



Opera Australia  
and its Controlled Entities

# Financial Report

For the year ended 31 December 2015  
A.C.N. 000 755 153



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# OPERA AUSTRALIA DIRECTORS' REPORT

The Board of Directors of Opera Australia has pleasure in submitting its report in respect of the financial year ended 31 December 2015.

## DIRECTORS

The names and details of the Directors in office during or since the end of the financial year are:

<b>Names</b>	<b>Qualifications, experience and special responsibilities</b>
Lesley Alway	Ms Alway, BEd, BA (Hons), MBA, is currently Director, Asialink Arts, University of Melbourne, and Member of the Board of Australian Centre for Contemporary Art (ACCA). She was formerly Managing Director, Sotheby's Australia, Director, Heide Museum of Modern Art, Director, Arts Victoria, Director, Artbank, Chair, Visual Arts Board, Council Member, Australia Council, and Chair, Public Art Committee, City of Melbourne. She joined the Board of Opera Australia in December 2009.
Anson Austin OAM	Mr Austin joined the Board in August 2005 as the staff-nominated Director. He was a resident principal artist with Opera Australia for 34 years until his retirement in 2004. Mr Austin has been awarded an Order of Australia Medal.
Philip Bacon AM	Mr Bacon is Director, Philip Bacon Galleries, Trustee, Board of the Queensland Art Gallery, Member, National Gallery of Australia Foundation, Trustee, Gordon Darling Foundation, Board Member, Brisbane Institute and the Brisbane Festival, and a member of the Queensland Government's Arts Investment Advisory Board. From 1996 to 2003 he was a Council Member, National Gallery of Australia. From 1994 to 2011 he was a Director of Opera Australia, and since 2001 he has been a Director of the Opera Australia Capital Fund. He joined the Board in March 2014.
Virginia Braden OAM	Ms Braden, BA, is Director, National Institute of Dramatic Art and member of the Audit, Finance, Administration and Remuneration and the Capital Campaign Committees. She is a Hon Life Member, Australian Music Centre and International Artist Managers' Association. She established Arts Management Pty Ltd in 1979 and ran it until 2008 and now works as an Arts Management Consultant. She has served on a number of boards including The Song Company, Australian Music Centre, Craft Australia, International Artist Managers' Association (Chairman 2000-2003) and Australasian Classical Music Managers' Association. Ms Braden was awarded an OAM for service to arts administration in 2011. She joined the Board of Opera Australia in December 2009.
David Epstein	Mr Epstein joined the Board of Opera Australia in 2010. He is Vice-President, Corporate Affairs and Regulatory Affairs for Singtel Optus. Educated at The ANU and Wharton (UPenn), David is an experienced corporate affairs executive with a background in regulatory and public affairs, both internationally and in Australia. His career spans public and private sectors, including BHP Billiton, Qantas and as a senior ministerial adviser to three Prime Ministers, culminating as Chief of Staff to the Prime Minister. He is also a board member of the European Australian Business Council, Telecommunications Industry Ombudsman Ltd and the Australian Advisory Board of The Asia Society, as well as a Councillor of Creative Partnerships Australia. He joined the Board of Opera Australia in June 2010.

Names	Qualifications, experience and special responsibilities
Robert Leece AO RFD	Robert had extensive executive and non-executive experience in many industries including property development, construction, manufacturing, health, defence, environment, infrastructure investment, tertiary education, sport and the arts. He was Chairman of Health Infrastructure (NSW) and Pro-Chancellor and Fellow of the University of Sydney Senate. His more recent appointments were Infrastructure Co-ordinator General, NSW; Trustee of the Sydney Opera House Trust and Chair of its Building Committee; Chief Operating Officer, Tenix Pty Ltd and senior executive roles for the Sydney Olympic Games. Robert Leece joined the Board of Opera Australia on 2 July 2015 and passed away on 6 December 2015.
Tim McFarlane	Mr McFarlane, BEc, is the CEO of The Ambassador Theatre Group Asia Pacific, and Life Member, Live Performance Australia. From 1997 to 2005 he was a Trustee of the Sydney Opera House, from 1986 to 1994 he was General Manager, Adelaide Festival Centre Trust, and from 1994 until 2013 was Managing Director of The Really Useful Company Asia Pacific. He joined the Board of Opera Australia in August 2006 and was elected Chairman of the Audit Committee (formerly the Audit and Risk Committee) in April 2009.
David Mortimer AO (Chairman from April 2013)	Mr Mortimer has over 40 years of corporate finance and commercial experience. He was a senior executive of TNT Limited Group from 1973, serving as Finance Director and then as Chief Executive Officer. Mr Mortimer has chaired several publicly listed companies and is currently Chairman of Crescent Capital Partners, a Director of Petsec Energy Ltd and Mysale Group Plc Alpha Agriculture. He has also served on several Government Boards as Chairman and as a Director. He has Chaired three major Government reviews and served on several not-for-profit Boards. He has a Bachelor of Economics (First Class Honours) from the University of Sydney and was appointed as an Officer of the Order of Australia in 2005. He joined the Board of Opera Australia in January 2013 and was elected Chairman in April 2013. He is a member of the Audit Committee.
Judith Stewart	Mrs Stewart, a lawyer, has been involved with various not-for-profit entities across the arts and environment over a fifteen year period. She was most recently, and for eight years, the Managing Director of the Great Barrier Reef Foundation, has been a director of the Australian Chamber Orchestra, was Executive Chairman of the Australian Festival of Chamber Music and completed a term as a member of the Australia Council's Major Performing Arts Board. She joined the Board of Opera Australia in March 2011.
Josephine Sukkar	Ms Sukkar, BSc (Hons), Grad Dip Ed, is a co-owner and Principal of construction company Buildcorp and chair of the Buildcorp Foundation. She is currently a director of the Sydney University Football Club Foundation, The Australia Rugby Foundation and The Centenary Institute, and is President of the Australian Women's Rugby Union. From October 2011 until July 2015, she was Co-President of the YWCA NSW, and from 2010 to 2013 was a non-executive director of The Trust Company Limited. Josephine is also involved with the Museum of Contemporary Art with their annual Bella Dinner, is on the National Judging Panel of the General Sir John Monash Scholarship Foundation, and is a member of the Women and Diversity in Property Committee of the Property Council of Australia. She joined the Board of Opera Australia in March 2011.

## **DIRECTORS' REPORT**

(CONTINUED)

<b>Names</b>	<b>Qualifications, experience and special responsibilities</b>
Mary Waldron	Ms Waldron is PwC Australia's Managing Partner for Reputation, Regulation and Risk. Ms Waldron leads the firm's response to global and national regulatory developments, while embedding a risk management approach to enhance market growth and client service, and has provided audit assurance and advisory services to some of Australia's largest listed national and multinational public companies. Ms Waldron is the Chairman of the Centre for Ethical Leadership Advisory Board at Ormond College, and is a Director of Chartered Accountants Australia and New Zealand and the Macfarlane Burnet Institute for Medical Research and Public Health Limited. Ms Waldron joined the Board of Opera Australia in May 2013. She is a member of the Audit Committee.

Unless indicated otherwise, all Directors held their positions as Directors throughout the entire financial year and up to the date of this report.

### **COMPANY SECRETARY**

Narelle Beattie	Ms Beattie, BCom, MA, CA was appointed Company Secretary from 1 March 2006 and resigned on 7 August 2015. Up until the date of her resignation she held the position of Chief Operating Officer. Ms Beattie is a member of the Institute of Chartered Accountants of Australia and is a non-executive director of City West Housing and Legs on the Wall.
Simone Twiss	Ms Twiss is the Finance Director at Opera Australia and was appointed Company Secretary from 7 August 2015 and resigned as Company Secretary on 15 October 2015.
Joe Martorana	Mr Martorana joined Opera Australia on 13 October 2015 and was appointed Company Secretary on 15 October 2015. Mr Martorana has over 20 years Senior Management experience and held numerous Executive positions throughout his working career. His most recent position was Chief Operating Officer for IPN Medical Centres. Mr Martorana is MBA qualified as well as a member of Australian Institute of Company Directors as GAICD.

### **DIRECTORS' INTERESTS**

The Group is limited by guarantee and accordingly, does not issue shares.

### **Directors' Meetings**

The numbers of meetings of the Board of Directors and of Board Committees during the year were:

<b>Board/Committee</b>	<b>Number of meetings</b>
Full Board	8
Audit Committee	7

The attendance of Directors at meetings of the Board and of its Committees was:

	<b>Board of Directors</b>	<b>Audit</b>
Ms Lesley Alway	6 (8)	
Mr Anson Austin OAM	8 (8)	
Mr Philip Bacon	6 (8)	
Ms Virginia Braden OAM	7 (8)	
Mr David Epstein	5 (8)	
Mr Robert Leece AO RFD	3 (5)	
Mr Tim McFarlane	6 (8)	6 (7)
Mr David Mortimer AO	4 (8)	5 (7)
Ms Judith Stewart	6 (8)	
Ms Josephine Sukkar	5 (8)	
Ms Mary Waldron	7 (8)	5 (7)

The number of meetings for which the Director was eligible to attend is shown in brackets.

#### **PRINCIPAL ACTIVITIES**

The principal activities of the Group during the financial year were the production and staging of opera as the National Company for Australia.

#### **OPERATING AND FINANCIAL REVIEW**

The details of the consolidated result including the operating entities and the Opera Australia Capital Fund Group are set out in the following table:

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Opera Australia	168,450	(1,749,223)
Australian Opera and Ballet Orchestra	68,715	(235,672)
Operating surplus / (deficit)	<u>237,165</u>	<u>(1,984,895)</u>
Opera Australia Capital Fund Group comprehensive income	315,730	1,066,836
Net consolidated comprehensive income / (loss)	<u>552,895</u>	<u>(918,059)</u>

The operating entities consisting of Opera Australia and the Australian Opera and Ballet Orchestra (AOBO) recorded a combined surplus for the year of \$237,165. One of the major successes of 2015 for Opera Australia was the Handa Opera on Sydney Harbour production of *Aida*, with over 57,000 people experiencing the spectacular event. In theatre opera in the Sydney Opera House and Melbourne Arts Centre also enjoyed the highest occupancy percentages experienced in many years. Expenditure was also well controlled, in particular within the AOBO, with a recorded surplus of \$68,715. A detailed review of the operations of the operating entities is contained in the reports of the Chairman and Chief Executive within the annual report.

## **DIRECTORS' REPORT**

### **(CONTINUED)**

A Deed of Cross Guarantee currently exists between Opera Australia and the AOBO. This Deed commits each entity to guarantee the debts of the other entity. Given the net liability position of the AOBO, this Deed provides the basis on which it continues to trade. The net loss and net liability position of the AOBO indicates possible impairment of the receivable owed to the parent entity, Opera Australia. In 2009 the Directors of Opera Australia formed the view that a provision for doubtful debts should be raised against the related party receivable balance of \$4,575,744. Since that date further provision for doubtful debts has been raised against increments in the receivable balance. As at 31 December 2015 the related party receivable from the AOBO has increased by \$9,033 from the prior year to a total balance of \$6,557,907. The current year increase in the receivable has been fully provided against in the 2015 accounts. The impact of these transactions eliminates on consolidation.

The net surplus for the year of the parent entity Opera Australia is reported in Note 27 as \$159,417. This result comprises the operating surplus of \$168,450 and the current year charge to the provision for doubtful debts against the AOBO related party receivable of \$9,033.

The comprehensive income booked by the Opera Australia Capital Fund Group of \$315,730 reflects continued strong investment income, in addition to ongoing fundraising activities, offset by a market downturn in the value of investments in the second half of the year.

The Opera Australia Group's net consolidated total comprehensive surplus for the year is \$552,895 (2014: comprehensive loss \$918,059).

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There were no significant changes in the state of affairs of the Group from last year.

### **SIGNIFICANT EVENTS AFTER YEAR END**

There have been no matters or circumstances since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

### **LIKELY DEVELOPMENTS AND FUTURE RESULTS**

The Group expects to maintain the current nature of operations and its overall principal activities will remain unchanged.

### **DIVIDENDS**

The parent entity's Memorandum of Association prohibits the distribution of income and property by way of dividend or bonus and no dividend or bonus has been paid or declared since the end of the previous financial year.

### **DIRECTORS' REMUNERATION**

The parent entity's Memorandum of Association prohibits the payment of remuneration to Directors and no Director has received or become entitled to receive any remuneration during the financial year.

Contracts are entered into in the normal course of business by the Group with companies of which some Directors are common to both. Apart from details disclosed in Note 25 (c), since the end of the previous year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Group with the Director, with a firm of which he or she is a member, or with a company in which he or she has a substantial interest.

#### **INDEMNIFICATION OF DIRECTORS AND OFFICERS**

Insurance and indemnity arrangements established in previous years concerning officers of the Group were renewed and continued during 2015. Opera Australia paid the premium on a contract insuring each of the Directors of the Group, named earlier in this report, and each of the full-time executive officers of the Group, against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law.

#### **INDEMNIFICATION OF AUDITORS**

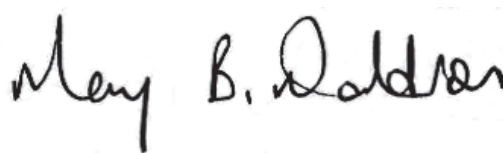
To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

#### **AUDITOR'S INDEPENDENCE DECLARATION**

The Auditor's Independence Declaration is set out on Page 38 and forms part of the Directors' Report for the financial year 2015.



T. McFARLANE  
Director



M. WALDRON  
Director

Sydney  
22 March 2016

**OPERA AUSTRALIA**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2015**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>
<b>Current Assets</b>			
Cash and cash equivalents	8	4,298,196	2,081,112
Trade and other receivables	9	4,437,086	3,473,840
Available-for-sale financial assets	10	14,426,543	14,076,642
Prepayments	11	2,719,253	2,966,810
Assets held for sale	12	1,477,746	-
<b>Total Current Assets</b>		<u>27,358,824</u>	<u>22,598,404</u>
<b>Non-Current Assets</b>			
Other financial assets	13	2	298,742
Property, plant and equipment	14	23,995,851	26,002,206
<b>Total Non-Current Assets</b>		<u>23,995,853</u>	<u>26,300,948</u>
<b>Total Assets</b>		<u>51,354,677</u>	<u>48,899,352</u>
<b>Current Liabilities</b>			
Trade and other payables	15	4,232,346	5,103,617
Provisions	17	5,131,970	5,121,569
Government grants received in advance	18	566,309	4,020,451
Unearned revenue	19	24,313,861	18,015,569
<b>Total Current Liabilities</b>		<u>34,244,486</u>	<u>32,261,206</u>
<b>Non-Current Liabilities</b>			
Provisions	17	854,277	935,127
<b>Total Non-Current Liabilities</b>		<u>854,277</u>	<u>935,127</u>
<b>Total Liabilities</b>		<u>35,098,763</u>	<u>33,196,333</u>
<b>Net Assets</b>		<u>16,255,914</u>	<u>15,703,019</u>
<b>Equity</b>			
Other reserves	20	1,707,321	2,597,317
Retained earnings	21	14,548,593	13,105,702
<b>Total Equity</b>		<u>16,255,914</u>	<u>15,703,019</u>

The accompanying notes form an integral part of this consolidated Statement of Financial Position.

**OPERA AUSTRALIA**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND**  
**COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	Note	2015 \$	Consolidated 2014 \$
<b>INCOME</b>			
Sales revenue	4	56,648,232	70,326,926
Other revenue	4	38,822,350	37,049,318
Total income		95,470,582	107,376,244
<b>EXPENDITURE</b>			
Staff and employment expenses		53,569,003	58,194,607
Travel and transport expenses		5,955,714	7,806,743
Venue occupancy expenses		6,242,732	7,923,913
Marketing and promotion expenses		10,710,975	12,434,725
Depreciation and amortisation expense	7	3,308,173	5,342,426
Finance costs	7	98,274	31,941
Other expenses	7	14,142,820	16,827,774
Total expenditure		94,027,691	108,562,129
<b>Net surplus / (deficit) for the year</b>		<b>1,442,891</b>	<b>(1,185,885)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Investment revaluation gains / (losses) on available-for-sale financial assets	20	(511,115)	331,640
Reclassification during the year to profit or loss	20	(376,520)	(61,494)
Net gain / (loss) on cash flow hedges	20	(17,103)	-
Foreign exchange gain / (loss)	20	14,742	(2,320)
<b>Total other comprehensive income / (loss) for the year</b>		<b>(889,996)</b>	<b>267,826</b>
<b>Total comprehensive income / (loss) for the year</b>		<b>552,895</b>	<b>(918,059)</b>

The accompanying notes form an integral part of this consolidated Statement of Profit or Loss and Comprehensive Income.

**OPERA AUSTRALIA**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	<b>Note</b>	<b>Consolidated</b>	
		<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>
<b>Operating activities</b>			
Receipts from operations		101,794,480	113,773,370
Payments to suppliers and employees		(97,113,131)	(109,944,397)
Investment income and interest received		299,536	461,845
Interest paid		(298)	(3,891)
<b>Net cash flows from operating activities</b>	<b>8</b>	<b>4,980,587</b>	<b>4,286,927</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(2,801,539)	(5,483,086)
Proceeds from sale of property, plant and equipment		23,294	26,554
<b>Net cash flows used in investing activities</b>		<b>(2,778,245)</b>	<b>(5,456,532)</b>
Net increase / (decrease) in cash and cash equivalents		2,202,342	(1,169,605)
Net foreign exchange differences		14,742	(2,320)
Cash and cash equivalents at 1 January		2,081,112	3,253,037
<b>Cash and cash equivalents at 31 December</b>	<b>8</b>	<b>4,298,196</b>	<b>2,081,112</b>

The accompanying notes form an integral part of this consolidated Statement of Cash Flows.

**OPERA AUSTRALIA**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	<b>Note</b>	<b>Other Reserves \$</b>	<b>Retained Earnings \$</b>	<b>Total \$</b>
<b>Consolidated</b>				
At 1 January 2014	20, 21	2,329,491	14,291,587	16,621,078
Net deficit for the year		-	(1,185,885)	(1,185,885)
Other comprehensive income		267,826	-	267,826
Total comprehensive income for the year		<u>267,826</u>	<u>(1,185,885)</u>	<u>(918,059)</u>
At 31 December 2014		2,597,317	13,105,702	15,703,019
Net surplus for the year		-	1,442,891	1,442,891
Other comprehensive income / (loss)		(889,996)	-	(889,996)
Total comprehensive income / (loss) for the year		<u>(889,996)</u>	<u>1,442,891</u>	<u>552,895</u>
At 31 December 2015		<u><u>1,707,321</u></u>	<u><u>14,548,593</u></u>	<u><u>16,255,914</u></u>

The accompanying notes form an integral part of this consolidated Statement of Changes in Equity.

# OPERA AUSTRALIA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1. CORPORATE INFORMATION

The financial report of Opera Australia and its controlled entities (collectively, the Group) for the year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors on 22 March 2016.

Opera Australia (the parent) is a not-for-profit organisation, limited by guarantee, with its registered offices being located at 480 Elizabeth Street, Surry Hills NSW 2010.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

This general purpose financial report has been prepared for distribution to the members to fulfil the directors' financial reporting requirements under the *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012*. The accounting policies used in the preparation of this financial report, as described below, are consistent with the financial reporting requirements of the Corporations Act 2001, the Australian Charities and Not-for-Profits Commission Act 2012 and with previous years, and are, in the opinion of the directors', appropriate to meet the needs of members.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF PREPARATION

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards Reduced Disclosure Requirements, the *Australian Charities and Not-for-Profits Commission Act 2012* and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has also been prepared on a historical cost basis and does not take account of changes in either the general purchasing power of the dollar or in the price of specific assets, except for land and buildings stated at deemed cost (Note 14) and current listed managed fund units measured at fair value (Note 10).

The financial report is presented in Australian dollars, and all values have been rounded to the nearest dollar unless otherwise stated.

#### STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards Reduced Disclosure Requirements, which include Australian equivalents to International Financial Reporting Standards, (AIFRS). Some AIFRS and other Australian Accounting Standards contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements. The following Australian Accounting Standards include not-for-profit specific requirements which have been applied in preparing this financial report:

AASB 116: *Property, Plant and Equipment*

AASB 136: *Impairment of Assets*

AASB 1004: *Contributions*

The accounting policies are consistent with those of the previous financial year.

The Group's principal financial instruments comprise cash and short-term deposits, receivables, payables and available-for-sale assets.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### *Changes in accounting policies, new and amended standards and interpretations*

The Company applied, for the first time, certain standards and amendments which are effective for annual periods beginning on or after 1 January 2015. The nature and the impact of each new standard and/or amendment is described below:

#### *Conceptual Framework, Materiality and Financial Instruments - Amendments to AASB 9*

This amendment makes changes to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments. This amendment has had no impact on the Company's presentation or disclosure for the period.

### *Accounting standards and interpretations issued but not yet effective*

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Company for the year ended 31 December 2015. The directors have not early adopted any of these new or amended standards or interpretations. The directors have not yet fully assessed the impact of the following new or amended standards (to the extent relevant to the Company) and interpretations.

#### *Financial Instruments – Amendments to AASB 9*

*Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to AASB 116 and AASB 138*

*Revenue from Contracts with Customers – AASB 15 replacing AASB 111, AASB 118 and related Interpretations*

*Equity Method in Separate Financial Statements - Amendments to AASB 127 and AASB 128*

*Annual Improvements to Australian Accounting Standards 2012–2014 Cycle – Amendments to the following:*

*AASB 5 Non-current Assets Held for Sale and Discontinued Operations*

*AASB 7 Financial Instruments: Disclosures*

*AASB 119 Employee Benefits*

*AASB 134 Interim Financial Reporting*

*Disclosure Initiative: Amendments to AASB 101*

*Withdrawal of AASB 1031 Materiality*

*Investment Entities: Applying the Consolidation Exception - Amendments to AASB 10, AASB 12 and AASB 128*

*Extending Related Party Disclosures to Not-for-Profit Public Sector Entities - Amendments to AASB 124*

*Fair Value Disclosures of Not-for-Profit Public Sector Entities -Amendments to AASB 13*

## **BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of the parent entity, Opera Australia, and its controlled entities as at 31 December each year. The term "Group" used throughout these financial statements means the parent entity and its controlled entities. Note 25(a) provides details of the entities comprising the Group.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affects its returns

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The financial statements of the controlled entities are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring in line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

# OPERA AUSTRALIA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### GOING CONCERN

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

At 31 December 2015, the Group's current liabilities exceeded current assets by \$6,885,662 (2014: \$9,662,802). The ability of the group to continue as a going concern is dependent upon ongoing support of sponsors and government contracts and its ability to continue to plan and produce profitable productions.

A large component of net assets is readily converted to cash and a significant portion of the Group's current liabilities represents ticket sale revenue and grants secured and received in advance for scheduled productions. The Group currently has a \$6 million bill / overdraft facility and expects this facility to be renewed in late 2016.

In addition to the above, the directors have reviewed the Group's prospective financial information, including cash flow forecasts, which has allowed them to conclude on the Group's ability to continue as a going concern and to pay debts when they become due and payable.

#### REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### *Box Office*

Revenue from ticket sales is recognised in the consolidated statement of profit or loss upon presentation of the performance. Revenue from ticket sales in respect of productions not yet performed is included in the Statement of Financial Position as advance bookings under the heading "Unearned Revenue".

##### *Commercial Activities*

Commercial Activities include production hires, distribution of recordings as well as activities involving provision of orchestral and artists' services. Revenue from these activities is recognised on completion of the activity. Program sales revenue is recognised in line with contractual arrangements.

##### *Contributions*

###### *Sponsorship*

Sponsorship commitments are brought to account as income in the year in which sponsorship benefits are bestowed.

###### *Donations*

All unencumbered donations are brought to account as received.

##### *Government Grants*

###### *Opera Australia*

The annual grants from the Australian Government through the Major Performing Arts Board of the Australia Council, the New South Wales Government through Arts NSW and the Victorian Government through Creative Victoria are received on a calendar basis. These grants are brought to account on a monthly pro-rata basis over the period of the grant. Project-specific grants are brought to account based on timing of the project.

###### *Australian Opera and Ballet Orchestra Limited*

The annual grants from the Australian Government through the Major Performing Arts Board of the Australia Council and from the New South Wales Government through Arts NSW are received on a calendar year basis. These grants are brought to account on a monthly pro-rata basis over the period of the grant.

##### *Interest*

Interest income is recognised as the interest accrues.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents in the consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loan borrowings in current liabilities on the consolidated Statement of Financial Position.

### **PRODUCTION MANUFACTURE – COSTS OF MANUFACTURING COSTUMES, SCENERY SETS AND PROPERTIES**

#### *Capitalisation*

The capitalised value of costumes, scenery sets and properties includes direct labour, direct materials and on-costs associated with direct labour. On-costs include superannuation, workers compensation, annual leave and long service leave accruals.

#### *Amortisation*

The parent entity has amortised the net cost of manufacturing costumes, scenery sets and properties for new productions over the expected minimum number of performances for that production. The basis for amortisation is the manufacturing cost, including on-costs associated with direct labour.

All costumes, scenery sets and properties are carefully stored and are maintained in a condition suitable for re-use.

### **DEFERRED PRODUCTION COSTS**

Costs of production and other associated expenditure (except for advertising and promotional activities) in respect of productions not yet performed for the first time are included in the consolidated Statement of Financial Position as prepaid expenditure and deferred production costs under the heading "Prepayments."

Expenditure on advertising and promotional activities is recognised as an expense when the entity either has the right to access the goods or has received the service.

### **ASSETS HELD FOR SALE**

The Group classifies current assets as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding finance costs.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment are not depreciated once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

# OPERA AUSTRALIA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

### PROPERTY, PLANT AND EQUIPMENT

Land and buildings are carried at deemed cost.

Property, plant and equipment excluding freehold land and buildings are valued at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings	50 years
Buildings additions	5-20 years
Musical instruments	20 years
Leasehold improvements	3-10 years
Owned plant & equipment	3-10 years

### IMPAIRMENT AND RECOVERABLE AMOUNT OF NON-CURRENT ASSETS

#### *Impairment*

The carrying values of plant and equipment (including costumes, scenery sets and properties) are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

#### *Recoverable Amount*

The recoverable amount of an asset is the greater of net selling price and value in use. Value in use is taken to be the depreciated replacement cost of the asset concerned.

### TRADE AND OTHER RECEIVABLES

Trade receivables, which generally have 30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt.

### AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets, comprising managed funds, are non-derivative financial assets. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Regular way purchases and sales of investments are recognised on trade-date, i.e., the date on which the company commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs. Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in the investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are reclassified from the investments revaluation reserve to the consolidated statement of profit or loss as gains and losses from investment securities.

The fair values of investments are based on the exit price (i.e., the price that would be received to sell an asset in an orderly transaction) of investments held at the balance sheet date.

Available for sale financial assets are classified as a current asset as it is the parent entity's ability to call upon them if required in accordance with the provisions of the Opera Australia Capital Fund Trust Deed.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **INVESTMENT IN ASSOCIATES AND JOINT VENTURES**

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss in the statement of profit or loss.

### **TRADE AND OTHER PAYABLES**

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

### **INTEREST BEARING LOANS AND BORROWINGS**

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

### **BORROWING COSTS**

Borrowing costs are recognised as an expense when incurred.

### **PROVISIONS AND EMPLOYEE LEAVE BENEFITS**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

#### *Employee Leave Benefits*

##### *(i) Wages, salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are recognised in respect of employee services up to the reporting date. They are measured at the amounts expected to be paid when the liability is settled.

# OPERA AUSTRALIA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *(ii) Long service leave*

The liability for long service leave is recognised and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

### LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

#### *Group as lessee*

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the consolidated Statement of Comprehensive Income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the consolidated Statement of Profit and Loss on a straight-line basis over the lease term. Lease incentives are recognised in the consolidated Statement of Profit and Loss as an integral part of the total lease expense.

### TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

Both the functional and presentation currency of the Group is Australian dollars. Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. All differences in the consolidated financial report are taken to the consolidated Statement of Comprehensive Income.

### INCOME TAX

The Group is an income tax exempt charitable entity under Subdivision 50-B of the Income Tax Assessment Act 1997.

### ACCOUNTING FOR GOODS & SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of GST. Trade receivables and trade payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. 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 taxation authority are classified as operating cash flows.

### COMPARATIVE INFORMATION

Where necessary, comparatives have been reclassified or repositioned for consistency with current year disclosures.

### NOTE 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. The following critical accounting policies have been identified for which significant judgements, estimates and assumptions are made.

#### *Impairment of available-for-sale financial assets*

The Group holds a number of available-for-sale financial assets and follows the requirements of AASB 139 Financial Instruments: Recognition and Measurement in determining when an available-for-sale financial asset is impaired. In making this judgment the Group assessed the duration and extent to which the fair value is less than cost.

#### *Hedging activities and derivatives*

The Group uses foreign exchange forward contracts to manage some of its transaction exposure, with the intention to reduce foreign exchange risk in highly probable forecast transactions and unrecognised firm commitments. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. All hedges meet the strict criteria for hedge accounting. The effective portion of the gain or loss on the hedging instrument is recognised in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. Amounts recognized as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expenses is recognised.

#### *Impairment of non-financial assets*

Management reviews non-financial assets periodically to determine whether there is evidence that the present value of future cash flows is lower than the net book value recorded on the consolidated Statement of Financial Position. In such cases, an impairment charge is calculated and recorded as an expense in current year earnings.

#### *Estimated useful lives*

Upon capitalisation of non-financial assets, management estimates the useful life over which to depreciate the asset. Useful lives are in line with statutory guidelines and are based on management experience and judgement.

**OPERA AUSTRALIA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

**NOTE 4. REVENUE**

Surplus from operations is after crediting the following revenues:

	2015 \$	Consolidated 2014 \$
<i>Sales revenue</i>		
Box office	52,691,383	67,432,347
Commercial activities	3,956,849	2,894,579
Total sales revenue	<u>56,648,232</u>	<u>70,326,926</u>
<i>Other revenue</i>		
Contributions	7,905,384	7,898,523
Government grants (see Note 5)	25,235,491	24,948,334
Other revenue (a)	4,326,842	3,132,485
Gain on disposal of property, plant and equipment	1,319	4,345
Interest and investment income from unrelated persons (b)	976,794	1,004,137
Realised gain on available-for-sale financial assets (c)	376,520	61,494
Total other revenue	<u>38,822,350</u>	<u>37,049,318</u>
Total revenues	<u>95,470,582</u>	<u>107,376,244</u>

(a) Includes investment from government destination organisations and contributions from Opera Conference.

(b) Interest and investment income includes \$889,288 (2014: \$912,787) attributable to Opera Australia Capital Fund entities.

(c) The realised gain on available-for-sale financial assets is fully attributable to Opera Australia Capital Fund entities.

## NOTE 5: GOVERNMENT GRANTS

	Consolidated	
	2015	2014
	\$	\$
<i>Australia Council</i>		
Base Funding Major Performing Arts Board	20,265,367	19,829,126
Playing Australia	485,452	445,676
Creative Communities Partnership Initiative	82,749	167,255
Creative Professionals	-	18,740
Indigenous Mentorship	-	13,972
Total Australia Council	<u>20,833,568</u>	<u>20,474,769</u>
<i>Other Federal</i>		
Creative Partnerships Australia – Plus1	50,000	-
Department of Education and the Department of Employment - Completion Incentive Scheme	-	20,000
Total Other Federal	<u>50,000</u>	<u>20,000</u>
<i>Arts NSW</i>		
Base Funding	3,285,660	3,285,660
Primary Schools Touring	65,000	65,000
Touring & Outreach Regional Tour	-	51,642
Total Arts NSW	<u>3,350,660</u>	<u>3,402,302</u>
<i>Creative Victoria</i>		
Base Funding	1,001,263	1,001,263
Touring & Outreach Regional Tour	-	50,000
Total Creative Victoria	<u>1,001,263</u>	<u>1,051,263</u>
Total government grants	<u><u>25,235,491</u></u>	<u><u>24,948,334</u></u>

**OPERA AUSTRALIA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

**NOTE 6: RESERVES INCENTIVE SCHEME FUNDS**

Under the Reserves Incentive Scheme, the Opera Australia Capital Fund, a controlled entity of Opera Australia, raised \$1,557,000 in 2001. This income enabled Opera Australia to qualify for its full entitlement under the Reserves Incentive Scheme of \$3,100,000 in 2002.

The Reserve Incentive Scheme Funds of \$4,657,000 are held in escrow in the Opera Australia Capital Fund Limited. They have not been used to secure any liabilities of any entity within the Group. The monies are subject to the terms and conditions of the Reserves Incentive Scheme Deeds between the Major Performing Arts Board, Arts NSW, Opera Australia and the Opera Australia Capital Fund Limited and between the Major Performing Arts Board, Creative Victoria, Opera Australia and the Opera Australia Capital Fund Limited. The Reserves Incentive Scheme Funds consist of contributions from the following:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Opera Australia Capital Fund Limited	1,557,000	1,557,000
Federal	1,550,000	1,550,000
NSW	1,085,000	1,085,000
Victoria	465,000	465,000
<b>Total Reserves Incentive Scheme Funds Available</b>	<b>4,657,000</b>	<b>4,657,000</b>

## NOTE 7. EXPENDITURE

Net surplus / (deficit) from operations is after charging the following expenses:

	2015	Consolidated	2014
	\$		\$
<i>Depreciation, amortisation and impairments:</i>			
Depreciation of:			
- Buildings	207,104		213,813
- Leasehold improvements	1,590		1,590
- Plant and equipment	486,947		474,280
Amortisation of costumes, scenery sets and properties	2,140,629		3,879,895
Impairment of costumes, scenery sets and properties	471,903		772,848
	<u>3,308,173</u>		<u>5,342,426</u>
<i>Finance Costs:</i>			
Interest paid or payable to:			
Other unrelated parties	298		3,891
Long service leave provision discount adjustment	97,976		28,050
	<u>98,274</u>		<u>31,941</u>
<i>Other Expenses:</i>			
Production expenses	8,429,798		7,930,255
Premises	1,429,431		1,448,968
Scores, royalties & instruments	1,140,923		4,151,167
Insurance	431,915		514,728
IT	592,528		637,369
Recording and surtitles	256,041		239,114
Professional fees	259,446		232,962
Administration expenses	1,602,738		1,673,211
	<u>14,142,820</u>		<u>16,827,774</u>

**OPERA AUSTRALIA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

**NOTE 8. CASH AND CASH EQUIVALENTS**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	4,298,196	2,081,112
Total cash and cash equivalents	<u>4,298,196</u>	<u>2,081,112</u>
Reconciliation from the net surplus to net cash flows from operations:		
Net surplus / (deficit)	1,442,891	(1,185,885)
Adjustments for:		
Depreciation, amortisation and impairment	3,308,173	5,342,426
Gain on disposal of property, plant and equipment	(1,319)	(4,345)
Net unrealised gain / (loss) on change in fair value of available-for-sale financial assets	(887,635)	270,146
Net loss on cash flow hedges	(17,103)	-
Share of (gain) / loss of an associate	298,740	(4,766)
Changes in assets and liabilities:		
(Increase) / decrease in assets:		
Accounts receivable, net	(963,246)	(739,047)
Prepayments and other assets	247,557	1,529,033
Financial assets	(349,901)	(1,303,845)
(Decrease) / increase in liabilities:		
Accounts payable	(871,271)	350,733
Other liabilities	2,844,150	495,789
Provisions	(70,449)	(463,312)
Net cash flows from operating activities	<u>4,980,587</u>	<u>4,286,927</u>

**NOTE 9. TRADE AND OTHER RECEIVABLES (CURRENT)**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Trade and other receivables	4,447,724	3,486,576
Provision for doubtful debts	(10,638)	(12,736)
Total trade and other receivables (Current)	<u>4,437,086</u>	<u>3,473,840</u>

An increase in doubtful debts provision of \$9,033 has been raised in the parent entity Opera Australia for the receivable owing from the related party Australian Opera and Ballet Orchestra. The receivable and related doubtful debts provision both eliminate on consolidation.

The fair value of financial assets is equivalent to the carrying amount at the reporting date as disclosed in the consolidated Statement of Financial Position and related notes. This is because either the carrying amounts approximate to the fair value or because of their short-term to maturity.

**NOTE 10. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CURRENT)**

Managed funds (a)	14,426,543	14,076,642
	<u>14,426,543</u>	<u>14,076,642</u>

(a) Units held in managed funds are readily saleable with no fixed term.

The fair value of financial assets is equivalent to the carrying amount at the reporting date as disclosed in the consolidated Statement of Financial Position and related notes. This is because either the carrying amounts approximate to the fair value or because of their short-term to maturity.

Available-for-sale financial assets are fully attributable to Opera Australia Capital Fund entities.

**NOTE 11. PREPAYMENTS (CURRENT)**

Deferred production costs	1,921,086	1,649,549
Prepaid expenditure	770,430	1,286,474
Materials to be utilised in future productions	27,737	30,787
Total prepayments (Current)	<u>2,719,253</u>	<u>2,966,810</u>

**OPERA AUSTRALIA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(CONTINUED)

**NOTE 12. ASSETS HELD FOR SALE (CURRENT)**

	<b>2015</b>	<b>Consolidated</b>	<b>2014</b>
	<b>\$</b>		<b>\$</b>
Assets held for sale	1,477,746		-
Total assets held for sale (Current)	<u>1,477,746</u>		<u>-</u>

During 2015, the Group established its intent to sell the owned Melbourne property and, as such, this property qualifies as an asset held for sale and therefore has been reclassified accordingly.

**NOTE 13. OTHER FINANCIAL ASSETS (CURRENT)**

The following shares and investments are carried at cost

Shares in associated and controlled companies

- Unlisted	<u>2</u>	<u>2</u>
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The following interest in an associate is accounted for using the equity method

Interest in an associate

- Opera Conference Partnership	<u>-</u>	<u>298,740</u>
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Total other financial assets (Non-Current)	<u>2</u>	<u>298,742</u>
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Opera Australia has a 40.9% interest in The Opera Conference Partnership, involved in the production of Opera performances in Australia. The Group's interest in The Opera Conference Partnership is accounted for using the equity method in the consolidated financial statements. The Partnership cannot distribute its profits without majority consent of the four partners.

## NOTE 14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings (a)	Leasehold improvements	Plant and equipment (b)	Costumes, scenery sets and properties (c)	Total property, plant and equipment
At 1 January, 2015					
Deemed cost	22,123,551	37,857	6,331,938	27,888,733	56,382,079
Additions	35,194	-	449,831	2,316,514	2,801,539
Assets Held for Sale	(1,936,130)	-	(27,315)	-	(1,963,445)
Disposals	-	-	(385,503)	(513,821)	(899,324)
At 31 December, 2015	20,222,615	37,857	6,368,951	29,691,426	56,320,849
At 1 January, 2015					
Accumulated depreciation and impairment	(2,566,579)	(34,811)	(4,367,951)	(23,410,532)	(30,379,873)
Depreciation/Amortisation charge for the year	(207,104)	(1,590)	(486,947)	(2,140,629)	(2,836,270)
Impairment charge for the year	-	-	-	(471,903)	(471,903)
Assets Held for Sale	465,856	-	19,843	-	485,699
Disposals	-	-	363,528	513,821	877,349
At 31 December, 2015	(2,307,827)	(36,401)	(4,471,527)	(25,509,243)	(32,324,998)
Net carrying amount					
At 1 January, 2015	19,556,972	3,046	1,963,987	4,478,201	26,002,206
At 31 December, 2015	17,914,788	1,456	1,897,424	4,182,183	23,995,851

(a) Freehold land and building values are stated at deemed cost.

(b) Plant and equipment is inclusive of musical instruments.

(c) The insured value of costumes, scenery sets and properties is \$43,382,000. This compares with the amortised balance above of \$4,182,183.

## NOTE 15. TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated	
	2015	2014
	\$	\$
Trade payables	2,103,370	1,752,066
Other payables	1,275,997	1,695,020
Amounts owed to associates	218,510	-
Accruals	634,469	1,656,531
Total trade and other payables (Current)	4,232,346	5,103,617

The fair value of financial liabilities is equivalent to the carrying amount at the reporting date as disclosed in the consolidated Statement of Financial Position and related notes. This is because either the carrying amounts approximate to the fair value or because of their short-term to maturity.

**OPERA AUSTRALIA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

**NOTE 16. INTEREST BEARING LOANS AND BORROWINGS**

*Financing facilities available*

At the reporting date the Group has with the Commonwealth Bank a bank overdraft facility of \$3,000,000 and a bill drawdown facility of \$3,000,000 secured by a charge over freehold land and buildings. The overdraft is subject to an interest rate of up to 5.81%.

There were no borrowings at the end of 2015.

**NOTE 17. PROVISIONS**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Annual leave	1,670,254	1,774,619
Long service leave	3,461,716	3,346,950
Total provisions (Current)	<u>5,131,970</u>	<u>5,121,569</u>
Long service leave	854,277	935,127
Total provisions (Non-Current)	<u>854,277</u>	<u>935,127</u>

**NOTE 18. GOVERNMENT GRANTS RECEIVED IN ADVANCE (CURRENT)**

Grants received in advance:		
Federal	418,131	3,920,451
Victoria	98,178	-
Other	50,000	100,000
Total grants received in advance	<u>566,309</u>	<u>4,020,451</u>

The federal and Victoria grants received in advance balances relate to funding for the 2016 Regional Tour via Playing Australia and Touring Victoria, respectively. The Other grants received reflects \$50,000 from the Department of Foreign Affairs and Trade to present the *Shane Warne The Musical*.

**NOTE 19. UNEARNED REVENUE (CURRENT)**

Future seasons income	4,575,861	2,479,678
Advance bookings	19,738,000	15,535,891
Total unearned revenue	<u>24,313,861</u>	<u>18,015,569</u>

## NOTE 20. OTHER RESERVES

	Consolidated	
	2015	2014
	\$	\$
<i>Cash Flow Hedge Reserve</i>		
Opening balance	-	-
Loss on cash flow hedge	(17,103)	-
Closing balance	(17,103)	-
<i>Foreign Exchange Translation Reserve</i>		
Opening balance	13,678	15,998
Exchange differences on translation of foreign operations	14,742	(2,320)
Closing balance	28,420	13,678
<i>Net Unrealised Gains Reserve</i>		
Opening balance	1,583,639	1,313,493
Net gains / (losses) on available-for-sale financial assets (a)	(511,115)	331,640
Reclassification during the year to profit or loss	(376,520)	(61,494)
Closing balance	696,004	1,583,639
<i>New Works and Touring Reserve</i>		
Opening balance	1,000,000	1,000,000
Closing balance	1,000,000	1,000,000
Total other reserves	1,707,321	2,597,317

(a) Net gains on available-for-sale financial assets are fully attributable to Opera Australia Capital Fund entities.

## NOTE 21. RETAINED EARNINGS

Opening balance	13,105,702	14,291,587
Net surplus / (deficit) for the year	1,442,891	(1,185,885)
Closing balance	14,548,593	13,105,702

## NOTE 22. COMMITMENTS AND CONTINGENCIES

### (A) ARTISTS , VENUE AND CO-PRODUCTION CONTRACTS

Committed expenditure is payable as follows:

Within one year	11,749,087	12,200,117
After one year but not more than five years	1,670,817	499,700
	13,419,904	12,699,817

The Group, by the nature of its operations, has entered into contracts for performances scheduled to take place during 2016 and subsequent years. These amounts include the maximum expenditure required to satisfy the contracts with artists, creatives and co-production partners. The terms and conditions of the contracts place a liability on the Group under certain circumstances to pay specified sums should artists not be engaged or the performances not take place.

**OPERA AUSTRALIA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(CONTINUED)

**NOTE 22. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The parent entity enters into contracts for the hire of theatres and performances venues. As at 31 December 2015, contracts for use of the Arts Centre Melbourne, the Sydney Opera House, Roslyn Packer Theatre, the Sydney Festival and Royal Botanic Gardens (including water access via Roads and Maritime Services) had been committed for 2016 and included within commitments above. Capitol Theatre has also been committed for in 2017 and included within commitments above after one year. The Sydney Opera House, the Sydney Festival, the Capitol Theatre and Royal Botanic Gardens (including water access via Roads and Maritime Services) commitments have been reported at the minimum base rental only.

**(B) OPERATING LEASE COMMITMENTS**

Operating leases have been entered into to provide costume, set and properties storage and also for the hire of machinery. Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	<b>2015</b>	<b>Consolidated</b>
	<b>\$</b>	<b>2014</b>
		<b>\$</b>
Within one year	138,548	124,582
	<u>138,548</u>	<u>124,582</u>

**(C) CONTINGENT LIABILITIES**

The Group has a contingent liability of \$67,999 for the lease-back of the Melbourne property currently held for sale (see Note 12).

Within one year	67,999	-
	<u>67,999</u>	<u>-</u>

**NOTE 23. SEGMENT INFORMATION**

The Group operates predominantly in the performing arts industry, specifically the production and staging of operas and music theatre as the National Opera Company in Australia and the provision of orchestral services to both Opera Australia and The Australian Ballet. As such, management considers that the entity operates in one segment.

**NOTE 24. KEY MANAGEMENT PERSONNEL COMPENSATION**

The following compensation was made to the seventeen employees (2014: sixteen employees) on the executive team for their contributions as employees for the Group and for conducting and directing services:

Employee benefits (a)	3,058,351	2,646,491
Total compensation	<u>3,058,351</u>	<u>2,646,491</u>

(a) Employee benefits include short-term employee benefits and termination benefits. Short-term employee benefits include annual salary, superannuation payments, paid leave, and all other compensation.

## NOTE 25. RELATED PARTY DISCLOSURE

### (A) CONTROLLED ENTITIES:

The following were controlled entities at 31 December 2015. The Australian Opera and Ballet Orchestra Limited, Opera Australia Capital Fund, Opera Australia Capital Fund UK and Opera Australia Capital Fund Limited have the same reporting date as that of the parent entity and have been included in the consolidated financial statements. OA Super Pty Limited was a superannuation trust company. With the winding up of the OA Superannuation Fund, the company is now a shell company and as such is not included in the consolidated financial statements.

Name of controlled entity	Reporting date	Place of Incorporation	Ownership interest
Australian Opera and Ballet Orchestra Limited	31 December	Australia	100%
OA Super Pty Limited	30 June	Australia	100%
Opera Australia Melbourne Pty Ltd	31 December	Australia	100%
Opera Australia Capital Fund *	31 December	Australia	0%
Opera Australia Capital Fund UK *	31 December	United Kingdom	0%
Opera Australia Capital Fund Limited *	31 December	Australia	0%

\* Opera Australia Capital Fund Limited is the trustee of the Opera Australia Capital Fund. These entities and Opera Australia Capital Fund UK are controlled entities as the Opera Australia Board has the right of veto over independent appointments to the Opera Australia Capital Fund Limited Board and Opera Australia is the predominant beneficiary of the Opera Australia Capital Fund.

Although included in the consolidated result of Opera Australia Group, the Opera Australia Capital Fund reserves of \$14,798,068 are only accessible to Opera Australia through the provisions of the Opera Australia Capital Fund Trust Deed and the Reserve Incentive Scheme Deeds referred to in Note 6.

### (B) TRANSACTIONS WITH RELATED PARTIES IN THE WHOLLY OWNED GROUP

The parent entity entered into the following transactions during the year with related parties in the wholly owned group:

- . loans were received and repayments made on short-term intercompany accounts; and
- . management fees were received from a wholly owned controlled entity.

These transactions were undertaken on commercial terms and conditions.

### (C) TRANSACTIONS WITH DIRECTORS

The parent entity's Memorandum of Association prohibits the payment of remuneration to Directors and no Director has received or become entitled to receive any remuneration during the financial year.

Contracts are entered into in the normal course of business by the Group with companies of which some Directors are common to both. Apart from details disclosed in this note, since the end of the previous year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Group with the Director, with a firm of which he or she is a member, or with a company in which he or she has a substantial interest.

In 2015, income for rehearsal studio hire of \$2,123 (2014: \$644) was received by the parent entity from The Ambassador Theatre Group Asia Pacific. The rehearsal studio hire was charged at normal market prices. The CEO of The Ambassador Theatre Group Asia Pacific is Tim McFarlane, a director of the parent entity. No amount was outstanding at 31 December 2015.

## NOTE 26. GUARANTEE

Every member of the parent entity undertakes to contribute to the assets of the company, if it is wound up while he/she is a member or within one year after he/she ceases to be a member, for payment of the debts and liabilities of the company, contracted before he/she ceased to be a member, and of the costs, charges and expenses of winding up and for the adjustment of the rights of contributors amongst themselves, such amount as may be required but not exceeding twenty dollars (\$20).

**OPERA AUSTRALIA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(CONTINUED)

**NOTE 27. PARENT ENTITY INFORMATION**

**Information relating to Opera Australia**

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Current Assets	12,216,071	7,548,427
Total Assets	36,211,926	33,849,376
Current Liabilities	32,925,692	30,659,459
Total Liabilities	33,622,653	31,419,520
Other reserves	1,000,000	1,000,000
Retained earnings	1,589,273	1,429,856
Total Equity	<u>2,589,273</u>	<u>2,429,856</u>
Total net surplus / (deficit) for the year	<u>159,417</u>	<u>(1,961,825)</u>

A Deed of Cross Guarantee currently exists between Opera Australia and the Australian Opera and Ballet Orchestra. This Deed commits each entity to guarantee the debts of the other entity. The Australian Opera and Ballet Orchestra recorded a surplus of \$68,715 at the end of 2015 (2014: deficit of \$235,672).

**NOTE 28. EMPLOYEE NUMBERS**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
The number of full time equivalents employed as at 31 December	458	549
Total number of full time equivalents	<u>458</u>	<u>549</u>

**NOTE 29. REMUNERATION OF AUDITORS**

The auditor of Opera Australia is Ernst & Young.

Amounts received or due and receivable by Ernst & Young Australia for:

	<b>\$</b>	<b>\$</b>
An audit of the financial report of the entity	185,000	185,000
Total remuneration of auditors	<u>185,000</u>	<u>185,000</u>

During the year, an amount equivalent to the audit fee of \$185,000 (2014: \$185,000) was donated by the Ernst & Young Foundation to Opera Australia in accordance with the Sponsorship agreement.

## OPERA AUSTRALIA DIRECTORS' DECLARATION

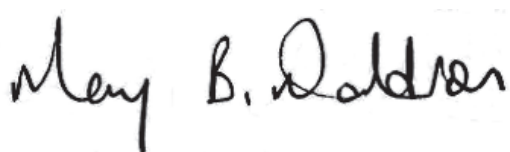
In accordance with a resolution of the directors of Opera Australia, I state that in the opinion of the directors:

- (a) The financial statements and notes of the company and Group are in accordance with the *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012*, including:
  - (i) giving a true and fair view of the company's financial position as at and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards-Reduced Disclosure Requirements, the *Corporations Regulations 2001* and the *Australian Charities and Not-for-Profits Commission Regulation 2013*; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



T. McFARLANE  
Director



M. WALDRON  
Director

Sydney  
22 March 2016

## Independent auditor's report to the members of Opera Australia

### Report on the financial report

We have audited the accompanying financial report of Opera Australia (the 'registered entity'), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### *Directors' responsibility for the financial report*

The directors of the registered entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the preparation of the financial report that gives a true and fair view 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 registered entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Independence*

In conducting our audit we have complied with the independence requirements of the *Australian Charities and Not-for-Profits Commission Act 2012*. We have given to the directors of the registered entity a written Auditor's Independence Declaration.



### **Opinion**

In our opinion the financial report of Opera Australia is in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

- (a) giving a true and fair view of the financial position of Opera Australia at 31 December 2015 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

A handwritten signature in black ink, appearing to read 'EY', is located to the left of the printed text 'Ernst &amp; Young'.

Ernst & Young  
Sydney  
22 March 2016

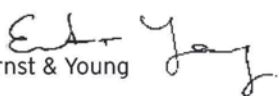


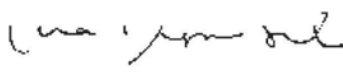
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## Auditor's Independence Declaration to the Directors of Opera Australia

In relation to our audit of the financial report of Opera Australia for the financial year ended 31 December 2015, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Australian Charities and Not-for profits Commission Act 2012* or any applicable code of professional conduct.

  
Ernst & Young

  
Lisa Nijssen-Smith  
Partner  
22 March 2016



O|PERA AUSTRALI|A