



Opera Australia
and its Controlled Entities

Financial Report

For the year ended 31 December 2017
A.C.N. 000 755 153



**OPERA AUSTRALIA
AND ITS CONTROLLED ENTITIES**

Financial Report

**FOR THE YEAR ENDED 31 DECEMBER 2017
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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 2017.

DIRECTORS

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

Names	Qualifications, experience and special responsibilities
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. Ms Always was appointed to 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. Resigned April 2017.
Philip Bacon AM	Mr Bacon is Director, Philip Bacon Galleries Pty Ltd, Deputy Chairman, Brisbane Festival, Deputy Chairman, and Council of the Order of Australia, Chairman of Opera Australia Capital Fund, Trustee, Gordon Darling Foundation, Member, and National Gallery of Australia Foundation. 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. Mr Bacon was appointed to the Board of Opera Australia 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. Resigned January 2017.
David Epstein	<p>David Epstein is a public affairs and investment advisory consultant, non-executive director and advisory board specialist. Educated at The ANU and Wharton (UPenn), he has experience in general management, regulatory and public affairs, marketing and communications. He has served as Prime Minister's Chief of Staff and Principal Adviser, and has held senior executive roles at Qantas, BHP Billiton and Singtel Optus.</p> <p>He is a non-executive director of Opera Australia, the Committee for Sydney, The Asia Society Australia, and the European Australian Business Council, and recently retired from the board of the Telecommunications Industry Ombudsman. He also sits on advisory boards for IoTStream Limited, The Advisory Board Centre and the Head On Photo Festival Foundation and is Chair of the Smart City Taskforce for the Committee for Sydney. Mr Epstein was appointed to the Board of Opera Australia in June 2010.</p>

**DIRECTORS' REPORT
(CONTINUED)**

Names

Qualifications, experience and special responsibilities

Tim McFarlane AM

Mr McFarlane, BEc, was the CEO of The Ambassador Theatre Group Asia Pacific from 2013 to 2017. He is a Life Member of Live Performance Australia and is a former President of the Association. From 1997 to 2005 he was a Trustee of the Sydney Opera House, from 1986 to 1994 he was General Manager of the Adelaide Festival Centre Trust the Adelaide Festival from 1994 to 2013 was the 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 in April 2009. He resigned as Chairman of the Audit Committee October 2017 but remains a member of the committee (now the Audit and Risk Committee).

David Mortimer AO
(Chairman from April
2013)

Mr Mortimer has over 40 years of corporate finance and commercial experience with TNT group from 1973, serving as Finance Director and then as Chief Executive Officer. Mr Mortimer has chaired several publicly listed companies and is a director of Mysale Group, Petsec Energy Ltd as well several unlisted businesses, he retired as Chairman of Crescent Capital Partners at the end of December 2017. He has also served on a number of Government Boards as Chairman and as a Director. He has Chaired three major Government reviews and served on a number of not-for-profit Boards. He has a Bachelor of Economics degree with First Class Honours from the University of Sydney and was appointed as an officer of the Order of Australia in 2005. Mr Mortimer was appointed to the Board of Opera Australia in January 2013 and was elected Chairman in April 2013. Mr Mortimer is a member of the Audit Committee.

Josephine Sukkar AM

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. Ms Sukkar was appointed the Board of Opera Australia in March 2011.

Brian Benjamin

Mr Benjamin BEc MBA, has worked in corporate finance for over 30 years including 14 years with Macquarie Corporate Finance and the balance in his own advisory business. He specialised in mergers, acquisitions and advisory roles in telecoms, mining and infrastructure.

He was instrumental in the establishment and success of Melbourne Chamber Orchestra where he was Executive Chairman for five years. In that role, he initiated and guided the group's transition to the Melbourne Recital Centre and the appearance there in the year of its opening of the legendary Sir Neville Marriner. He is an active supporter of classical music and musicians in Melbourne. Mr Benjamin was appointed to the Board of Opera Australia in February 2017.

**DIRECTORS' REPORT
(CONTINUED)**

Names

Qualifications, experience and special responsibilities

Jonathan Feder

Mr Feder, LLB (Hons)/BSc is a Partner and leader of the Intellectual Property team at K&L Gates in Australia. He is a current board member of Melbourne Theatre Company, a role he has held since 2010 as well as a member of the Advisory Board to the VCA and Conservatorium of Music. Mr Feder has also raised investment funds for numerous theatrical productions which have been presented throughout the world including shows in New York, London and Australia. Mr Feder joined the Opera Australia Board in February 2017. Mr Feder is a member of the Audit Committee.

Andrew Sisson

Andrew graduated in mathematics and statistics from Melbourne University and joined the investment department of National Mutual Life as a share analyst in January 1974. He worked for National Mutual for fourteen years managing the share portfolios of the statutory funds as well as the portfolio management subsidiary.

He established Balanced Equity Management in 1988 to manage discrete portfolios of Australian shares. It now has \$10 billion under management, concentrating on the largest fifty companies in the index with an investment approach based on long-term view fundamental value. In 2011 Balanced Equity Management was acquired by Franklin Resources Inc., a funds management company listed on the New York Stock Exchange.

Andrew is a Trustee of the National Gallery of Victoria, and has recently been a Director of Save the Children Australia and a member of the Takeovers Panel.

Andrew joined the Board of Opera Australia in February 2017, and was appointed Chairman of the Audit and Risk Committee in November 2017.

Alison Pert

Dr Alison Pert is a lawyer with extensive experience in commercial contracts, litigation, insurance and public international law. Her career has spanned the government, private and academic sectors, both in Australia and overseas. Alison has worked for the governments of Papua New Guinea and Australia, representing the latter in treaty negotiations. She has worked in private practice and as in-house counsel, and currently lectures in public international law at the University of Sydney. She is the author of two books and many articles and papers; she also gives media interviews on the issues of public international law arising from current events. Ms Pert was appointed to the Board of Opera Australia in June 2017.

Deena Shiff

Deena is the Chairman of the global board of the BAI Communications Group and the Chairman of a Co-operative Research Centre in health sciences. Deena is also a Non-Executive Director on the board of ASX listed Appen Pty Ltd as well as serving on the board of the Government advisory body, Infrastructure Australia. Deena is on the Member Council of Musica Viva and was until February 2018 the Chair of the Sydney Writers' Festival. Deena was previously a Group Managing Director at Telstra, establishing and running Telstra Wholesale and then Telstra Business. In 2011, Deena established Telstra's corporate venture capital arm, Telstra Ventures. Deena has also been a partner at Mallesons Stephen Jacques. Ms Shiff was appointed to the Board of Opera Australia in June 2017. Ms Shiff 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

Joe Martorana Mr Martorana joined Opera Australia and was appointed Company Secretary in 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. Mr Martorana resigned as Company Secretary in November 2017.

John Horn Mr Horn joined Opera Australia in March 2018 and will be appointed Company Secretary in April 2018. Mr Horn has over 25 years Senior Management experience and held numerous Executive positions throughout his working career. His most recent position was Director of Finance for the Sydney Symphony Orchestra. Mr Horn is a Chartered Accountant and a Fellow of the Institute of Chartered Secretaries and Administrators.

FINANCE DIRECTOR

Helen Lindsay Ms Lindsay joined Opera Australia in June 2016 in the position of Finance Director. Ms Lindsay is a senior financial executive with over 15 years of experience. Ms Lindsay is a member of CPA. Ms Lindsay was appointed Acting Company Secretary in November 2017 and will remain so until April 2018.

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:

Board/Committee	Number of meetings
Full Board	7
Audit and Risk Committee	7

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

	Board of Directors	Audit
Ms Lesley Alway	7 (7)	
Mr Anson Austin OAM	3 (3)	
Mr Philip Bacon	6 (7)	
Mr David Epstein	7 (7)	
Mr Tim McFarlane	6 (7)	6 (7)
Mr David Mortimer AO	7 (7)	7 (7)
Ms Josephine Sukkar	6 (7)	
Mr Brian Benjamin	5 (6)	
Mr Jonathan Feder	5 (6)	2 (2)
Mr Andrew Sisson	7 (7)	4 (4)
Ms Deena Shiff	3 (3)	1 (1)
Ms Alison Pert	3 (3)	

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

DIRECTORS' REPORT
(CONTINUED)

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:

	2017	2016
	\$	\$
Opera Australia - trading	(2,749,742)	2,811,796
Opera Australia – gain on disposal of property	-	9,628,784
Distribution	665,000	561,000
Net income/(loss)	(2,084,742)	13,001,580
Australian Opera and Ballet Orchestra	-	(306,477)
Operating surplus / (deficit)	(2,084,742)	12,695,103
Opera Australia Capital Fund Group comprehensive income	3,417,700	1,151,074
Distribution	(665,000)	(561,000)
	2,752,700	590,074
Net consolidated comprehensive income / (loss)	667,958	13,285,177

The Opera Australia operating entity recorded a deficit for the year of \$2,084,742. A detailed review of the operations of each operating entity is contained in the reports of the Chairman and Chief Executive within the annual report.

DIRECTORS' REPORT
(CONTINUED)

The net deficit for the year of the parent entity Opera Australia is reported in Note 25 as \$2,084,742.

The comprehensive income booked by the Opera Australia Capital Fund Group of \$3,417,700 reflects continued strong investment income, in addition to ongoing fundraising activities along with buoyant market conditions.

The Opera Australia Group's net consolidated total comprehensive surplus for the year is \$667,958 (2016: comprehensive surplus \$13,285,177).

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. 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.

DIRECTORS' REPORT
(CONTINUED)

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Insurance and indemnity arrangements established in previous years concerning officers of the Group were renewed and continued during 2017. 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 41 and forms part of the Directors' Report for the financial year 2017.



A.R.N. SISSON
Director



D. MORTIMER AO
Director

18th April 2018

**OPERA AUSTRALIA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Note	Consolidated	
		2017	2016
		\$	\$
Current Assets			
Cash and cash equivalents	8	13,537,100	14,815,175
Trade and other receivables	9	6,113,843	5,067,252
Available-for-sale financial assets	10	17,514,273	14,947,960
Prepayments	11	2,232,449	1,635,318
Total Current Assets		<u>39,397,665</u>	<u>36,465,705</u>
Non-Current Assets			
Other financial assets	12	2	108,813
Property, plant and equipment	13	25,058,668	26,133,337
Total Non-Current Assets		<u>25,058,670</u>	<u>26,242,150</u>
Total Assets		<u>64,456,335</u>	<u>62,707,855</u>
Current Liabilities			
Trade and other payables	14	9,227,325	10,289,532
Provisions	16	5,380,193	5,658,401
Government grants received in advance	17	601,567	1,633,075
Unearned revenue	18	17,645,972	14,819,772
Total Current Liabilities		<u>32,855,057</u>	<u>32,400,780</u>
Non-Current Liabilities			
Provisions	16	844,698	765,984
Government grants received in advance	17	547,531	-
Total Non-Current Liabilities		<u>1,392,229</u>	<u>765,984</u>
Total Liabilities		<u>34,247,286</u>	<u>33,166,764</u>
Net Assets		<u>30,209,049</u>	<u>29,541,091</u>
Equity			
Other reserves	19	2,980,491	1,983,944
Retained earnings	20	27,228,558	27,557,147
Total Equity		<u>30,209,049</u>	<u>29,541,091</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 2017

	Note	Consolidated	
		2017	2016
		\$	\$
INCOME			
Sales revenue	4	67,269,622	61,795,680
Other revenue	4	42,005,900	53,504,229
Total income		<u>109,275,522</u>	<u>115,299,909</u>
EXPENDITURE			
Staff and employment expenses	7	56,855,995	58,117,638
Travel and transport expenses		7,111,607	7,766,694
Venue occupancy expenses		8,170,055	7,065,101
Marketing and promotion expenses		13,428,291	8,749,017
Depreciation and amortisation expense	7	3,979,248	3,935,259
Finance costs	7	6	6
Share of (gain) / loss of an associate		800,148	334,006
Other expenses	7	19,258,761	16,323,634
Total expenditure		<u>109,604,111</u>	<u>102,291,355</u>
Net surplus / (deficit) for the year		<u>(328,589)</u>	<u>13,008,554</u>
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Investment revaluation gains / (losses) on available-for-sale financial assets	19	1,032,360	288,480
Reclassification during the year to profit or loss	19	(56,308)	(3,538)
Net gain / (loss) on cash flow hedges	19	-	17,103
Foreign exchange gain / (loss)	19	20,495	(25,422)
Total other comprehensive income / (loss) for the year		<u>996,547</u>	<u>276,623</u>
Total comprehensive income for the year		<u>667,958</u>	<u>13,285,177</u>

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 2017**

	Note	Consolidated	
		2017 \$	2016 \$
Operating activities			
Receipts from operations		113,836,302	102,481,841
Payments to suppliers and employees		(111,292,441)	(96,934,586)
Interest received		302,290	196,018
Franking credits received		109,561	100,717
Interest paid		<u>(6)</u>	<u>(6)</u>
Net cash flows from operating activities	8	<u>2,955,706</u>	<u>5,843,984</u>
Investing activities			
Purchase of property, plant and equipment		(2,974,947)	(6,072,745)
Purchase of units held in managed funds		(1,206,656)	-
Proceeds from sale of property, plant and equipment		91,058	11,106,530
Proceeds from disposal of units held in managed funds		206,656	315,838
Contribution to equity accounted investment		<u>(329,397)</u>	<u>(651,206)</u>
Net cash flows used in investing activities		<u>(4,213,286)</u>	<u>4,698,417</u>
Net increase/(decrease) in cash and cash equivalents		(1,257,580)	10,542,401
Net foreign exchange differences		(20,495)	(25,422)
Cash and cash equivalents at 1 January		14,815,175	4,298,196
Cash and cash equivalents at 31 December	8	<u>13,537,100</u>	<u>14,815,175</u>

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 2017**

	Note	Other Reserves \$	Retained Earnings \$	Total \$
Consolidated				
At 31 December 2015		1,707,321	14,548,593	16,255,914
Net surplus for the year		-	13,008,554	13,008,554
Other comprehensive income / (loss)		276,623	-	276,623
Total comprehensive income / (loss) for the year		<u>276,623</u>	<u>13,008,554</u>	<u>13,285,177</u>
At 31 December 2016		1,983,944	27,557,147	29,541,091
Net deficit for the year		-	(328,589)	(328,589)
Other comprehensive income		996,547	-	996,547
Total comprehensive income / (loss) for the year		<u>996,547</u>	<u>(328,589)</u>	<u>667,958</u>
At 31 December 2017	19, 20	<u><u>2,980,491</u></u>	<u><u>27,228,558</u></u>	<u><u>30,209,049</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 2017 was authorised for issue in accordance with a resolution of the directors on 18th April 2018.

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 *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 *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 *Australian Charities and Not-for-Profits Commission Act 2012* and 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 13) and current 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

There are certain standards and amendments which are effective for annual periods beginning on or after 1 January 2017. These amendments have had no impact on the Group'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 Group for the year ended 31 December 2017. The directors have not early adopted any of these new or amended standards or interpretations.

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 23 (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 affect 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.

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 2017, the Group's current assets exceeded current liabilities by \$6,542,608 (2016: \$4,064,925).

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 \$3 million bill drawdown facility and a \$3 million bank overdraft facility and expects these facilities to be renewed in early 2019.

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. Cash received 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 cash is received or rights to benefits are granted.

Donations

Donations are recognised as revenue when the Group obtains control of the contribution and its amount can be measured reliably. For non-reciprocal donation, this is generally when the cash is 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 Create NSW and the Victorian Government through Creative Victoria are received on a calendar basis. Grants are phased evenly across the reporting period. Project-specific grants are brought to account based on timing of the project.

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

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.

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 and intangibles as follows:

Buildings	50 years
Building additions	5-20 years
Musical instruments	4-20 years
Leasehold improvements	3-10 years
Software	3-5 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 at fair value 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.

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 associates and joint ventures 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. Consideration is given to expect 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 corporate 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 and are recognised on a straight line basis.

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.

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

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.

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 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:

	2017	Consolidated	2016
	\$		\$
<i>Sales revenue</i>			
Box office	63,705,786		59,165,764
Commercial activities	3,563,836		2,629,916
Total sales revenue	<u>67,269,622</u>		<u>61,795,680</u>
<i>Other revenue</i>			
Contributions (donations and sponsorship)	9,918,526		11,563,723
Government grants (see Note 5)	25,898,608		25,541,612
Other revenue (a)	5,186,654		5,921,062
Net gain on disposal of property, plant and equipment	-		9,628,784
Interest and investment income from unrelated persons (b)	945,804		845,510
Realised gain on available-for-sale financial assets (c)	56,308		3,538
Total other revenue	<u>42,005,900</u>		<u>53,504,229</u>
Total revenues	<u>109,275,522</u>		<u>115,299,909</u>

- (a) Includes investment from government destination organisations and contributions from Opera Conference.
- (b) Interest and investment income includes \$644,821 (2016: \$649,869) 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.

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)

NOTE 5. GOVERNMENT GRANTS

	Consolidated	
	2017	2016
	\$	\$
<i>Australia Council</i>		
Base Funding Major Performing Arts Board	20,877,868	20,589,613
Playing Australia	499,565	418,131
	<hr/>	<hr/>
Total Australia Council	21,377,433	21,007,744
<i>Other Federal</i>		
Australia Council & MPA Collaborative	85,485	-
	<hr/>	<hr/>
Total Other Federal	85,485	-
<i>Create NSW</i>		
Base Funding	3,367,802	3,369,427
Primary Schools Touring	66,625	65,000
	<hr/>	<hr/>
Total Create NSW	3,434,427	3,434,427
<i>Creative Victoria</i>		
Base Funding	1,001,263	1,001,263
Touring Victoria	-	98,178
	<hr/>	<hr/>
Total Creative Victoria	1,001,263	1,099,441
	<hr/>	<hr/>
Total government grants	<u>25,898,608</u>	<u>25,541,612</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:

	Consolidated	
	2017	2016
	\$	\$
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
Total Reserves Incentive Scheme Funds Available	4,657,000	4,657,000

The requirement of the Scheme to aggregate all income received will expire and the restriction will be lifted in August 2018. At that date, The Trust (Opera Australia Capital Fund) will receive all the accumulated funds from the Trustee (Opera Australia Capital Fund Limited). The Trustee will become a dormant entity.

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 7. EXPENDITURE

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

	Consolidated	
	2017	2016
	\$	\$
Staff and employment expenses	55,633,655	58,117,638
Past superannuation contributions to employees	1,222,340	-
	<u>56,855,995</u>	<u>58,117,638</u>
<i>Depreciation, amortisation and impairments:</i>		
Depreciation of:		
- Buildings	148,189	160,076
- Leasehold improvements	-	1,456
- Plant and equipment	440,568	461,381
Amortisation of costumes, scenery sets and properties	2,632,778	2,034,419
Impairment of costumes, scenery sets and properties	757,713	1,277,927
	<u>3,979,248</u>	<u>3,935,259</u>
<i>Finance Costs:</i>		
Interest paid or payable to:		
Other unrelated parties	6	6
	<u>6</u>	<u>6</u>
<i>Other Expenses:</i>		
Production expenses	10,517,370	9,440,534
Premises	1,664,269	1,613,231
Scores, royalties & instruments	3,405,690	1,782,207
Insurance	458,873	405,825
IT	883,953	866,061
Recording and surtitles	100,219	260,105
Professional fees	985,318	432,394
Net loss on asset disposal	20,297	-
Administration expenses	1,222,772	1,523,277
	<u>19,258,761</u>	<u>16,323,634</u>

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 8. CASH AND CASH EQUIVALENTS

	Consolidated	
	2017	2016
	\$	\$
Cash at bank and on hand	13,537,100	14,815,175
Total cash and cash equivalents	<u>13,537,100</u>	<u>14,815,175</u>
Reconciliation from the net surplus/(deficit) to net cash flows from operations:		
Net surplus/(deficit)	(328,589)	13,008,554
Adjustments for:		
Depreciation, amortisation and impairment	3,979,248	3,935,259
Net (gain)/loss on disposal of property, plant and equipment	20,297	(9,628,784)
Net invested in managed funds	999,996	(305,838)
Net unrealised (gain)/loss on change in fair value of available-for-sale financial assets	976,052	284,942
Net loss on cash flow hedges	-	17,103
Share of loss in associate	800,148	334,006
Changes in assets and liabilities:		
(Increase) / decrease in assets:		
Accounts receivable, net	(1,046,591)	(630,166)
Prepayments and other assets	(597,131)	1,083,935
Financial assets	(2,566,313)	(521,417)
(Decrease) / increase in liabilities:		
Accounts payable	(1,062,200)	6,255,575
Other liabilities	1,980,283	(8,427,323)
Provisions	(199,494)	438,138
Net cash flows from operating activities	<u>2,955,706</u>	<u>5,843,984</u>

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 9. TRADE AND OTHER RECEIVABLES (CURRENT)

	Consolidated	
	2017	2016
	\$	\$
Trade and other receivables	6,119,096	5,068,732
Provision for doubtful debts	(5,253)	(1,480)
Total trade and other receivables (Current)	6,113,843	5,067,252

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)	17,514,273	14,947,960
	17,514,273	14,947,960

(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	1,824,441	728,322
Prepaid expenditure	386,749	854,569
Materials to be utilised in future productions	21,259	52,427
Total prepayments (Current)	2,232,449	1,635,318

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 12. OTHER FINANCIAL ASSETS (NON-CURRENT)

The following shares and investments are carried at cost

Shares in controlled companies (unlisted)	2	2
Shares in associated companies (unlisted)	-	108,811
Total other financial assets (Non-Current)	<u>2</u>	<u>108,813</u>

Opera Australia has a 40.0% 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.

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)
NOTE 13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings (a)	Leasehold Improvements	Plant and Equipment (b)	Costumes, Scenery , Sets and Props (c)	Total property, plant and equipment
At 1 January, 2017	20,245,315	37,857	6,785,934	35,324,488	62,393,594
Deemed cost					
Additions	148,905	44,665	2,205,750	575,627	2,974,947
Assets Held for Sale	-	-	-	-	-
Disposals	(63,710)	-	(46,695)	(412,502)	(522,906)
At 31 December, 2017	20,330,510	82,522	8,944,989	35,487,613	64,845,635
At 1 January, 2017	(2,467,903)	(37,857)	(4,932,908)	(28,821,589)	(36,260,257)
Accumulated depreciation and impairment					
Depreciation/ Amortisation charge for the year	(148,189)	-	(440,568)	(2,632,778)	(3,221,535)
Impairment charge for the year	-	-	-	(757,713)	(757,713)
Assets Held for Sale					
Disposals	22,164	-	17,874	412,501	452,539
At 31 December, 2017	(2,593,928)	(37,857)	(5,355,602)	(31,799,579)	(39,786,966)
Net carrying amount					
At 1 January, 2017	17,777,412	-	1,853,026	6,502,899	26,133,337
At 31 December, 2017	17,736,582	44,665	3,589,387	3,688,034	25,058,669

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (a) Freehold land and building values are stated at deemed cost.
- (b) Plant and equipment is inclusive of musical instruments and hardware.
- (c) Intangibles are inclusive of computer software.
- (d) The insured value of costumes, scenery sets and props is \$38,359,000. This compares with the net book value of \$3,688,034.
- (e) Included within the additions totals for Leasehold Improvements, Plant and Equipment & Costumes, Scenery, Sets and Props is WIP not ready for use.

NOTE 14. TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated	
	2017	2016
	\$	\$
Trade payables	3,573,214	4,660,551
Other payables	3,146,380	3,656,270
Accruals	2,399,571	1,972,711
Amounts owed to Associates	108,160	-
Total trade and other payables (Current)	<u>9,227,325</u>	<u>10,289,532</u>

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.

NOTE 15. 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 (2016: \$3,000,000) and a bill drawdown facility of \$3,000,000 (2016: \$3,000,000) secured by a charge over freehold land and buildings. The overdraft is subject to an interest rate of up to 4.52% (2016: 5.81%).

There were no borrowings at the end of 2017.

NOTE 16. PROVISIONS

	Consolidated	
	2017	2016
	\$	\$
Annual leave	1,772,699	2,189,497
Long service leave	3,607,494	3,468,904
Total provisions (Current)	<u>5,380,193</u>	<u>5,658,401</u>
Long service leave	844,698	765,984
Total provisions (Non-Current)	<u>844,698</u>	<u>765,984</u>

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 17. GOVERNMENT GRANTS RECEIVED IN ADVANCE

	Consolidated	
	2017	2016
	\$	\$
Grants received in advance:		
Federal	601,567	1,186,476
Victoria	-	446,599
Total grants received in advance (Current)	601,567	1,633,075
Grants received in advance:		
Federal	547,531	-
Total grants received in advance (Non-Current)	547,531	-

The federal grants received in 2017 relate to funding for the 2018 & 2019 Regional Tour via Playing Australia.

NOTE 18. UNEARNED REVENUE (CURRENT)

Future season's income	1,260,551	2,884,389
Advance bookings	16,385,421	11,935,383
Total unearned revenue	17,645,972	14,819,772

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 19. OTHER RESERVES

	2017	Consolidated	2016
	\$		\$
<i>Cash Flow Hedge Reserve:</i>			
<i>Reserve relating to the hedging against USD fluctuations</i>			
Opening balance	-		(17,103)
Gain / (loss) on cash flow hedge	-		17,103
Closing balance	<u>-</u>		<u>-</u>
<i>Foreign Exchange Translation Reserve:</i>			
<i>Reserve relates to Opera Australia Capital Fund (UK) to account for GBP/AUD foreign exchange translations</i>			
Opening balance	2,998		28,420
Exchange differences on translation of foreign operations	20,495		(25,422)
Closing balance	<u>23,493</u>		<u>2,998</u>
<i>Net Unrealised Gains Reserve:</i>			
<i>Reserve relates to the fair value adjustment in relation to the available – for – sale financial assets</i>			
Opening balance	980,946		696,004
Net gains / (losses) on available-for-sale financial assets (a)	1,032,360		288,480
Reclassification during the year to profit or loss	(56,308)		(3,538)
Closing balance	<u>1,956,998</u>		<u>980,946</u>
<i>New Works and Touring Reserve:</i>			
<i>Reserve to enable commissioning of new works</i>			
Opening balance	1,000,000		1,000,000
Closing balance	<u>1,000,000</u>		<u>1,000,000</u>
Total other reserves	<u>2,980,491</u>		<u>1,983,944</u>

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

NOTE 20. RETAINED EARNINGS

Opening balance	27,557,147	14,548,593
Net surplus / (deficit) for the year	(328,589)	13,008,554
Closing balance	<u>27,228,558</u>	<u>27,557,147</u>

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 21. COMMITMENTS AND CONTINGENCIES

	Consolidated	
	2017	2016
	\$	\$

(A) ARTISTS , VENUE AND CO-PRODUCTION CONTRACTS

Committed expenditure is payable as follows:

Within one year	13,711,955	14,631,294
After one year but not more than five years	2,891,625	1,857,170
	16,603,580	16,488,464

The Group, by the nature of its operations, has entered into contracts for performances scheduled to take place during 2018 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.

The parent entity enters into contracts for the hire of theatres and performances venues. As at 31 December 2017, contracts for use of the Arts Centre Melbourne, the Sydney Opera House, the Sydney Festival and Royal Botanic Gardens (including water access via Roads and Maritime Services) had been committed for 2018 and included within commitments above. The Sydney Opera House, the Sydney Festival 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:

	Consolidated	
	2017	2016
	\$	\$
Within one year	230,228	223,551
After one year but not more than five years	183,105	255,007
	413,333	478,558

(C) CONTINGENT LIABILITIES

The Group has two bank guarantees in place with CBA as at 31 December 2017. One is for the Melbourne office lease and the other is in favour of Australian Business Chamber related to a Bond for Carnet shipment of wardrobe hired to Des Moines Metro Opera USA.

Within one year	49,000	-
	49,000	-

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 22. KEY MANAGEMENT PERSONNEL COMPENSATION

The following compensation was made to the thirteen (13) employees (2016: fourteen (14) employees) on the executive team for their contributions as employees for the Group and for conducting and directing services:

	Consolidated	
	2017	2016
	\$	\$
Employee benefits (a)	2,375,147	2,678,693
Total compensation	<u>2,375,147</u>	<u>2,678,693</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 23. RELATED PARTY DISCLOSURE

(A) CONTROLLED ENTITIES:

The entities listed in the summary below were controlled entities at 31 December 2017. 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. The Australian Opera and Ballet Orchestra Limited was a controlled entity up to and including 31 December 2016. On 1 January 2017 it was deregistered and all its operations and financials consolidated into Opera Australia. Opera Australia Melbourne Pty Limited was a controlled entity up to 3 November 2017 when an application for voluntary deregistration was approved.

Name of controlled entity	Reporting date	Place of Incorporation	Ownership Interest	
			2017	2016
Australian Opera and Ballet Orchestra Limited	31 December	Australia	0%	100%
OA Super Pty Limited	30 June	Australia	100%	100%
Opera Australia Melbourne Pty Ltd	31 December	Australia	0%	100%
Opera Australia Capital Fund *	31 December	Australia	0%	0%
Opera Australia Capital Fund UK *	31 December	United Kingdom	0%	0%
Opera Australia Capital Fund Limited *	31 December	Australia	0%	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 \$18,140,841 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.

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 23. RELATED PARTY DISCLOSURE (CONTINUED)

(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. 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.

NOTE 24. 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 25. PARENT ENTITY INFORMATION

Information relating to Opera Australia

	2017	2016
	\$	\$
Current Assets	21,084,157	20,690,351
Total Assets	46,142,827	46,932,501
Current Liabilities	32,682,390	30,801,340
Total Liabilities	34,074,619	31,443,229
Other reserves	1,000,000	1,000,000
Retained earnings	11,068,208	14,489,272
Total Equity	<u>12,068,208</u>	<u>15,489,272</u>
Total net surplus / (deficit) for the year	<u>(2,084,742)</u>	<u>12,695,103</u>

A Deed of Cross Guarantee existed between Opera Australia and the Australian Opera and Ballet Orchestra until 31 December 2016. This Deed committed each entity to guarantee the debts of the other entity. The Australian Opera and Ballet Orchestra had a deficit of \$306,477 for the 2016 year, prior to its deregistration on 1 January 2017.

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 the Group are in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:
 - (i) giving a true and fair view of the group'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 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



A.R.N. SISSON

Director



D.MORTIMER

Director

18th April 2018

Independent Auditor's Report to the Members of Opera Australia

Report on the Financial Report

Opinion

We have audited the financial report of Opera Australia (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2017, 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 to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial 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*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information obtained at the date of this auditors report is the directors' report accompanying the financial report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company 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 control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We 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 our 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Ernst & Young



Lisa Nijssen-Smith
Partner
Sydney
18 April 2018

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 2017, 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 any applicable code of professional conduct.



Ernst & Young



Lisa Nijssen-Smith
Partner
Sydney
18 April 2018

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