2022	2021
	\$'000	\$'000
Revenues from SA Government	1,535	1,537
Total Revenues from SA Government	1,535	1,537

Total revenues from SA Government consist of \$1,535,000 (\$1,537,000) allocated to the Company, is for operational funding.

Accounted for under AASB 1058

The revenue received from the State Government of South Australia, through Arts SA, is allocated and paid within a financial year and recognised upon receipt.

2.2 Commonwealth-sourced grants and funding	2022	2021
	\$'000	\$'000
Recurrent Grant	1,628	1,607
Grant for La Boheme production (ABC Broadcast)	369	-
Grant for When the Rain Stops Falling commissioning	75	-
Total Commonwealth-sourced grants and funding	2,072	1,607

Accounted for under AASB 15

Commonwealth funding is generally received from Australia Council for the Arts in the same calendar year that the funding is intended to relate to under the terms of the agreement. The funding bodies have the right to request unspent funds to be returned until such time as they are spent in accordance with the agreement. Where funding payments are received in advance, a financial liability will be recognised, representing the Company's contractual obligation to deliver cash in the event the funding bodies request it. The financial liability is derecognised and revenue is recognised as the funds are subsequently spent. The artistic program delivered by the Company is evenly spread throughout the season and funding is recognised in alignment with the delivery of the program.

2.3 SA Government grants, subsidies and transfers	2022	2021
	\$'000	\$'000
Grant for Confident Conductor workshop	5	2
Total SA Government grants, subsidies and transfers	5	2

Accounted for under AASB 15

Grant revenue is allocated to each specific performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for completing each specific performance, program or activity.

Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating.

STATE OPERA OF SOUTH AUSTRALIA

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 June 2022

2.4 Sales of goods and services	2022	2021
	\$'000	\$'000
Opera Academy and Education Workshops	9	-
Tell Tale Heart	16	-
Barber of Seville	474	-
Teddy Tahu Rhodes and Guy Noble	73	-
George Duncan Project	6	-
La Boheme	522	-
Songs for the Sea Recital	9	-
Turn of The Screw	130	-
Songs for a Day Recital	8	-
Voss	171	-
How to Kill Your Husband	1	-
2020-21 Productions	-	874
Total Sales of goods and services	1,419	874

Accounted for under AASB 15

The Company fulfils its performance obligation in relation to sales of goods and services at the point in time that the relevant production is performed. The transaction price is equal to the ticket sale price and is allocated entirely to the single performance obligation of completing the production. In most cases the ticket price is paid by the customer at the time of purchase.

2.5 Interest and dividends	2022	2021
	\$'000	\$'000
Investment with SAFA	3	3
Cash and cash equivalents	2	1
Dividends	28	15
Total Interest and dividends	33	19

2.6 Resources received free of charge	2022	2021
	\$'000	\$'000
Services received free of charge – Shared Services SA	5	5
Total Resources received free of charge	5	5

Resources received free of charge were subsequently expensed as supplies and services in Note 4.1, at fair value when consumed/used.

STATE OPERA OF SOUTH AUSTRALIA

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 June 2022

2.7 Other income	2022 \$'000	2021 \$'000
Sponsorship	219	10
Donations and Bequests	619	267
Foundations	75	38
Insurance recovery	1	39
Sundry income	74	55
Total Other income	988	409

Accounted for under AASB 15 - Sponsorship

Typically, sponsorship agreements require the Company to provide specific benefits to the sponsor, such as the provision of concert tickets or acknowledgement of the sponsor in season materials, over a specified time period. This will be allocated to each specific performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for completing each specific performance, program or activity. The transaction price is considered to be the value of the sponsorship as specified in the agreement.

Accounted for under AASB 15 - Foundations

Foundation revenue is received from the James and Diana Ramsay Foundation and the Thora & Frank Pearce Opera Foundation, and relates to expenditure incurred for specific agreed program deliverables. The revenue is recognised as income over the periods necessary to match the foundation revenue to the costs for which they are compensating.

Accounted for under AASB 1058 - Donations/Bequests

Revenue from donations are generally recognised under AASB 1058 as cash payments or assets are received. An exception to this is where the Group receives a restricted legacy which is enforceable and sufficiently specific. In these cases, revenue is recognised under AASB 15 as the conditions are satisfied.

3 Board, committees and employees**3.1 Key management personnel**

Key management personnel of the Company include the Premier, the Executive Director, the Artistic Director, the Chief Financial Officer and the Board. The position of Chief Financial Officer is a new position to the organisational structure of 2021-22.

Total compensation for key management personnel was \$449k in 2021-22 and \$349k in 2020-21.

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

Transactions with key management personnel and other related parties

Other than the remuneration paid in 2021-22, there were no other transactions with key management personnel and other related parties during the year.

STATE OPERA OF SOUTH AUSTRALIA

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 June 2022**3.2 Board and committee members**

Members during the 2022 financial year were:

The State Opera of South Australia Board

Mr John Irving (Chair)

Master Elizabeth Olsson

Mr Peter Michell

Dr Beata Byok

Ms Imelda Alexopoulos

Dr Thomas Millhouse

Mrs Polly Tembel

Mrs Jane Doyle (joined Jan 2022)

Risk and Performance Committee

Master Elizabeth Olsson (Chair)

Mr John Irving

Mr Peter Michell (dep. Dec 2021)

Dr Beata Byok

Ms Imelda Alexopoulos

Dr Thomas Millhouse

Board and committee remuneration

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

3.3 Employee benefits expenses

	2022 \$'000	2021 \$'000
Salaries and wages	1,651	1,248
Long service leave	(1)	14
Annual leave	13	12
Employment on-costs - superannuation	155	127
Employment on-costs - other	60	-
Workers compensation	84	10
Other employee related expenses	-	1
Total Employee benefits expenses	1,962	1,412

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.

Employment on-costs - other

The other employment on-cost charge represents the Company's payroll tax expense. Due to reduced productions and corresponding lower levels of casual staff employed, the Company's payroll was below the payment threshold in 2020-21.

STATE OPERA OF SOUTH AUSTRALIA

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 June 2022**Workers compensation**

As the Crown is self-insured, the liability for workers compensation is borne by the Company, as an instrumentality of the Crown. The provision is based on an actuarial assessment performed by the scheme actuary, PricewaterhouseCoopers (PwC), with apportionment modelled on factors such as claims experience, comparative size, and risk factors.

During 2021-22, ReturnToWorkSA (RTWSA) exhausted all avenues to challenge a decision of the Supreme Court of SA regarding the Summerfield decision, which has resulted in many more injured workers gaining access to higher than anticipated workers compensation entitlements. The flow on effect of the Summerfield decision is that there is a predicted material increase in liability from higher than projected seriously injured workers and lump sum payments under the Return To Work Act 2014.

The net impact on the valuation results in workers compensation expense increasing from \$10k (2020-21) to \$84k (2021-22) as a provision for potential claims under the new case law.

Executive remuneration

The number of employees whose remuneration received or receivable falls within the following bands:

\$157 001 to \$177 000

\$177 001 to \$197 000

Total

	2022 No.	2021 No.
	1	1
	1	1
Total	2	2

The total remuneration received by those employees for the year was \$356k in 2021-22 and \$349k in 2020-21.

The table includes all employees whose normal remuneration was 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 as well as any termination benefits for employees who have left the Company.

3.4 Employee benefits liabilities**Current**

Accrued salaries and wages

Annual leave

Total Current Employee benefits liabilities

Non-current

Long service leave

Total Non-current Employee benefits liabilities

Total Employee benefits liabilities

	2022 \$'000	2021 \$'000
	36	50
	67	55
Total Current Employee benefits liabilities	103	105
	14	14
Total Non-current Employee benefits liabilities	14	14
Total Employee benefits liabilities	117	119

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

STATE OPERA OF SOUTH AUSTRALIA

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 June 2022

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 special 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 10.1.

4 Expenses

Employee benefits expenses are disclosed in note 3.3

4.1 Supplies and services

	2022 \$'000	2021 \$'000
Accommodation	232	223
Advertising and marketing	321	225
Consultants	55	111
Contractors - performers, creatives, technical	886	571
External accounting and bookkeeping	-	4
General administration and consumables	248	247
Information technology expenses	65	88
Legal costs	2	6
Minor works, maintenance and equipment	6	4
Production expense	1,262	495
Telecommunications	10	10
Travel	144	59
Venue hire and expenses	1,046	285
Total Supplies and services	4,277	2,328

Accommodation

The Company's accommodation is provided by the Department for Infrastructure and Transport, 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.

STATE OPERA OF SOUTH AUSTRALIA

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 June 2022**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	2022 \$'000	No	2021 \$'000
Below \$10 000	1	7	5	20
\$10 000 or above	3	48	6	91
Total	4	55	11	111

General administration and consumables

Audit fees paid / payable to the Auditor-General's Department relating to work performed under the Public Finance and Audit Act 1987 were \$26k (\$30k). No other services were provided by the Auditor General's Department.

4.2 Depreciation and amortisation

	2022 \$'000	2021 \$'000
Production equipment	9	10
Furniture and equipment	2	3
Computer equipment	13	6
Intangible assets	10	10
Total Depreciation and amortisation	34	29

All non-current assets not held for sale with a limited useful life are systematically depreciated/amortised over their useful lives in a manner that reflects the consumption of their service potential.

The Company assessed the Australian Opera Digital Library (AODL), an intangible asset created in 2021-22, as having an indefinite useful life, and has therefore not been amortised. Its useful life will be reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. If they do not, the change in the useful life assessment from indefinite to finite will be accounted for as a change in an accounting estimate.

Useful life

Depreciation and amortisation are calculated on a straight-line basis. Property, plant and equipment and intangible assets depreciation and amortisation are calculated over the estimated useful life as follows:

Class of asset	Useful life (years)
Production equipment	5-20
Furniture and equipment	5-10
Computer equipment	3
Intangible assets	5

Depreciation and amortisation methods are reviewed annually.

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NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
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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.

4.3 Other expenses

	2022	2021
	\$'000	\$'000
Property, plant and equipment write-offs	-	1
Total Other expenses	-	1

4.4 Share of results of associates

	2022	2021
	\$'000	\$'000
Share of The Opera Conference losses	79	76
Total Share of results of associates	79	76

The loss represents the Company's 20% interest in The Opera Conference Partnership. For further information refer to Note 6.4 Investments in associates.

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NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 June 2022**5 Non-financial assets**

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

5.1 Property, plant and equipment

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

	2022 \$'000	2021 \$'000
Production equipment		
Production equipment at cost (deemed fair value)	217	217
Accumulated depreciation at the end of the period	(184)	(175)
Total Production equipment	33	42
Furniture and equipment		
Furniture and equipment at cost (deemed fair value)	50	49
Accumulated depreciation at the end of the period	(41)	(39)
Total Furniture and equipment	9	10
Computer equipment		
Computer equipment at cost (deemed fair value)	114	112
Accumulated depreciation at the end of the period	(87)	(78)
Total Computer equipment	27	34
Total Property, plant and equipment	69	86

Plant and equipment with a value equal to or in excess of \$1k 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 2022.

Reconciliation 2021-22

	Production equipment \$'000	Furniture and equipment \$'000	Computer equipment \$'000	Total \$'000
Carrying amount at the beginning of year	42	10	34	86
Additions	-	1	6	7
Disposals (sales, write off's etc)	-	-	-	-
Depreciation expense	(9)	(2)	(13)	(24)
Carrying amount at the end of the year	33	9	27	69

Computer equipment, with an original cost of \$4k and zero net book value, was written off in 2021-22.

5.2 Intangible assets

2022

2021

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	\$'000	\$'000
Purchased computer software		
Purchased computer software at cost (deemed fair value)	111	51
Accumulated amortisation at the end of the period	(39)	(29)
Total Intangible assets	72	22

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 capitalised only when the expenditure meets the definition and recognition criteria and when the amount of expenditure is greater than or equal to \$5k.

Reconciliation 2021-22

	Purchased computer software \$'000	Total \$'000
Carrying amount at the beginning of year	22	22
Additions	60	60
Amortisation expense	(10)	(10)
Carrying amount at the end of the year	72	72

6 Financial assets**6.1 Categorisation of financial assets**

	2022 Carrying amount \$'000	2021 Carrying amount \$'000
Financial assets		
Cash and equivalents		
Cash and cash equivalents	2,926	2,783
Financial assets at amortised cost		
Receivables	289	84
Other financial assets	432	454
Total Financial assets	3,647	3,321

Receivables as disclosed in this note does not include statutory amounts as these are not financial instruments.

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NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 June 2022

6.2 Cash and cash equivalents	2022	2021
	\$'000	\$'000
Short term deposits	2,605	2,516
Cash at bank	321	265
Cash on hand	-	2
Total Cash and cash equivalents	2,926	2,783

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 \$2.5m (\$2.4m) deposited with SAFA. All other accounts are deposited with private sector financial institutions.

6.3 Receivables

Current	2022	2021
	\$'000	\$'000
Trade receivables		
From non-government entities	14	10
Total Trade receivables	14	10
Prepayments	337	450
Accrued revenues	275	74
Total Current Receivables	626	534
Non-current		
Prepayments	189	-
Total Non-current Receivables	189	-
Total Receivables	815	534

Trade receivables arise in the normal course of selling goods and services to other government agencies and to the public. Trade receivables are normally settled within 30 days after the issue of an invoice or the goods/services have been provided under a contractual arrangement.

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

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.

Allowance for impairment loss on 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. The carrying amount of receivables approximates net fair value due to being receivable on demand. There is no concentration of credit risk.

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NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 June 2022

6.4 Other financial assets

	2022	2021
	\$'000	\$'000
Non-current		
Shares and units held in listed entities	432	454
Total Non-current Other financial assets	432	454

6.5 Investments in associates

	2022	2021
	\$'000	\$'000
Non-current		
Investments in associates	215	142
Total Non-current investments	215	142

Investments in associates

Under the Multi-Partite Funding Agreement with Australia Council for the Arts, the Company is awarded additional funding to be invested in an arrangement with Opera Australia, Opera Queensland and Western Australian Opera (known as The Opera Conference) to contribute towards local artist development. This funding is treated as partners' capital in the partnership financial statements and the losses are allocated to each partner.

The Company has a 20% financial interest in The Opera Conference Partnership and is considered to have significant influence over its operations.

In accordance with AASB 128, this investment has been accounted for using the equity method and has been tested for indications of impairment at the reporting date.

The audited financial statements of The Opera Conference Partnership have been relied upon to account for this investment in associates. Due to the impacts of COVID-19, the partnership ceased the majority of operations and therefore have no significant transaction or events to record.

Summarised financial information for The Opera Conference is set out below:

	2022	2021
	\$'000	\$'000
Cash and cash equivalents	1,527	376
Receivables ^a	45	366
Total assets	1,572	742
Payables ^b	499	30
Total net assets	1,073	712
Equity partner share (20%)	215	142
Cash contribution (between partnership and company reporting dates)	-	-
Investment in associate	215	142

a Includes \$365k receivable from Opera Australia for tranche of funding in 2020-21.

b Includes \$487k payable to Opera Australia in 2021-22.

7 Liabilities

Employee benefits liabilities are disclosed in note 3.4.

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NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 June 2022

7.1 Categorisation of financial liabilities	2022	2021
	Carrying amount	Carrying amount
	\$'000	\$'000
Financial liabilities		
Financial liabilities at amortised cost		
Payables	19	120
Total Financial liabilities	19	120

Payables as disclosed in this note does not include statutory amounts as these are not financial instruments.

7.2 Payables

Current Payables	2022	2021
	\$'000	\$'000
Trade payables	13	96
Credit cards payable	6	24
Accrued expenses	7	66
Total Payables	26	186
Statutory Payables		
Accrued expenses	32	31
GST payable	82	43
Employment on-costs	40	41
Total Statutory Payables	154	115
Total Current Payables	180	301

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 payable to the ATO is included as part of payables.

STATE OPERA OF SOUTH AUSTRALIA

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 June 2022**Employment on-costs**

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

The Company contributes 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 the South Australian Superannuation Board or other superannuation schemes.

The Company has no staff who are entitled to long-service leave or pro-rata thereof, and the only provision in relation to long service leave takes into account the probability of payment in these particular circumstances. The average factor for the calculation of employer superannuation cost on-costs has changed from the 2021 rate of 10.1% to 10.6%. These rates are used in the employment on-costs calculation. The net financial effect of the changes in the current financial year is immaterial.

7.3 Contract liabilities

	2022	2021
	\$'000	\$'000
Current		
Advance box office	304	81
Advance sponsorship	2	37
Advance grants	1,653	885
Advance others	-	88
Total Current Contract liabilities	1,959	1,091

Box office income \$304k (\$81k) was deferred until the future periods in which the productions occur.

Sponsorship income \$2k (\$37k) was deferred until the following financial year to the period of the production per the sponsorship agreement.

Grant income \$1,653k (\$885k) received at the end of 2021-22 from the Australian Council for the Arts, Arts SA and from the Restart Investment to Sustain and Expand (RISE) Fund was provided to support the Company's future programs.

Other unearned income of \$88k at the end of 2020-21 includes funding for the Helpmann Academy Fellowship, Artist Development Program, and other minor future program funds.

7.4 Provisions

	2022	2021
	\$'000	\$'000
Current		
Provision for workers compensation	24	3
Total Current Provisions	24	3
Non-current		
Provision for workers compensation	70	7
Total Non-current Provisions	70	7
Total Provisions	94	10

STATE OPERA OF SOUTH AUSTRALIA

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 June 2022**Employment on-costs**

Carrying amount at the beginning of year	10	-
Movement in provisions	84	10
Carrying amount at the end of year	94	10

A provision has been reported to reflect unsettled workers compensation claims. The workers compensation provision is based on an actuarial assessment of the outstanding liability as at 30 June 2022 provided by a consulting actuary engaged through the Office of the Commissioner for Public Sector Employment. The provision is for the estimated cost of ongoing payments to employees as required under current legislation. Refer to Note 3.3 for further explanation regarding the current year provision.

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

8 Other disclosures**8.1 Equity**

Equity consists of accumulated surpluses from the ordinary business operations of the Company and restricted reserves.

Future productions reserve

In line with the Company's Reserves and Investment Policy, the future productions reserve ringfences surpluses over and above 20% unrestricted reserves which are to be maintained in accordance with the Multi-Partite Funding Agreement with the SA Government (Arts South Australia) and the Australian Federal Government (Australia Council for the Arts).

These funds are allocated at the end of each financial year, based on the greater of actual expenses in the current year and budgeted expenses for the year ahead, and are to be used on the commissioning, creation and/or delivery of an operatic production in subsequent years, rather than for general use.

Significant bequests reserve

In line with the Company's bequest management policy, the Significant Bequests Reserve ringfences unrestricted receipts in excess of \$10,000 for asset investment purposes.

Accumulated bequest gifts are to be used for the specific purpose of financing the creation, development, improvement, purchase and maintenance of assets with a lifespan of at least 10 years belonging to the Company.

In 2021-22, the Company invested \$60,275 in the creation of an Australian Opera Digital Library (AODL) available for education purposes. The AODL forms part of the Company's legacy and, since its intrinsic value is not lost over time, it will forever maintain value as an asset in the books of account.

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NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING 30 June 2022**Reserves Incentive Scheme funds reserve**

The Company entered into an agreement, know 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 short term deposits which are held with the South Australian Government Financing Authority (SAFA).

Trust funds reserve

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

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 State Opera 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.

	2022	2021
	\$'000	\$'000
<i>Thora and Frank Pearce Opera Foundation</i>		
Balance at the beginning of year	205	205
Interest revenue	-	-
Total Thora and Frank Pearce Opera Foundation	205	205
<i>Represented by:</i>		
Cash and cash equivalents	205	205
Total Thora and Frank Pearce Opera Foundation	205	205
<i>Diana Ramsay Fund</i>		
Balance at the beginning of year	911	797
Dividend income	28	15
Interest revenue	1	1
Distribution for surtitles	(69)	-
Changes in market value of investments	(26)	98
Total Diana Ramsay Fund	845	911

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<i>Represented by:</i>		
Cash and cash equivalents	413	457
Other financial assets	432	454
Total Diana Ramsay Fund	845	911
Total Trust funds	1,050	1,116

8.2 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 Outlook**9.1 Unrecognised commitments**

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

<i>Expenditure commitments</i>	2022	2021
	\$'000	\$'000
Within one year	224	220
Later than one year but not longer than five years	231	455
Total unrecognised Expenditure commitments	455	675

The Company's expenditure commitments are for agreements for:

- memoranda of administrative arrangements with the Department for Infrastructure and Transport for accommodation at the Netley Opera Studio, which is used primarily as the business centre and rehearsal studio, as well as occasional performances and storage. This lease terminates on 11 June 2024.

<i>Production related commitments</i>	2022	2021
	\$'000	\$'000
Within one year	496	443
Later than one year but not longer than five years	32	-
Total unrecognised Production related commitments	528	443

The Company, by the nature of its operations, has entered into contracts with artists for performances scheduled to take place subsequent to the year end. 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.

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

9.2 Contingent assets and liabilities

STATE OPERA OF SOUTH AUSTRALIA

NOTES TO & FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 30 June 2022

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 is not aware of any contingent assets or contingent liabilities.

9.3 Events after the reporting period

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

10 Measurement and risk

10.1 Long Service Leave Liability - Measurement

AASB 119 *Employee Benefits* contains the calculation methodology for long service leave liability and 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 increased from 2021 (1.25%) to 2022 (3.5%).

This increase in the bond yield, which is used as the rate to discount future long service leave cash flows, results in an immaterial increase in the reported long service leave liability.

The salary inflation rate remained at 2.5% for the assessment of long service leave liability. As a result, there is no net financial effect resulting from changes in the salary inflation rate.

The probability of payments are based on the realistic expectation of staff reaching entitlement date based on current staff turnover, age and other commercial factors as advised by an external consultant in Public Practice.

The Company has no current unconditional portion of long service leave provision as it relates to an unconditional legal entitlement to payment arising after 10 years of service.