



**Government
of South Australia**

ADELAIDE FESTIVAL CORPORATION

2018-19 Annual Report

ADELAIDE FESTIVAL CORPORATION

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Date presented to Minister: 27 September 2019

To:

Hon Steven Marshall MP
Premier of South Australia

Dear Premier,

This annual report will be presented to Parliament to meet the statutory reporting requirements of the *Adelaide Festival Corporation Act 1998* 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 Adelaide Festival Corporation by:

A handwritten signature in black ink, appearing to read 'Rob Brookman', with a horizontal line underneath it.

Rob Brookman
Executive Director
Adelaide Festival Corporation

27 September 2019

From the Executive Director

The 2019 Adelaide Festival was one of the most successful in its distinguished 59 - year history, with stellar artistic achievements matched by record-breaking box office receipts, excellent financial results and great outcomes for the State in terms of economic impact.

Curated by Joint Artistic Directors Neil Armfield AO and Rachel Healy, the 2019 Adelaide Festival was steeped in exclusive events, standing ovations and critical acclaim. It set a new record with the biggest box office takings in the event's history, achieving a total box office income of \$6,056,904. This represents a 32% increase on the previous box office record set by Armfield and Healy's second program in 2018.

The 2019 Adelaide Festival offered more than 70 events in theatre, contemporary and classical music, opera, dance, forums, food and visual arts – including unique local programs Adelaide Writers' Week, WOMADelaide and Chamber Landscapes at UKARIA Cultural Centre. Sold out events included: *The Magic Flute*, *Two Feet, Un Poyo Rojo*, *La Reprise*, *13 Ways to Look At Birds*, *The Stretensky Monastery Choir*, *Uncle Vanya* and many of the Chamber Landscapes concerts at UKARIA.

A total audience of more than 355,000 attended Adelaide Festival events (including WOMADelaide). Ticketed attendances of audiences were in excess of 75,000 and interstate audiences accounted for 24% of ticket sales.

Audiences of more than 48,000 attended the Festival's free visual art exhibitions which included *Quilty* at the Art Gallery of South Australia, *The Violet Ballet* at ACE Open, *Roger Ballen* at GAGPROJECTS and *Adelaide//International* at Anne & Gordon Samstag Museum of Art.

The much-anticipated debut Adelaide Writers' Week from Director Jo Dyer attracted a crowd of more than 85,000 to the Pioneer Women's Memorial Garden where 119 Writers from Australia and around the world featured in six days of free open-air readings, panel sessions and literary conversations from March 2 to 7.

Other free programming included the highly popular *Breakfast with Papers* and *Festival Forums* on board the Festival Palais.

The Adelaide Festival schools program continues to grow with attendances of 3,425 39 different schools attending 45 separate performances and workshops across 19 different events.

Corporate growth and philanthropic support again contributed to the success of the Festival not only hitting all targets (16% of Festival revenue) in 2019 but ensuring as many people as possible were able to access the best the Adelaide Festival has to offer through such programs as the Pay What You Can program.

The 2019 Adelaide Festival again proved its importance to the South Australian economy, generating an estimated gross expenditure of \$76.8 million for the State, the strongest economic impact result in the Festival's history.

Over 19,000 visitors came from interstate or overseas for the Festival, with visitor bed nights increasing to 141,258 (up from 138,021 in 2018). Net impact on Gross State Product is estimated at \$23 million (up 10%), including the creation of the equivalent of 216 full time jobs. While the Festival's economic impact is important, that value sits alongside its cultural and reputational significance. Its economic impact is of course only possible because of the Adelaide Festival's catalytic role in bringing audiences and communities together with the world's greatest performers, writers and artists.

Finally, the overall financial outcome for the Festival was also very pleasing with a surplus of \$411,000 being recorded for the Financial Year 2018/19. This saw the Festival move another step towards its financial goal of achieving a prudent level of reserves of 20% of annual turnover.



Rob Brookman
Executive Director
Adelaide Festival

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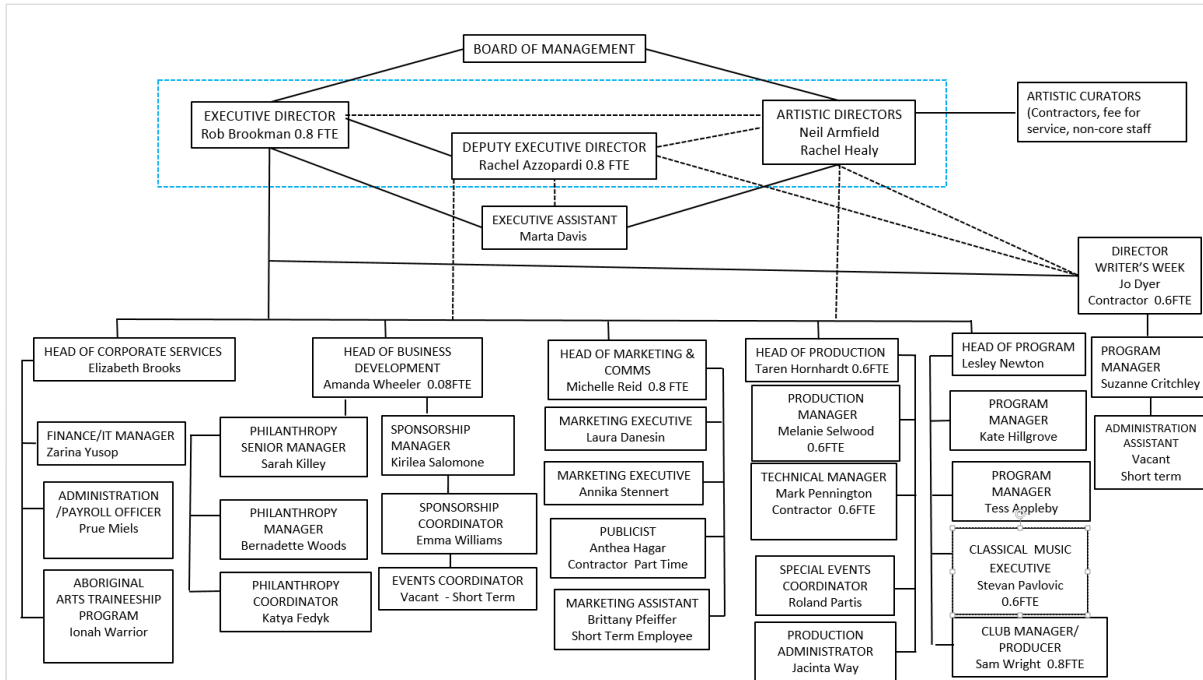
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Overview: About the Adelaide Festival

Our strategic focus

<p>Our Purpose</p>	<p>The Adelaide Festival of Arts aims to be recognised as one of the world’s most prestigious large-scale, multi-arts festivals.</p> <p>Since 1960, its aim has been to create and present a Festival program that thrills, inspires, challenges and delights local, national and international audiences, involves local artists, stimulates community involvement and attracts artists and visitors from around the world.</p>
<p>Our Vision</p>	<p>To be an internationally celebrated arts festival that pursues new and unexpected horizons, enthral audiences, and places Adelaide at the centre of Australia’s cultural life.</p>
<p>Our Values</p>	<p>Our culture is driven by:</p> <ul style="list-style-type: none"> • Passion • Courage • Integrity • Rigour • Creativity • Collaboration
<p>Our functions, objectives and deliverables</p>	<p>1. Artistic Energy</p> <p>Goal: To make Adelaide Festival the flagship cultural event for Adelaide, South Australia and Australia, and an exemplar of excellence in the arts.</p> <p>2. Financial Sustainability</p> <p>Goal: To be a financially stable and sustainable organisation.</p> <p>3. Stakeholders</p> <p>Goal: Increase engagement and support from stakeholders.</p> <p>4. People & Culture</p> <p>Goal: To be an organisation full of passion, integrity and creativity, where people aspire to work.</p> <p>5. Branding and Communication</p> <p>Goal: To create a premium brand that is instantly recognisable, respected and synonymous with excellence.</p>

Our Organisational Structure



Changes to the Agency

During 2018-19 there were no changes to the agency's structure and objectives as a result of internal reviews or machinery of government changes

Our Minister

The Hon Steven Marshall MP is the Premier of South Australia. The Minister oversees:

- Aboriginal Affairs and Reconciliation
- Defence and Space Industries
- The Arts
- Veterans' Affairs
- Multicultural Affairs

Our Executive Team

Neil Armfield AO – Joint Artistic Director responsible for developing annual Festival program.

Rachel Healy - Joint Artistic Director responsible for developing annual Festival program.

Rob Brookman AM – Executive Director responsible for managing the Corporation.

Rachael Azzopardi – Deputy Executive Director responsible for assisting in the management of the Corporation.

Legislation administered by the agency

Adelaide Festival Corporation Act 1998

The Agency's Performance

Performance at a glance

Joint Artistic Directors Neil Armfield AO and Rachel Healy's third Adelaide Festival generated an estimated gross expenditure of \$76.8 million for the State. This, in addition to the March event breaking yet another record at the box office, marks the 2019 Adelaide Festival as the most successful in its 59-year history.

This figure is included in a 2019 Economic Assessment report by Barry Burgan on behalf of Economic Research Consultants, commissioned by the Adelaide Festival. The report also revealed that 19,046 visitors came from interstate or overseas for the Festival with visitor bed nights increasing to 141,258 (up from 138,021 in 2018).

It further reported that total new expenditure in South Australia related to the Festival was \$20 million (up 11% on 2018) while net impact or newly created incomes on the Gross State Product is estimated at \$23 million (up 10%), including the creation of the equivalent of 216 full time jobs.

At the conclusion of the Festival in March, it was announced that the Festival set new records with the biggest box office takings in the event's 59-year history, achieving a total box office income of \$6,056,904. This represents a 32% increase on the previous box office record set by Armfield and Healy's second program in 2018.

The 2019 Adelaide Festival by numbers:

\$76.8 million gross expenditure generated for South Australia (up from \$76.1 million in 2018)

\$20 million new expenditure in South Australia (+11% on 2018)

\$23 million net impact on the Gross State Product (+10% on 2018)

19,046 visitors to the state

141,258 visitor bed nights

216 jobs (full time equivalent)

485 performances across 70 ticketed events

10 world premieres and 17 Australian premieres

23 events exclusive to Adelaide

1,270 artists from 56 countries

Agency Contribution to whole of Government objectives

Key objective	Agency's contribution
More jobs	The Festival has a core staff of 26 and for six months of the year it employs a further 30 employees. For three months of the year and during the Festival event we employ up to a further 130 staff. The highest point in this financial year was 183 staff all processed in-house. The Economic Impact Study commissioned by the Festival shows that the Festival created 216 jobs in the South Australian economy in 2018/19.
Lower costs	The Festival has a rigorous procurement system that is constantly monitored with regular forecast of expenditure reported against budget and presented to the Audit and Risk Committee. The purchase order system allows managers of budgets to monitor actual spend against budget prior to approval.
Better Services	<p>The Festival obtained support to provide live streaming services for Adelaide Writers Week into South Australian libraries, nursing homes and schools, providing access for the aged, the infirm and young people to live sessions and Q&A times.</p> <p>The Festival updated its website to provide a better experience and optimised user functions on mobile phones and tablets.</p> <p>Program information was distributed by text and emails to provide festival goers with exact times and venue information and daybills.</p>

Agency Specific Objectives and Performance

Agency objectives	Indicators	Performance
Position Adelaide Festival as the leading Festival in Australia and in the Top ten internationally	Minimum of two state, national or international collaborative partnerships.	<p>In 2019 Festival presented:</p> <p>10 world premieres and 17 Australian premieres</p> <p>23 events exclusive to Adelaide</p> <p>International and national collaborations on six major premieres.</p>

<p>Attracted and presented highest quality artists and attended by top end industry professionals.</p>	<p>Festival attendance at a minimum of five international festivals/ arts markets.</p>	<p>Co-Artistic Directors Rachel Healy and Neil Armfield travelled extensively on behalf of the festival attending 11 markets and festivals. The resulting program was rich in exclusives and top quality events.</p> <p>The stand-out event amongst a the Festival was Komische Opera Berlin’s production of The Magic Flute directed by Barrie Kosky, which saw a quarter of its 9000-strong audience drawn from interstate and overseas. Russia’s revered Sretensky Monastery Choir was a sell-out hit at the Adelaide Town Hall while Semperoper Ballett Berlin’s Carmen was also a crowd favourite for dance lovers.</p> <p>In 2019 Adelaide Festival hosted and managed a commissioning site for new Australian work and attracted directors and heads of Edinburgh, Brighton, Galway, Dublin, Singapore Festivals, BAM - Brooklyn Academy of Music New York, Harbourfront Center, Toronto, Wales Millennium Centre, Royal Opera House, London.</p>
<p>Adelaide Festival recognised as most innovative and dynamic festival in Australia</p>	<p>Vibrant program of new and commissioned works</p>	<p>Commissioned works:</p> <p><i>Two Feet</i> by Meryl Tankard performed by Natalia Osipova</p> <p><i>Out of Chaos</i> by Gravity and Other Myths</p> <p><i>Counting and Cracking</i> by Belvoir and Co-Curious</p> <p><i>Thirteen Ways to Look at Birds</i> by Paul Kelly, James Ledger and Seraphim Trio</p> <p><i>Man with the Iron Neck</i> by Legs on the Wall</p> <p><i>Zizanie</i> By Meryl Tankard and Restless Dance Theatre</p>

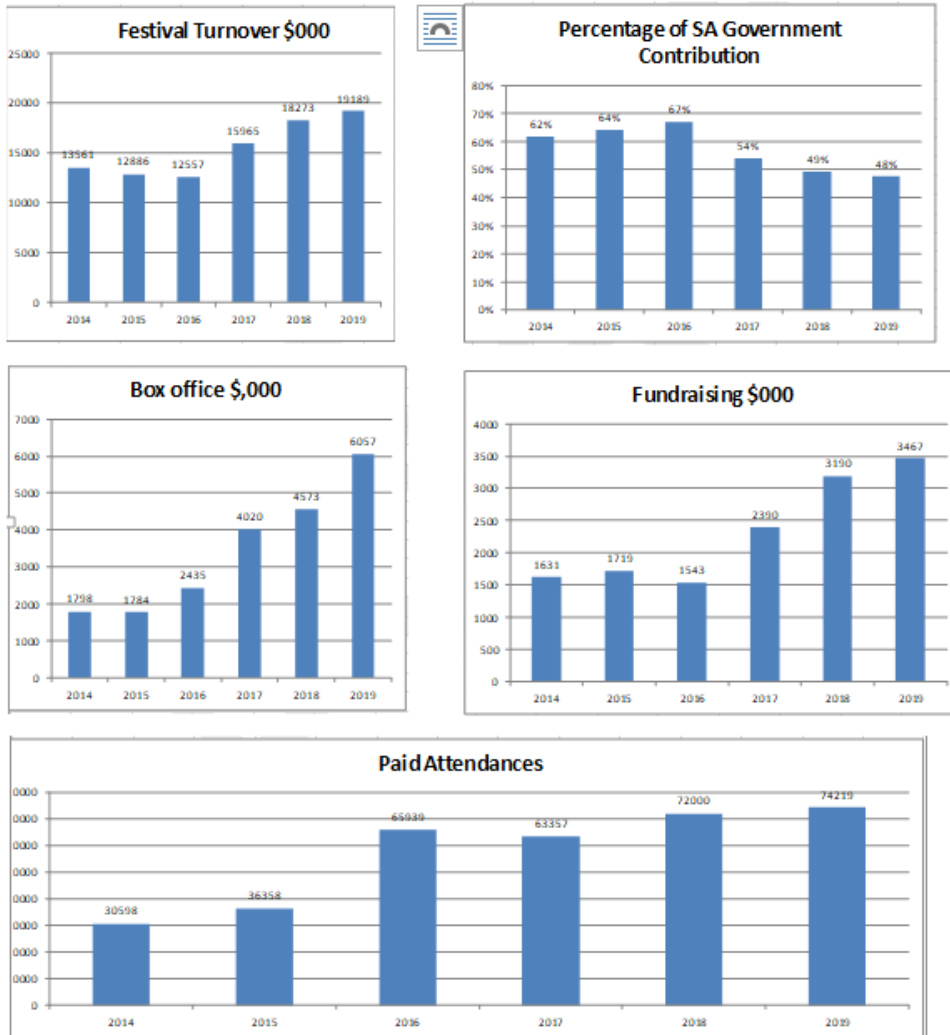
A high level of community engagement and participation. Build sense of South Australia as a great place to live.	Create significant low cost or free events for the public	Adelaide Writers' Week <i>Symphony For Our World</i> – a free large scale outdoor concert Exhibitions Program Forums Breakfast With Papers Education Program Workshops and Masterclasses
Deliver most efficient economic outcome for the South Australian Government's investment in the Adelaide Festival	Generate increasing levels of non-Government income	The 2019 Festival program achieved an increase in box office of 13.7% on what was previously a record level of sales in 2018. While the level of funding from the South Australian Government remained at a similar level as 2018 the Government's overall contribution to the Festival Program reduced to 48% (2018 49%) of total income.
Destination of choice. South Australia – a growing destination choice for international and domestic travellers.	Achieve high levels of interstate/international visitation	High level of cultural tourism: 19,046 visitors to the state 141,258 room nights generated
Engage South Australia's young audiences, developing connection to culture.	Increase attendances of school students and young people.	Total of student and teacher attendance for ticketed shows: 3425 compare to 2,903 in 2018 Festival.

Corporate performance summary

The 2019 Festival set new records with the highest box office takings in the event's 59-year history, achieving a total box office income of \$6,056,904. This represents a 32% increase on the previous box office record set in 2018.

The Government percentage contribution to the Festival income continues to drop below 50% with the Festival philanthropy and sponsorship programs growing significantly.

The graphs below demonstrate healthy continuing growth and success of the Festival.



Employment Opportunity Programs

Program name	Performance
Aboriginal ArtsReady Traineeship Program	We have joined other arts organisations in a program to encourage young Aboriginal people into the arts through a traineeship program. We created a trainee position in November 2018 and expect to extend that traineeship by a further year.

Agency Performance Management and Development Systems

Performance management and development system	Performance
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Six Monthly Review	Adelaide Festival is 100% of FTE compliant.
Post-performance review training plans	Through the review process all staff get the opportunity to discuss future training prospects and access to job improvement programs.

Work Health, Safety and Return to Work Programs

Program name	Performance
I-Learn Training	All staff are inducted with workplace WH&S and government requirements.
First Aid	There are three First Aiders in the organisation.
DPC Committee	Head of Corporate Services is a member of the DPC WHS Committee Arts Sector, looking at exposure to risks from an arts industry perspective to identify and document risks that Government would not normally be exposed to.

Workplace injury claims	Current year 2018-19	Past year 2017-18	% Change (+ / -)
Total new workplace injury claims	11 Minor	3 Minor	+366%
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%
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Return to work costs**	Current year 2018-19	Past year 2017-18	% Change (+ / -)
Total gross workers compensation expenditure (\$)	0	0	0%
Income support payments – gross (\$)	0	0	0%

**before third party recovery

Data for previous years is available at:

<https://data.sa.gov.au/data/organization/adelaide-festival-corporation>

Executive Employment in the Agency

Executive classification	Number of executives
Non-public service executives	4
Heads of departments	5

Data for previous years is available at:

<https://data.sa.gov.au/data/organization/adelaide-festival-corporation>

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	18,292	18,778	(359)	17,542
Revenues	9,281	10,043	635	8,953
Net cost of providing services	(9,011)	(8,735)	276	(8589)
Net Revenue from SA Government	9,011	9146	135	9,059
Net result	0	411	411	470
Total Comprehensive Result	0	411	411	470

Statement of Financial Position	2018-19 Budget \$000s	2018-19 Actual \$000s	Variation \$000s	2017-18 Actual \$000s
Current assets	1,900	2,229	329	1,648
Non-current assets	300	317	17	695
Total assets	2,200	2,546	346	2,343
Current liabilities	500	569	(69)	831
Non-current liabilities	100	118	(18)	64
Total liabilities	600	687	(87)	895
Net assets	1,600	1,859	259	1,448
Equity	1,600	1,859	259	1,488

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	None	\$0

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

Consultancies	Purpose	\$ Actual Payment
Trellis Technologies Pty Ltd.	To obtain a National Carbon Offset Standard Certificate and become carbon neutral	\$ 29,360.00
	Total	\$ 29,360.00

Data for previous years is available at:

<https://data.sa.gov.au/data/organization/adelaide-festival-corporation>

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

Contractors disclosure

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

Contractors with a contract value below \$10,000

Contractors	Purpose	\$ Actual payment
Gus Love	Long Lunch Food Manager	\$8,000

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

Contractors	Purpose	\$ Actual payment
Asia Theatricals (Torben Brookman)	Services of Deputy Executive Director contracted through company	\$105,000
The Publicist	Publicity	\$55,000
Petrina Egan	Publicity	\$ 25,000
Model Box	Technical Design	\$51,085
Imprints	Book Tent Managers	\$40,000

Contractors	Purpose	\$ Actual payment
Softread Enterprises (Jo Dyer)	Writers Week Director	\$100,000
Gill Minervini	Long Lunch Director	\$20,000
Mary Valentine	Classical Music Adviser	\$45,600
David Malacari	Palais Manager	\$42,000
The Make Ready Lab P/L (Sam Wright)	Palais Music Programmer	\$46,373
Duncan Event Management	Long Lunch Manager	\$21,550
Bob Cousins	Designer	\$26,500
Genevieve Lacey	Ukaria program curator	\$16,000
Bespoke	Bar and FoH management	\$109,925
Adelaide Festival Centre/ Town Hall	Production staff at venues	\$378,933
	Total	\$1,082,966

Data for previous years is available at:

<https://data.sa.gov.au/data/organization/adelaide-festival-corporation>

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 Audit and Risk Committee met six times in the financial year and the Committee are satisfied that all reporting and statutory requirements of the Festival have been met.

Fraud detected in the agency

Category/nature of fraud	Number of instances
None detected	0

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

Strategies implemented to control and prevent fraud

The Fraud and Corruption Policy was reviewed and adopted by the Board in June 2018. The Adelaide Festival Corporation has in place internal control procedures to minimise the risk of fraud, corruption and other criminal conduct, misconduct and maladministration. The objectives of this policy are to:

- demonstrate that the Adelaide Festival Corporation has a zero tolerance to fraud and corruption;
- ensure management, employees, contractors, volunteers, and suppliers of goods and services to the Adelaide Festival Corporation understand their responsibilities to mitigate against fraud and corruption;
- ensure there is a clear process for management, employees and other stakeholders to follow when fraud or corruption is suspected or detected; and
- assist the South Australian Police in the investigation and prosecution of suspected fraudsters.

The Adelaide Festival Corporation requires that all staff at all times act with honesty and integrity and to safeguard the public resources for which they are responsible.

All Adelaide Festival Corporation employees are required to understand and adhere to the *Code of Conduct for South Australian Public Sector Employees* and the *South Australian Public Sector Fraud and Corruption Control Policy*.

The Code of Conduct outlines the underlying principles of respect, integrity, accountability and ethical decision making that is expected from Adelaide Festival Corporation employees.

The Policy is designed to assist public sector agencies in the prevention, detection and response to activities labelled or defined as fraud or corruption, other criminal conduct, misconduct and maladministration within the sector.

As a part of its responsibility for ensuring the values of integrity and honesty are upheld, the Adelaide Festival Corporation is committed to the prevention, detection and reduction of fraud and corruption by establishing a fraud and corruption prevention culture throughout all levels of the Organisation.

The Adelaide Festival Corporation will pursue all suspected acts of fraud, corrupt practices or other similar malpractices and report to the police as required by State Government policy and the law.

Data for previous years is available at:

<https://data.sa.gov.au/data/organization/adelaide-festival-corporation>

Whistle-blowers disclosure

There were no 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/organization/adelaide-festival-corporation>

Reporting required under any other act or regulation

N/A

Reporting required under the *Carers' Recognition Act 2005*

The organisation is aware of its obligations under section 6 of the *Carers Recognition Act 2005*. For the period of the 2018-19 financial year there was no person or body contracted with the organisation to provide relevant services under the Act.

The organisation continues to support Companion Card to allow cardholders companion free entry into participating venues and events.

Public complaints

Number of public complaints reported

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

Complaint categories	Sub-categories	Example	Number of Complaints
Service quality	Access to information	Information difficult to understand, hard to find or difficult to use; not plain English	-
Service quality	Timeliness	Lack of staff punctuality; excessive waiting times (outside of service standard); timelines not met	1
Service quality	Safety	Maintenance; personal or family safety; duty of care not shown; poor security service/ premises; poor cleanliness	-
Service quality	Service responsiveness	Service design doesn't meet customer needs; poor service fit with customer expectations	4
No case to answer	No case to answer	Third party; customer misunderstanding; redirected to another agency; insufficient information to investigate	12 Plus 79 from anonymous survey
		Total	116

Additional Metrics	Total
Number of positive feedback comments	1664 (from anonymous survey)
Number of negative feedback comments	37 + 79 (from anonymous survey)
Total number of feedback comments	1780
% complaints resolved within policy timeframes	100%

Data for previous years is available at:

<https://data.sa.gov.au/data/organization/adelaide-festival-corporation>

Service Improvements for Period

Service improvements that responded to customer complaints or feedback

A substantial number of our complaints related to sightline issues on stage as well as venue accessibility for people with disabilities.

As a result, we are working more steadfastly on our accessibility program which entails clear demarcation of venue accessibility levels in printed materials and online as well as AUSLAN interpretations, audio description, surtitles where possible and making the festival program available in other formats such as large text, braille and audio versions.

We are working closely with ACCESS2ARTS to set the program up in 2020.

Appendix: Audited financial statements 2018-19



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INDEPENDENT AUDITOR'S REPORT

To the Chair Adelaide Festival Corporation

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 19(30) of the *Adelaide Festival Corporation Act 1998*, I have audited the financial report of the Adelaide Festival Corporation for the financial year ended 30 June 2019.

Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Adelaide Festival Corporation as at 30 June 2019, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2019
- a Statement of Financial Position as at 30 June 2019
- a Statement of Changes in Equity for the year ended 30 June 2019
- a Statement of Cash Flows for the year ended 30 June 2019
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chair, the Executive Director and the Head of Corporate Services.

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 Adelaide Festival Corporation. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants* have been met.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Executive Director and members of the Board for the financial report

The Executive Director is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Adelaide Festival Corporation's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Director

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

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

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



Andrew Richardson

Auditor-General

24 September 2019

Certification of the Financial Statements

We certify that the attached general purpose financial statements for the Adelaide Festival Corporation:

- comply with relevant Treasurer's instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant accounting standards;
- are in accordance with the accounts and records of the Adelaide Festival Corporation; and
- present a true and fair view of the financial position of the Adelaide Festival Corporation as at 30 June 2019 and the results of its operation and cash flows for the financial year.

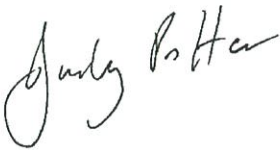
We certify that the internal controls employed by the Adelaide Festival Corporation for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.



Robert Brookman
Executive Director



Elizabeth Brooks
Head of Corporate Services



Judy Potter
Chair

Date

20/9/19

Adelaide Festival Corporation
Financial Statements for the year ended 30 June 2019

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
Expenses			
Employee benefits expense	2.3	3,814	3,841
Supplies and services	3.1	14,470	13,229
Depreciation and amortisation	3.2	494	472
Total expenses		18,778	17,542
Income			
Grants from Non SA Government	4.1	147	316
Box Office sales		4,744	4,171
Other sales		545	624
Interest revenues	4.2	109	94
Sponsorship	4.4	2,279	1,797
Other income	4.3	2,219	1,951
Total income		10,043	8,953
Net cost of providing services		(8,735)	(8,589)
Revenue from SA Government			
Revenue from SA Government	4.1	9,146	9,059
Net result		411	470
Total comprehensive result		411	470

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

Adelaide Festival Corporation
Financial Statements for the year ended 30 June 2019

STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
Current assets			
Cash and cash equivalents	6.1	1,905	1,080
Receivables	6.3	324	568
Total current assets		2,229	1,648
Non-current assets			
Plant and equipment	5.1	204	632
Intangible Assets	5.2	113	63
Total non-current assets		317	695
Total assets		2,546	2,343
Current liabilities			
Payables	7.1	346	371
Employee benefits	2.4	219	231
Provisions	7.2	4	229
Total current liabilities		569	831
Non-current liabilities			
Payables	7.1	5	4
Employee benefits	2.4	109	55
Provisions	7.2	4	5
Total non-current liabilities		118	64
Total liabilities		687	895
Net Assets		1,859	1,448
Equity			
Retained earnings		1,859	1,448
Total Equity		1,859	1,448

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

Adelaide Festival Corporation
Financial Statements for the year ended 30 June 2019

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2019

	Retained earnings \$'000	Total Equity \$'000
Balance at 30 June 2017	978	978
Net Result for 2017-18	470	470
Total Comprehensive Result for 2017-18	470	470
Balance at 30 June 2018	1,448	1,448
Net Result for 2018-19	411	411
Total Comprehensive Result for 2018-19	411	411
Balance at 30 June 2019	1,859	1,859

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

Adelaide Festival Corporation
Financial Statements for the year ended 30 June 2019

STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Note No.	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Cash outflows			
Employee benefit payments		(3,750)	(3,877)
Payments for supplies and services		(14,514)	(13,726)
Payments for paid parental leave scheme		(9)	(17)
Cash used in operations		(18,273)	(17,620)
Cash inflows			
Receipts from customers, sponsors, donors and others		9,236	8,152
Receipts from Commonwealth		20	285
Interest received		109	94
Receipts for paid parental leave scheme		9	17
GST recovered from the ATO		693	674
Cash generated from operations		10,067	9,222
Cash flows from SA Government			
Receipts from SA Government		9,146	9,059
Net cash provided by/(used in) operating activities		940	661
Cash flows from investing activities			
Cash outflows			
Purchase of plant and equipment		(42)	(135)
Purchase of Intangibles		(73)	(68)
Cash used in investing activities		(115)	(203)
Net increase/(decrease) in cash and cash equivalents		825	458
Cash and cash equivalents at the beginning of the period		1,080	622
Cash and cash equivalents at the end of the period	6.1	1,905	1080

The accompanying notes form part of these financial statements.

Adelaide Festival Corporation
Notes to the Financial Statements for the year ended 30 June 2019

1. About the Adelaide Festival Corporation

The Adelaide Festival Corporation (the Corporation) is a Board established pursuant to the *Adelaide Festival Corporation Act 1998*.

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

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*
- Treasurers 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 2018-2019 financial statements the Corporation adopted *AASB 9 – Financial Instruments* and is required to comply with the 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 (ATO), 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 functions of the Corporation, as prescribed under the *Adelaide Festival Corporation Act 1998*, are to:

- (a) Conduct in Adelaide and other parts of the State the multifaceted arts event that is known as the Adelaide Festival of Arts;
- (b) Continue and further develop the Adelaide Festival of Arts as an event of international standing and excellence;
- (c) Conduct or promote other events and activities;
- (d) Provide advisory, consultative, managerial or support services within areas of the Corporation's expertise;
- (e) Undertake other activities that promote the arts or public interest in the arts, or that otherwise involve an appropriate use of its resources; and
- (f) Carry out other functions assigned to the Corporation by or under the *Adelaide Festival Corporation Act 1998* or any other Act, or by the Minister.

Adelaide Festival Corporation
Notes to the Financial Statements for the year ended 30 June 2019

2. Board, committees and employees

2.1. Key management personnel

Key management personnel of the Corporation include the Minister, the Executive Director and the Board who have responsibility for the strategic direction and management of the Corporation.

The Board members are appointed by the Government in accordance with the *Adelaide Festival Corporation Act 1998*.

Total compensation for key management personnel was \$227,000 (2018:\$221,000).

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

Transactions with key management personnel and other related parties

The Deputy Executive Director, Torben Brookman, is the joint owner of Asia Theatrical Pty Ltd. The Deputy Executive Director was engaged by the Corporation through this company up to 15 May 2019. Total payments of \$105,000 were made to Asia Theatrical Pty Ltd during the year.

The Executive Director and Deputy Executive Director of the Corporation are related (father/son). They were jointly appointed as a team by the Corporation, commencing in their respective roles on 1 May 2017.

2.2. Board and committee members

Members during the 2019 financial year were:

- Ms Judy Potter (Chair and member of Audit & Risk Committee)
- Megan Hender (member of Audit & Risk Committee) – Resigned from board October 2018
- Ms Ulrike Klein
- Mr David Knox
- Mr Mark Roderick (Chair Audit and Risk Committee)
- Mr Alan James Whalley (member of Audit & Risk Committee)
- Mr Peter Goers (term ceased December 2018)
- Hon. Amanda Vanstone
- Mr Ian McRae (commenced December 2018)
- The Right Honourable The Lord Mayor of Adelaide Sandy Verschoor (commenced March 2019)

Board and committee remuneration

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

	2019	2018
\$0 - \$19,999	8	8
Total number of members	8	8

The total remuneration received or receivable by members was \$40,000 (2018: \$44,000). From which \$18,000 was donated back to the Corporation. Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and related fringe benefits tax.

Adelaide Festival Corporation
Notes to the Financial Statements for the year ended 30 June 2019

From time to time, Board Members will receive complimentary tickets to shows or events conducted by the Corporation. These benefits are provided to attend Festival events solely for the purpose of the execution of duties of office and direct hosting of guests, sponsors and donors.

2.3. Employee benefits expense

	2019 \$'000	2018 \$'000
Salaries and wages	3,305	3,341
Employment on-costs - superannuation	318	318
Employment on-costs - other	151	138
Board fees	40	44
Total employee benefits expense	3,814	3,841

Employment on-costs - superannuation

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

Executive remuneration

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

	2019 No	2018 No
\$151 001 to \$171 000	1	1
\$171 001 to \$191 000	1	1
\$191 001 to \$211 000	-	1
\$211 001 to \$231 000	1	-
Total	3	3

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, fringe benefits and any fringe benefits tax paid or payable in respect of those benefits. The total remuneration received by these employees for the year was \$571,000 (2018: \$525,000).

2.4. Employee benefits liability

	2019 \$'000	2018 \$'000
Current		
Accrued Salaries and Wages	103	103
Annual Leave	81	83
Long Service Leave	35	45
<i>Total current employee benefits</i>	219	231
Non-Current		
Long Service Leave	109	55
<i>Total non-current employee benefits</i>	109	55
Total employee benefits	328	286

Adelaide Festival Corporation
Notes to the Financial Statements for the year ended 30 June 2019

Employee benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term employee benefits is measured as the 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. The actuarial assessment performed by the Department of Treasury and Finance left the salary inflation rate at 2.2% for annual leave liability.

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 are provided as note 11.1.

3. Expenses

The current breakdown of expenditure for the 2019 Festival shows that 70% went towards the presentation of the Festival, 12% went to the promotion of the Festival, 4.5% went to servicing our corporate sponsorship and philanthropy programs and 12.5% went to corporate governance and artistic direction.

Employee benefits expenses are disclosed in note 2.3.

3.1. Supplies and services

	2019 \$'000	2018 \$'000
Artist fees and payments	4,193	3,303
Artist travel and accommodation	1,720	1,413
Royalty and license fees	99	154
Event staging and contracts	4,050	4,279
Marketing, advertising and media	1,306	1,217
Design, printing and distribution costs	423	317
Hospitality, sponsorship and ticketing	527	446
Cost of goods for sale	693	706
Operating Lease minimum payments	204	219
Communications and Information Technology	208	183
Insurance	47	120
Other expenditure	1,000	872
Total supplies and services	14,470	13,229

Adelaide Festival Corporation
Notes to the Financial Statements for the year ended 30 June 2019

Operating lease payments

Operating lease payments (less any lease incentive) are recognised on a straight line basis over the lease term.

Consultants

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

	No	2019 \$'000	No	2018 \$'000
\$10,000 or above	1	29	-	-
Total	1	29	-	-

3.2. Depreciation and amortisation

	2019 \$'000	2018 \$'000
Office equipment, furniture and fittings	68	64
Computer Software	22	5
Leased Assets	3	3
Palais Club	401	400
Total depreciation and amortisation	494	472

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

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)
Office equipment	5-10
Furniture and fittings	3-10
Computer software	4-5
Palais Club	3

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 useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the time period or method, as appropriate.

The Palais Club was constructed on the River Torrens and was deemed to have a life of 3 years and was to be depreciated over the period of its life with a residual value of \$400,000. The expectation of realising the original residual value for the Palais was reduced based on the likelihood of selling the pontoon being minimal. Half of the original residual value (\$200,000) was taken up in 2018 with the other half taken up in this year, being the end of its useful life.

Adelaide Festival Corporation
Notes to the Financial Statements for the year ended 30 June 2019

4. Income

The 2019 Festival program achieved an increase in box office of 13.7% on what was previously a record level of sales in 2018. While the level of funding from SA Government remained at a similar level as 2018 the SA Government's overall contribution to the Festival Program reduced to 47.6% (2018: 50.2%) of total income.

4.1. Net revenues from SA Government and non-SA Governments

	2019 \$'000	2018 \$'000
Revenue from SA Government	9,146	9,059
Commonwealth Revenue	20	285
Revenues from Overseas Governments	127	31
<i>Revenue from Non-SA Governments</i>	147	316
Total revenues from Governments	9,293	9,375

4.2. Interest

	2019 \$'000	2018 \$'000
Investment with SAFA – amortised cost	109	94
Total interest revenues	109	94

4.3. Other income

	2019 \$'000	2018 \$'000
Sundry	923	465
Friends membership	108	93
Donations	1,188	1,393
Total other income	2,219	1,951

All income of this nature is recognised as income when received.

4.4. Sponsorship

	2019 \$'000	2018 \$'000
Sponsorship – Cash	1,341	1,226
Sponsorship – In-kind	938	571
Total sponsorship	2,279	1,797

Some sponsorship is received as resources in-kind, which is valued at fair value.

The Corporation has a sponsorship arrangement with the Australian Broadcasting Corporation (ABC) that is not recognised in the financial statements. Given the non-commercial status of the ABC

Adelaide Festival Corporation
Notes to the Financial Statements for the year ended 30 June 2019

network, the capacity to document a reliable measurement of the relationship for the purposes of inclusion in the financial statements has proven problematic.

5. Non-financial assets

The Festival has continued to invest in improvement to software, databases and website design. Life of the Palais ended after the 2019 Festival and has been fully depreciated for the period of use.

5.1. Plant and equipment

	2019 \$'000	2018 \$'000
Plant and equipment		
Office equipment, furniture and fittings at cost (deemed Fair Value)	1,020	977
Less: Accumulated depreciation	(824)	(757)
<i>Total office equipment, furniture and fittings</i>	196	220
Leased Assets (deemed Fair Value)	14	14
Less: Accumulated depreciation	(6)	(3)
<i>Total Leased Assets</i>	8	11
Palais Club at cost	1,002	1,002
Less: Accumulated depreciation	(1,002)	(601)
<i>Total Palais Club</i>	-	401
Total plant and equipment	204	632

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

Plant and equipment is recorded at fair value. Details about the Corporation's approach to fair value are set out in note 11.2.

Impairment

Plant and equipment has not been assessed for impairment as they are non-cash generating assets, that are specialised in nature and held for continual use of their service capacity and are subject to regular stocktake and visual inspection.

Reconciliation 2018-2019

	Office Equipment, Furniture and Fittings \$'000	Palais Club \$'000	Leased Assets \$'000	Total \$'000
Carrying amount at 1 July 2018	220	401	11	632
Additions	44	-	-	44
Less: depreciation	(68)	(401)	(3)	(472)
Carrying amount at 30 June 2019	196	-	8	204

Adelaide Festival Corporation
Notes to the Financial Statements for the year ended 30 June 2019

5.2. Intangible assets

	2019 \$'000	2018 \$'000
Computer software	140	68
Less: accumulated amortisation	(27)	(5)
Total intangible assets	<u>113</u>	<u>63</u>

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

The acquisition of 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 \$1,000.

Reconciliation 2018-2019

	Computer software \$'000	Total \$'000
Carrying amount at 1 July 2018	63	63
Additions	72	72
Less: amortisation	(22)	(22)
Carrying amount at 30 June 2019	<u>113</u>	<u>113</u>

6. Financial Assets

6.1. Cash and cash equivalents

	2019 \$'000	2018 \$'000
Cash at bank	158	267
Cash at hand	1	1
Short term deposits with SAFA	1,746	812
Total cash and cash equivalents	<u>1,905</u>	<u>1080</u>

6.2. Deposits with SAFA

Short term deposits are made on an at-call basis with funds transferred within 24 hours upon request. The deposits are lodged with SAFA and earn interest at the respective short term deposit rate on a monthly basis.

Foreign Exchange

All transactions undertaken in a foreign currency are translated into the functional currency of the Corporation. Foreign exchange transactions are recorded on initial recognition by applying the foreign currency amount at the spot rate at the date of transaction. The date of transaction is the date on which the transaction first qualifies for recognition. Gains or losses arising from translation are taken directly to revenues or expenses.

Adelaide Festival Corporation
Notes to the Financial Statements for the year ended 30 June 2019

6.3. Receivables

	2019 \$'000	2018 \$'000
Trade debtors	59	73
Prepayments	12	160
Accrued revenue	31	71
GST input tax recoverable.	222	264
Total receivables	324	568

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 receipt of an invoice or the goods/services have been provided under contractual agreement. Receivables, prepayments and accrued revenues are non-interest bearing. Receivables are held with the objective of collecting the contractual cash flows and they are measured at amortised cost.

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

7. Liabilities

Employee benefits liabilities are disclosed in note 2.4.

7.1. Payables

	2019 \$'000	2018 \$'000
Current		
Trade creditors	-	46
Accrued expenses	330	310
Employment on-costs	16	15
<i>Total current payables</i>	346	371
Non-Current		
Employment on-costs	5	4
<i>Total non-current payables</i>	5	4
Total payables	351	375

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

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

The Corporation 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

Adelaide Festival Corporation
Notes to the Financial Statements for the year ended 30 June 2019

schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the relevant superannuation scheme.

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 remained at 41% and the average factor for the calculation of employer superannuation on-costs has also changed from the 2018 rate of (9.9%) to 9.8%. These rates are used in the employment on-cost calculation. The net financial impact of this change in the current financial year is an increase in the employment on-costs of \$2,000.

7.2. Provisions

	2019	2018
	\$000	\$000
Current		
Provision for Palais reparation/removal	-	132
Provision for Elder Park reparation	-	93
Provision for workers compensation (self-insurance)	4	4
<i>Total current provisions</i>	4	229
Non-current		
Provision for workers compensation (self-insurance)	4	5
<i>Total non-current provisions</i>	4	5
Total provisions	8	234

Movement in provisions

	2019	2018
	\$'000	\$'000
Carrying amount at beginning of the period	234	225
Additional provisions recognised	-	226
Reductions resulting from re-measurement	(1)	-
Reductions arising from payments	(225)	(217)
Carrying amount at end of the period	8	234

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

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

8. Other disclosures

8.1. Cash flow

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

Adelaide Festival Corporation
Notes to the Financial Statements for the year ended 30 June 2019

9. Changes in accounting policy

9.1. Treasurer's Instructions (Accounting Policy Statements)

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

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

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

- increasing the bands from \$10,000 to \$20,000 for employee and board member reporting.

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

The Accounting Policy Statements also set out requirements in relation to Accounting Standards and Statements not yet effective.

This is further discussed in note 10.3.

9.2. AASB9 Financial Instruments

AASB 9 Financial Instruments replaces provisions of AASB139 that relate to recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairments of financial assets and hedge accounting. The adoption of AASB 9 has not had an effect on the recognition, measurement or classification of financial assets and financial liabilities and as a result there is no adjustment required to be made to retained earnings as at 1 July 2018.

As part of the adoption of AASB 9, the Corporation 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 other expenses.
- *AASB 7 Financial Instruments: Disclosure* requires amended disclosures due to changes arising from AASB 9, these disclosures have been provided for the current year because the comparatives have not been restated.

Adelaide Festival Corporation
Notes to the Financial Statements for the year ended 30 June 2019

In accordance with transitional provisions and the *Treasurer's Instructions (Accounting Policy Statements)*, *AASB9 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 a significant effect on the recognition, measurement or classification of financial liabilities.

All financial assets and all financial liabilities are recognised at amortised cost.

10. Outlook

10.1. Unrecognised contractual commitments

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

Operating lease commitments

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

	2019 \$'000	2018 \$'000
Within one year	152	149
Later than one year but not longer than five years	377	502
Total operating lease commitments	529	651

The lease for office accommodation, effective from 1 October 2017 for 5 years, has been agreed at the same lease cost effective as at the time of termination of the previous lease with a \$100,000 per annum rent rebate to be applied for the term of the agreement with a fixed 3% per annum increase. Rent is payable in advance and the rebate is to be applied monthly in advance.

Lease commitments also include a non-interest bearing operating lease for lease of computer equipment over a 3 year period

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 Corporation is not aware of any contingent assets and liabilities.

10.3. Impact of standards and statements not yet effective

The Corporation 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 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.

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

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

Adelaide Festival Corporation
Notes to the Financial Statements for the year ended 30 June 2019

The Corporation has assessed that upon adoption of *AASB 15* and *AASB 1058* it is expected that there will be no material impact on the timing of recognition of revenue by the Corporation.

AASB 16 – Leases

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

Objective

AASB 16 sets out a comprehensive model for lease accounting that addresses recognition, measurement, presentation and disclosure of leases. The outcome will be the lease information disclosed will give users of financial statements a basis to assess the effects that leases have on the financial position, financial performance and cash flows of the entity. *AASB16 Leases* replaces *AASB117 Leases* and *Interpretation 4 Determining whether an Arrangement contains a lease*, *Interpretation 115 Operating Leases – Incentives and Interpretation*, and *Interpretation 127 Evaluating the substance of Transactions involving the Legal form of a Lease*.

Impact on 2019-2020 financial statement

The Corporation has assessed the estimated impact on the Statement of Financial Position of adopting *AASB 16* with the transition requirements mandated by the *Treasurer’s Instructions (Accounting Policy Statements)*.

AASB 16 requires lessees to recognise assets and liabilities for all leases, not subject to a recognition exemption or scoped out of the application of *AASB 16*. Applying *AASB 16* will result in leases previously classified as operating leases having right-of-use assets and related lease liabilities being recognised in the Statement of Financial Position for the first time. Lease incentive liabilities previously recognised will be written off against the right-of-use assets or retained earnings depending on the nature of the incentive.

AASB 16 is expected to have no material impact on the Statement of Financial Position. The Corporation has estimated the impact of this change and the results as at 1 July 2019.

The estimated impact is based on applying *AASB 16*’s transition approach to those leases identified as leases by the Corporation prior to 1 July 2019. The incremental borrowing rates applied to estimate the lease liability were SAFA’s interest rates for principal and interest loans in SA Government agencies.

The estimated impact is set out below:

	As at 1 July 2019 \$’000
Assets	
Right-of-use assets	505
Liabilities	
Lease liabilities	(505)
Net impact on equity	-

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AASB 16 will also impact on the Statement of Comprehensive Income. The operating lease expense previously included in supplies and services will mostly be replaced with:

- a depreciation expense that represents the use of the right-of-use asset; and
- borrowing costs that represent the cost associated with financing the right-of-use asset.

The estimated impact on 2019-20 Statement of Comprehensive Income is set out below.

	2020 \$'000
Depreciation and Amortisation	168
Supplies and Services	(141)
Borrowing costs	5
Net impact on net cost of providing services	32

Related accounting policies

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

- apply AASB 16 retrospectively. The cumulative effect of initially applying the Standard will be recognised at 1 July 2019. Comparatives will not be restated.
- only apply AASB 16 to contracts that were previously identified as containing a lease applying AASB 117 and related interpretations.
- not transition operating leases for which the lease term ends before 30 June 2020.

The *Treasurer's Instructions (Accounting Policy Statements) 2019* also sets out requirements for on-going application. These requirements include that the Corporation will:

- not apply AASB 16 to leases of intangible assets.
- adopt \$15,000 as the threshold to determine whether an underlying asset is a low value asset and must apply the low value asset recognition exemption to all low value assets.
- apply the short-term leases recognition exemption for all classes of underlying asset.
- separate non-lease components from lease components.
- adopt the revaluation model, where permitted.
- where required, apply the relevant lessee's incremental borrowing rate published by the Department of Treasury and Finance.
- on initial recognition not record at fair-value leases that have significantly below-market terms and conditions principally to enable the Corporation to further its objectives, unless they have already been recorded at fair-value prior to 1 July 2019.

10.4. Events after reporting period

There are no events occurring after the end of the reporting period.

11. Measurement and Risk

11.1. Long service leave liability – measurement

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AASB 119 *Employee benefits* contain the calculations methodology for long service leave.

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

AASB119 *Employee benefits* requires the use of 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 bond yield, which is used as the rate to discount future long service leave cash flows, results in an increase in the long service leave liability.

The net financial effect of the changes to actuarial assumptions in the current financial year is an increase in the long service leave liability of \$11,000 and employment benefits expense of \$11,000. 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% for long service leave liability. As a result, there is no financial effect resulting from changes in the salary inflation rate.

Current long service leave reflects the portion of leave expected to be settled within the next 12 months, based on previous experience and known applications for leave.

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.

Plant and equipment

All items of plant and equipment had a fair value at the time of acquisition less than \$1.5 million and had an estimated useful life of less than 3 years. Plant and equipment has not been revalued in accordance with APS 116D. The carrying value of these items are deemed to approximate fair value

11.3. Financial instruments

Financial risk management

Risk management is managed by the Corporation's corporate services section. The Corporation's risk management policies are in accordance with the *Risk Management Policy Statement* issued by the Premier and Treasurer and the principles established in the Australian Standards *Risk Management Principles and Guidelines*.

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

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Liquidity risk

The Corporation is funded principally from grants from the SA Government via Arts SA. The Corporation works with the Department of Treasury and Finance and Arts SA to determine the cash flows associated with its Government approved program of work and to ensure funding is provided through SA Government budgetary processes to meet expected cash flows.

The State Government has funded the Adelaide Festival biennially from 1960 and annually since 2012.

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 instruments 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:

- 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 amortised cost, fair value through other comprehensive income (FVOCI) – debt instrument, FVOCI – equity instrument of fair value through profit or loss.

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

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

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The Corporation measures all financial instruments at amortised cost.

Category of financial asset and financial liability	Note	Carrying Value/Fair Value	
		2019 \$'000	2018 \$'000
Financial assets			
Cash and cash equivalents	6.1	1,905	1,080
Financial assets at amortised cost			
Receivables	6.3	90	144
Total financial assets		1,995	1,224
Financial liabilities			
Financial liabilities at amortised cost			
Payables	7.1	245	279
Total financial liabilities		245	279

Receivables and payables

Receivable and payable amounts disclosed here above exclude amounts relating to statutory receivables and payables. 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).

Receivables amount disclosed here excludes prepayments as they are not financial assets. Prepayments are presented in Note 6.3