

# **Victorian Opera Company Ltd**

**56 116 549 798**

## **Financial Statements**

**For the Year Ended 31 December 2018**

**Victorian Opera Company Limited**

**56 116 549 798**

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**For the Year Ended 31 December 2018**

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# Victorian Opera Company Limited

56 116 549 798

## Directors' Report

31 December 2018

The directors present their report on Victorian Opera Company Limited for the financial year ended 31 December 2018.

### (a) General information

#### Information on directors

The names of each person who has been a director during the year and to the date of this report are:

Genevieve Overell

Qualifications

BA, LLB, Dip Fin Mgt, FIPAA, FAICD

Experience

Genevieve is the Director, Government Advisory at Deutsche Bank Australia. A lawyer by background, Genevieve has over 25 years' experience on public and private sector boards. As Deputy Secretary in the Victorian Government responsible for land-use planning, building and heritage, Genevieve served as Head of Environment with the Victorian Bushfire Reconstruction and Recovery Authority. Before working in Government, Genevieve was a partner at KPMG, specialising in major infrastructure projects.

Other Board appointments

State Revenue Office, Audit Committee (Chairman), Starlight Children's Foundation, Melbourne Primary Care Network, Australian Institute of Architects and German Australian Chamber of Commerce & Industry - Policy Advisory Committee.

Other Victorian Opera committees

Genevieve is the Chair of the Board of Directors and a member of the Audit, Risk and Compliance, Strategy, and Property Committees.

Appointed

18 June 2018

Jane Hemstrich

Qualifications

BSc (Hons), FCA, FAICD

Experience

Jane is a Non-Executive Director of Lend Lease Corporation Ltd and Telstra Corporation Ltd. She is a Member of the Council of The National Library of Australia, Vice President of The Walter and Eliza Hall Institute of Medical Research and member of the Global Council of Herbert Smith Freehills. Jane was a Non-Executive Director of the Commonwealth Bank of Australia Ltd, Tabcorp Holdings Ltd and Santos Ltd. From 2004 to February 2007 Jane was Managing Director, Asia Pacific at Accenture and was a member of Accenture's Executive Leadership Team. She was responsible for operations in 12 countries, involving over 30,000 personnel.

Other Victorian Opera committees

Jane was Chair of the Board of Directors from 22 February 2013 until the date of expiry of the maximum term of office for a Director under the Company's constitution.

Term Expired

17 May 2018

## Victorian Opera Company Limited

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### Directors' Report

31 December 2018

#### (a) General information

##### Information on directors

Penny Stragalinos

Qualifications

BComm (Melb), Exec MBA, FCA, RCA

Experience

Penny is a partner in international professional services firm KPMG. She has more than 20 years' experience in providing audit and advisory services, predominantly in the industrial markets and energy & natural resources sectors. Penny is the Chief Operating Officer for the Audit, Assurance and Risk Consulting practice of KPMG Australia. She is also a director of Chartered Accountants Australia and New Zealand and was previously a member of the Audit Committee for CEDA (the Committee for Economic Development of Australia).

Other Victorian Opera committees

Penny is the Chair of the Audit, Risk and Compliance Committee and a member of the Property Committee.

Siobhan Lenihan

Qualifications

BA (Sydney), MLS (UTS)

Experience

Siobhan is Adviser to the Deputy Vice Chancellor Education at Deakin University. Before working in higher education, she had a long career in music administration with the Tasmanian and Sydney Symphony Orchestras and Musica Viva Australia, among others. She is a member of the Australian Chamber Orchestra's Peer Review Panel and a Director of the Australia Latin America Foundation.

Other Victorian Opera committees

Siobhan is a member of the Artistic, People & Culture and Property Committees.

Roger Box

Qualifications

BBus Economics and Marketing

Experience

Roger joined Google as Agency Lead in January 2016 where he leads their large media partnerships. He was previously on the Board of Directors and an Executive Director of Digital at Clemenger BBDO from 2013 to 2015.

Roger spent six years in New York as Vice President, Group Director at Digitas leading their work with American Express.

Other Board Appointments

Roger is currently a non-executive Director of Velcro Industries.

Other Victorian Opera committees

Roger is a member of the Marketing and Development Committee.

## Victorian Opera Company Limited

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### Directors' Report

31 December 2018

#### (a) General information

##### Information on directors

Vivienne Corcoran

Qualifications

Ba, Grad Dip Mktg, CPM, FAICD

Experience

Vivienne is Chair of Statewide Autistic Services and is a member of the Port Phillip Arts Advisory Committee. She has previously been Chair of the Frankston Arts Centre and the Emerging Writers' Festival.

Vivienne is Managing Director of Marketing Logic, a strategic consultancy providing high level advice to organisations such as Telstra, ANZ, Little Athletics Australia and a range of professional services, health and membership based organisations. She is a published author.

Other Victorian Opera committees

Vivienne is the Chair of the Marketing and Development Committee and a member of the Strategy Committee.

Grant Powell

Qualifications

BEng Chem (hons), Grad Dip Applied Finance

Experience

Grant is a director of G and S Strategic Consulting, an advisory firm that provides consultancy services to corporates and small to medium businesses. Previously he was a partner at Accenture for more than 20 years working in strategy, human performance and innovation across Australia, New Zealand, Singapore, the UK and Europe. Grant is also a Director of the Alliance Française de Melbourne and Blak Dot Art Gallery.

Other Victorian Opera committees

Grant is the Chair of the People and Culture, Strategy and Property Committees.

Jane Harvey

Qualifications

BCom, MBA (Melb), FCA, FAICD

Experience

Jane is a Non-Executive Director of IOOF Holdings Ltd, Dulux Group Ltd, Bupa Australia and New Zealand entities, Colonial Foundation, Orygen and the EH and Marian Flack Trust. She was previously on the boards of UGL Ltd, DUET Finance Ltd and David Jones Ltd. In 2002, Jane retired from the PwC Partnership where she provided wide ranging advice to major corporations.

Other Victorian Opera committees

Jane was a member of the Audit, Risk and Compliance Committee.

Resigned

3 May 2018

# Victorian Opera Company Limited

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## Directors' Report

31 December 2018

### (a) General information

#### Information on directors

Selina Lightfoot

Qualifications

Experience

BA/LLB, GAICD, Grad Dip App Fin

Selina is a company director currently holding board positions across a range of industries and sectors, including with Hydro Tasmania, The Reject Shop Limited, DWS Limited and JDRF Australia. Selina is also a member of the Advisory Board for TLC Aged Care and is a former board member of The Queen Elizabeth Centre.

Selina's previous legal career included 10 years as a Partner at Herbert Smith Freehills, specialising in corporate law, commercial contracts and mergers and acquisitions.

Other Victorian Opera committees

Selina is a member of the Audit, Risk and Compliance, People and Culture and Property Committees.

Stephen McIntyre AM

Qualifications

Experience

BA (Melb)

Stephen is known nationally and internationally as one of Australia's most eminent pianists and teachers. Head of Piano at the Victorian College of the Arts from 1977 until 1993; Principal Artistic Advisor for Musica Viva Australia 1995-96; Director of the Chamber Music Program for the Melbourne Festival 1989-99; Artistic Director of the Port Fairy Spring Music Festival 2005-09.

Stephen is Associate Professor in the Melbourne Conservatorium of Music at the University of Melbourne. In 2003, he was the recipient of the Sir Bernard Heinze Award for distinguished contribution to music in Australia

Other Victorian Opera committees

Stephen is the Chair of the Artistic Committee.

## **Victorian Opera Company Limited**

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## **Directors' Report**

**31 December 2018**

### **(a) General information**

#### **Information on directors**

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

#### **Company secretary**

The following person held the position of Company secretary at the end of the financial year:

John Orr, B. Bus (Accounting), CPA

#### **Review of Operations**

The Company has recorded a deficit from operations of \$223,349 compared to a deficit of \$47,317 in the previous reporting period. The deficit includes the following material items.

- a. Bequests income of \$ 510,088:- the company was the beneficiary of a significant bequest during the year;
- b. Building our Future donations of \$ 97,544:- The company received donations towards building improvements;
- c. Costs of \$ 117,193 incurred on The Shining and Coraline productions that did not proceed; and
- d. Costs of \$ 655,490 resulting from the planned move to new premises at Laurens Street West Melbourne.

Revenue from Operations increased by \$422,877 to \$7,012,556. Excluding the impact of the material income, operating income would have been \$6,404,924 (2017: \$6,589,679). The factors influencing this operating income included an increase in Creative Victoria grants and philanthropic income, however, this was offset by lower box office and other revenues.

Operating costs increased by \$599,638 to \$7,258,629 due to recognising costs of \$655,490 incurred in the project to move to new premises. The Company had previously announced its intention to move to new leased premises, however, following an expert analysis of the renovation options and associated costs of undertaking a move to the company's leased premises at Laurens Street in West Melbourne, it was identified that the expected costs for the project were significantly higher than earlier estimates. Resultingly, the Board resolved to cease the project and (a) continue to occupy its current premises in Horti Hall, 31 Victoria Street and (b) in March 2019, the Company entered into an arm's-length commercial sub-lease of the Laurens Street premises through to January 2025. All costs incurred to date and future ongoing costs in relation to the Laurens Street property have been recognised in the current reporting period.

Note 5 provides further information on Laurens Street costs.

Excluding the impact of the material costs, operating costs would have been \$6,485,946 reflecting no significant change in operating costs over the previous reporting period of \$6,658,991.

The Board gratefully acknowledges the financial support of the Victorian Government's Creative Victoria, the Federal Government's Australia Council for the Arts and all of our sponsors, philanthropists, patrons, donations and bequests.

## **Victorian Opera Company Limited**

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## **Directors' Report**

**31 December 2018**

### **(a) General information**

#### **Principal activities**

Victorian Opera delivers professional arts and cultural programs and services that achieve high artistic, cultural, governance and sector standards, engage audiences, generate income and partnerships and deliver benefits to the Victorian community.

No significant changes in the nature of the Company's activity occurred during the financial year.

#### **Members' guarantee**

Victorian Opera Company Limited is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each member and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$ 100, subject to the provisions of the company's constitution.

At 31 December 2018 the collective liability of members was \$ 200 (2017: \$ 200).

#### **Payments and other benefits**

No payments or benefits of a pecuniary value were received by any officers of the Company during the financial year.

### **(b) Other items**

#### **Significant changes in state of affairs**

There have been no significant changes in the state of affairs of the Company during the year.

#### **Future developments and results**

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

#### **Environmental issues**

The Company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.



# Victorian Opera Company Limited

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## Directors' Report

31 December 2018

### Meetings of directors

During the financial year, the following meetings of directors and committee meetings were held. Attendances by each director during the year were as follows:

	Board		Artistic		ARCC		M&D	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Genevieve Overell	3	3	-	-	3	3	-	-
Jane Hemstrich	2	2	-	-	-	-	-	-
Penny Stragalinos	5	4	-	-	5	5	-	-
Siobhan Lenihan	5	4	5	5	1	1*	-	-
Roger Box	5	3	-	-	-	-	3	2
Vivienne Corcoran	5	3	-	-	-	-	3	3
Grant Powell	5	5	-	-	2	2*	-	-
Jane Harvey	1	1	-	-	2	2	-	-
Selina Lightfoot	5	5	-	-	5	5	-	-
Stephen McIntyre AM	5	5	5	5	-	-	-	-

	People & Culture		Strategy		Property	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Genevieve Overell	-	-	1	1	4	4
Jane Hemstrich	-	-	-	-	-	-
Penny Stragalinos	-	-	-	-	4	3
Siobhan Lenihan	3	3	-	-	4	4
Roger Box	-	-	-	-	-	-
Vivienne Corcoran	1	1*	3	2	-	-
Grant Powell	3	3	3	3	4	3
Jane Harvey	-	-	2	1	-	-
Selina Lightfoot	3	3	-	-	4	3
Stephen McIntyre AM	-	-	-	-	-	-

\*Attended as Voluntary or Ex Officio Member

Key:

ARCC: Audit, Risk and Compliance Committee

M&D: Marketing & Development Committee

**Victorian Opera Company Limited**

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## **Directors' Report**

**31 December 2018**

### **Auditor's independence declaration**

The lead auditor's independence declaration in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, for the year ended 31 December 2018 has been received and can be found on page 9 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Director: .....  
  
Genevieve Overell

Director: .....  
  
Penny Stragalinos

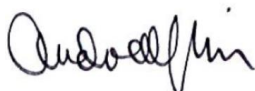
Dated 18 April 2019

56 116 549 798

## Auditor's Independence Declaration under the Australian Charities and Not-for-profits Commission Act 2012 To the Directors of Victorian Opera Company Limited

I declare that, to the best of my knowledge and belief, during the year ended 31 December 2018, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



Andrew Fisher, Partner (auditor registration number 306364) on behalf of  
Banks Group Assurance Pty Ltd, Chartered Accountants  
Authorised audit company registration number 294178 (ACN 115749598)

18 April 2019

Melbourne, Australia

Victorian Opera Company Limited

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**Statement of Profit or Loss and Other Comprehensive Income**

**For the Year Ended 31 December 2018**

	Note	2018 \$	2017 \$
<b>Revenue from Operations</b>			
Government funding revenue	4	4,422,464	4,290,374
Box office and performance income	4	795,186	1,304,731
Sponsorship, philanthropic and donation income	4	1,229,898	878,620
Bequest Income	4	510,088	-
Other income	4	54,920	115,954
<b>Total revenue from operations</b>		<b>7,012,556</b>	<b>6,589,679</b>
<b>Expenses</b>			
Administrative expenses		(649,117)	(560,149)
Laurens St expenses	5	(655,490)	-
Marketing and development expenses		(480,132)	(411,765)
Personnel expenses	6	(3,670,292)	(3,721,271)
Production expenses		(1,803,598)	(1,965,806)
<b>Total Expenses</b>		<b>(7,258,629)</b>	<b>(6,658,991)</b>
<b>Net Deficit from Operations</b>		<b>(246,073)</b>	<b>(69,312)</b>
Melva Thompson Bequest Fund Revenue		22,724	21,995
<b>Total comprehensive income for the year</b>		<b>(223,349)</b>	<b>(47,317)</b>

The accompanying notes form part of these financial statements

**Victorian Opera Company Limited**

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**Statement of Financial Position**

31 December 2018

	Note	2018 \$	2017 \$
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	7	2,622,087	2,616,894
Trade and other receivables	8	148,651	171,113
Other non-financial assets	9	411,440	424,722
TOTAL CURRENT ASSETS		<u>3,182,178</u>	<u>3,212,729</u>
NON-CURRENT ASSETS			
Property, plant and equipment	10	141,627	98,159
TOTAL NON-CURRENT ASSETS		<u>141,627</u>	<u>98,159</u>
TOTAL ASSETS		<u>3,323,805</u>	<u>3,310,888</u>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	11	188,118	107,230
Onerous lease provision	12	106,784	-
Employee benefits	13	139,591	118,178
Other liabilities	14	478,836	659,067
TOTAL CURRENT LIABILITIES		<u>913,329</u>	<u>884,475</u>
NON-CURRENT LIABILITIES			
Employee benefits	13	50,917	68,570
Onerous lease provision	12	187,848	-
Other liabilities	14	37,217	-
TOTAL NON-CURRENT LIABILITIES		<u>275,982</u>	<u>68,570</u>
TOTAL LIABILITIES		<u>1,189,311</u>	<u>953,045</u>
NET ASSETS		<u>2,134,494</u>	<u>2,357,843</u>
<b>EQUITY</b>			
Reserves		2,757,694	2,637,426
Accumulated deficit		(623,200)	(279,583)
TOTAL EQUITY		<u>2,134,494</u>	<u>2,357,843</u>

The accompanying notes form part of these financial statements

Victorian Opera Company Limited

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**Statement of Changes in Equity**

**For the Year Ended 31 December 2018**

2018

	Accumulated Deficit	Bequest Reserve	General Reserves	Special Reserve	"Building our Future" Reserve	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 January 2018</b>	<b>(279,583)</b>	<b>937,426</b>	<b>1,300,000</b>	<b>400,000</b>	<b>-</b>	<b>2,357,843</b>
Net deficit from operations	(246,073)	-	-	-	-	(246,073)
Bequest Fund Income	22,724	-	-	-	-	22,724
Transfer to reserves	(120,268)	22,724	-	-	97,544	-
<b>Balance at 31 December 2018</b>	<b>(623,200)</b>	<b>960,150</b>	<b>1,300,000</b>	<b>400,000</b>	<b>97,544</b>	<b>2,134,494</b>

Best practice for the financial management of arts organisations in accordance with funding recommendations is to maintain a reserves/expenditure ratio of at least 20%. Accordingly, the company maintains a reserves/expenditure ratio of 29.4% (2017: 35.4%) and a cash/expenditure ratio of 36.1% (2017: 39.3%).

As previously announced, the company launched a "Building Our Future" campaign to raise new funds to contribute towards the cost of refurbishing the Laurens Street premises in West Melbourne. With the subsequent decision by the board to not relocate to this property, the Company contacted donors and sought agreement to direct donations of \$97,544 to a special reserve with the objective of contributing towards future building projects.

2017

	Accumulated Deficit	Bequest Reserve	General Reserves	Special Reserves	"Building our Future" Reserve	Total
	\$	\$	\$	\$	\$	\$
<b>Balance at 1 January 2017</b>	<b>(208,411)</b>	<b>913,571</b>	<b>1,300,000</b>	<b>400,000</b>	<b>-</b>	<b>2,405,160</b>
Net deficit from operations	(69,312)	-	-	-	-	(69,312)
Bequest Fund Income	21,995	-	-	-	-	21,995
Transfer to reserves	(23,855)	23,855	-	-	-	-
<b>Balance at 31 December 2017</b>	<b>(279,583)</b>	<b>937,426</b>	<b>1,300,000</b>	<b>400,000</b>	<b>-</b>	<b>2,357,843</b>

**Victorian Opera Company Limited**

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**Statement of Cash Flows**

**For the Year Ended 31 December 2018**

	<b>2018</b>	<b>2017</b>
<b>Note</b>	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Receipts from customers	<b>6,675,329</b>	7,037,947
Payments to suppliers and employees	<b>(7,148,158)</b>	(7,229,754)
Interest received	<b>39,923</b>	38,067
Bequest Revenue	<b>532,812</b>	21,995
Net cash provided by/(used in) operating activities	<b>99,906</b>	(131,745)
	23	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of plant and equipment	-	13,636
Purchase of property, plant and equipment	<b>(94,713)</b>	(75,442)
Net cash provided by/(used in) investing activities	<b>(94,713)</b>	(61,806)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net increase/(decrease) in cash and cash equivalents held	<b>5,193</b>	(193,551)
Cash and cash equivalents at beginning of year	<b>2,616,894</b>	2,810,445
Cash and cash equivalents at end of financial year	<b>2,622,087</b>	2,616,894
	7	

The accompanying notes form part of these financial statements

## Victorian Opera Company Limited

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# Notes to the Financial Statements

For the Year Ended 31 December 2018

The financial report covers Victorian Opera Company Limited as an individual entity. Victorian Opera Company Limited is a not-for-profit Company limited by guarantee, incorporated and domiciled in Australia.

The functional and presentation currency of Victorian Opera Company Limited is Australian dollars.

The financial report was authorised for issue by the Directors on 18 April 2019.

Comparatives are consistent with prior years, unless otherwise stated.

## 1 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards- Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Act 2012*.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities.

## 2 Summary of Significant Accounting Policies

### (a) Income Tax

No provision for income tax has been raised as the Company is exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997*.

### (b) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

Where the expected costs of a lease outweigh its expected benefits, the company recognises a provision for an onerous contract.



## **Notes to the Financial Statements**

**For the Year Ended 31 December 2018**

### **2 Summary of Significant Accounting Policies**

#### **(c). Revenue and other income**

##### **Revenue from contracts with customers**

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows:

1. Identify the contract with the customer
2. Identify the performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as and when control of the performance obligations is transferred

All revenue is stated net of the amount of goods and services tax (GST).

##### **Subscriptions and box office income**

Subscriptions and box office income from performance ticket sales are recognised in the year the performance takes place.

##### **Sponsorships and Government Grants**

Sponsorships and Government grants are recognised in the period to which the sponsorships and grants relate or to the period for which they are paid. Government grants are normally paid for the specific calendar years. Sponsorships which relate to specific performances are brought to account in the year the performances are given.

##### **Bequests**

Bequests are recognised as revenue when they are received, unless they relate specifically to an event, in which case the bequest is recognised in the same period as the event takes place.

##### **Donations**

Donations are recognised as revenue when they are received, unless they relate specifically to an event, in which case the donations are recognised in the same period as the event takes place.

##### **Interest revenue**

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

## Notes to the Financial Statements

For the Year Ended 31 December 2018

### 2 Summary of Significant Accounting Policies

#### (d). Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows in the statement of cash flows are included 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 is classified as operating cash flows.

#### (e). Property, plant and equipment

Classes of property, plant and equipment are measured using the cost model as specified below.

Where the cost model is used, the asset is carried at its cost less any accumulated depreciation and any impairment losses. Costs include purchase price, other directly attributable costs and the initial estimate of the costs of dismantling and restoring the asset, where applicable.

##### Depreciation

Property, plant and equipment, excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Company, commencing when the asset is ready for use.

Leased assets and leasehold improvements are amortised over the shorter of either the unexpired period of the lease or their estimated useful life.

The depreciable amount of all property, plant and equipment is depreciated on a straight-line method from the date that management determine that the asset is available for use.

Assets held under a finance lease and leasehold improvements are depreciated over the shorter of the term of the lease and the assets useful life.

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate
Plant and Equipment	10%-33%
Furniture, Fixtures and Fittings	33%
Office Equipment	20%-33%
Improvements	20%

At the end of each annual reporting period, the depreciation method, useful life and residual value of each asset is reviewed. Any revisions are accounted for prospectively as a change in estimate.

## Notes to the Financial Statements

For the Year Ended 31 December 2018

### 2 Summary of Significant Accounting Policies

#### (f) Financial instruments

##### Initial recognition and measurement

Financial instruments are recognised initially on the date that the Company becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

##### Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

*Amortised cost* is calculated as:

- (a) The amount at which the financial asset or financial liability is measured at initial recognition
- (b) Less principal repayments
- (c) Plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- (d) Less any reduction for impairment

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The classification of financial instruments depends on the purpose for which the investments were acquired.

Management determines the classification of its investments at initial recognition and at the end of each reporting period for held-to-maturity assets.

#### (i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Such assets are subsequently measured at fair value with changes in carrying value included in profit or loss.

## Notes to the Financial Statements

For the Year Ended 31 December 2018

### 2 Summary of Significant Accounting Policies

#### (f). Financial instruments

##### *(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting year.

##### *(iii) Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

##### *Impairment of financial assets*

At the end of the reporting period the Company assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired.

#### **Financial assets at amortised cost**

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

Impairment on loans and receivables is reduced through the use of an allowance account. All other impairment losses on financial assets at amortised cost are taken directly to the asset.

#### (g). Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, deposits held at call with banks and term deposits.

#### (h). Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be wholly settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits expected to be settled more than one year after the end of the reporting period have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Cashflows are discounted using market yields on national Government bond rates with terms to maturity that match the expected timing of cashflows. Changes in the measurement of the liability are recognised in profit or loss.

Employee benefits are presented as current liabilities in the statement of financial position if the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date regardless of the classification of the liability for measurement purposes under AASB 119.

## Notes to the Financial Statements

For the Year Ended 31 December 2018

### 2 Summary of Significant Accounting Policies

#### (i). Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

#### (j). Going concern

Notwithstanding the Company's operating loss for the year, the financial report has been prepared on the going concern basis. This basis has been adopted as the Company maintains a healthy level of net current assets and reserves which suggests that the company will be able to meet its liabilities as and when they fall due.

#### (k). New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to early adopt these Standards.

The following table summarises those future requirements, and their impact on the Company where the standard is relevant:

Standard Name	Effective date for entity	Impact
AASB 16: Leases	1 January 2019	AASB 16 will cause an increase in the assets and liabilities recorded. While the net asset impact on day 1 may be nil, this will not be the case going forward as the asset and liability will be amortised using different bases. Rental expense will be disclosed as depreciation and interest expense. On an ongoing basis, there will be revisions to the asset and liability whenever a relevant index affecting payments (such as CPI) changes, the lease term changes or the lease is modified. The company is in the process of assessing the potential impact.
AASB 15: Revenue from contracts with customers	1 January 2019	The company shall recognise AASB 15 in the 2019 financial year. There is expected to be no material impact to the financial statements.

### 3 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances.

These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

## Victorian Opera Company Limited

56 116 549 798

### Notes to the Financial Statements

For the Year Ended 31 December 2018

#### 4 Revenue and Other Income

	2018	2017
	\$	\$
<b>Government funding revenue</b>		
- Creative Victoria annual grant	3,910,064	3,787,574
- Regional touring funding	156,600	150,000
- Strategic partnerships program	52,800	52,800
- Australia Council grant	303,000	300,000
<b>Total Government funding revenue</b>	<b>4,422,464</b>	<b>4,290,374</b>
<b>Box office and performance income</b>		
- Box office sales	762,097	1,003,512
- Co-Producer fees	-	188,922
- Performance and workshop fees	33,089	112,297
<b>Total box office and performance income</b>	<b>795,186</b>	<b>1,304,731</b>
<b>Sponsorship, philanthropic and donation revenue</b>		
- Corporate sponsorship	165,000	86,387
- Corporate in-kind income	108,611	-
- Philanthropic	295,000	230,000
- Donations	660,853	557,688
- Other fundraising income	434	4,545
<b>Total sponsorship, philanthropic and donation revenue</b>	<b>1,229,898</b>	<b>878,620</b>
<b>Bequest income</b>		
Bequest Income	510,088	-
<b>Total bequests revenue</b>	<b>510,088</b>	<b>-</b>
<b>Other income</b>		
- Interest received	39,923	38,067
- Venue hire	4,978	1,127
- Other income	10,019	76,760
<b>Total other income</b>	<b>54,920</b>	<b>115,954</b>
<b>Total Revenue</b>	<b>7,012,556</b>	<b>6,589,679</b>

#### 5 Laurens Street relocation project

-Rent and outgoings	216,629	-
-Planning and design	144,229	-
-Onerous lease provision	294,632	-
<b>Total Laurens Street relocation expenses</b>	<b>655,490</b>	<b>-</b>

Following an expert analysis of the renovation options and associated costs of undertaking a move to the company's leased premises at Laurens Street in West Melbourne, it was identified that the expected costs for the project were significantly higher than earlier estimates. Resultingly, the Board resolved to cease the project and (a) continue to occupy its current premises in Horti Hall, 31 Victoria Street and (b) in March 2019, the Company entered into an arm's-length commercial sub-lease of the Laurens Street premises through to January 2025. All costs incurred to date and future ongoing costs in relation to the Laurens Street property have been recognised in the current reporting period.

# Victorian Opera Company Limited

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## Notes to the Financial Statements

For the Year Ended 31 December 2018

### 6 Personnel expenses

	2018	2017
	\$	\$
Administration and marketing	1,166,255	1,138,310
Artistic and production salaries	2,156,453	2,212,331
Employee on-costs	347,584	370,630
<b>Total personnel expenses</b>	<b>3,670,292</b>	<b>3,721,271</b>

### 7 Cash and Cash Equivalents

Cash on hand	960	960
Bank balances	915,877	433,281
Short-term deposits	1,705,250	2,182,653
<b>Total Cash and Cash Equivalents</b>	<b>2,622,087</b>	<b>2,616,894</b>

### 8 Trade and Other Receivables

CURRENT		
Trade receivables	4,950	57,603
Deposits	61,375	109,042
GST receivable	82,326	4,468
<b>Total current trade and other receivables</b>	<b>148,651</b>	<b>171,113</b>

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

### 9 Other non-financial assets

CURRENT		
Prepayments	27,655	35,421
Accrued income	8,964	5,140
Deferred production costs	348,259	346,950
Wages paid in advance	26,562	37,211
<b>Total other non-financial assets</b>	<b>411,440</b>	<b>424,722</b>

## Notes to the Financial Statements

For the Year Ended 31 December 2018

### 10 Property, plant and equipment

	2018	2017
	\$	\$
PLANT AND EQUIPMENT		
Production equipment		
At cost	168,689	136,901
Accumulated depreciation	(112,196)	(97,337)
Total plant and equipment	<u>56,493</u>	39,564
Furniture, fixtures and fittings		
At cost	48,390	47,277
Accumulated depreciation	(47,355)	(47,277)
Total furniture, fixtures and fittings	<u>1,035</u>	-
Office equipment		
At cost	185,528	123,717
Accumulated depreciation	(116,848)	(91,042)
Total office equipment	<u>68,680</u>	32,675
Improvements		
At cost	93,700	93,700
Accumulated Depreciation	(78,281)	(67,780)
Total improvements	<u>15,419</u>	25,920
<b>Total property, plant and equipment</b>	<u><u>141,627</u></u>	<u>98,159</u>

#### (a). Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant and Equipment	Furniture, Fixtures and Fittings	Office Equipment	Improvements	Total
	\$	\$	\$	\$	\$
<b>Year ended 31 December 2018</b>					
Opening balance	39,564	-	32,675	25,920	98,159
Additions	31,788	1,113	61,811	-	94,712
Depreciation expense	(14,859)	(78)	(25,806)	(10,501)	(51,244)
<b>Balance at the end of the year</b>	<u><u>56,493</u></u>	<u>1,035</u>	<u>68,680</u>	<u>15,419</u>	<u>141,627</u>



## Victorian Opera Company Limited

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### Notes to the Financial Statements

For the Year Ended 31 December 2018

#### 11 Trade and Other Payables

	2018	2017
	\$	\$
CURRENT		
Trade payables	20,068	11,676
Other payables	168,050	95,554
<b>Total trade and other payables</b>	<b>188,118</b>	<b>107,230</b>

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

#### 12 Provisions

CURRENT		
Onerous lease contract	106,784	-
NON-CURRENT		
Onerous lease contract	187,848	-
<b>Total provisions for onerous contract</b>	<b>294,632</b>	<b>-</b>

##### Provision for Onerous Contract

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Following an expert analysis of the renovation options and associated costs of undertaking a move to the company's leased premises at Laurens Street in West Melbourne, it was identified that the expected costs for the project were significantly higher than earlier estimates. Resultingly, the Board resolved to cease the project and (a) continue to occupy its current premises in Horti Hall, 31 Victoria Street and (b) in March 2019, the Company entered into an arm's-length commercial sub-lease of the Laurens Street premises through to January 2025. All costs incurred to date and future ongoing costs in relation to the Laurens Street property have been recognised in the current reporting period.

Victorian Opera Company Limited

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Notes to the Financial Statements

For the Year Ended 31 December 2018

13 Employee Benefits

	2018	2017
	\$	\$
CURRENT		
Long service leave	43,476	11,899
Annual leave	96,115	106,279
	<u>139,591</u>	<u>118,178</u>
NON-CURRENT		
Long service leave	50,917	68,570
	<u>190,508</u>	<u>186,748</u>

14 Other Liabilities

CURRENT		
Income in advance	233,500	417,567
Grants in advance	238,015	241,500
Lease incentive	7,321	-
	<u>478,836</u>	<u>659,067</u>
NON-CURRENT		
Lease incentive	37,217	-
	<u>516,053</u>	<u>659,067</u>

## Victorian Opera Company Limited

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### Notes to the Financial Statements

For the Year Ended 31 December 2018

#### 15 Leasing Commitments

##### Operating leases

	2018	2017
	\$	\$
Minimum lease payments under non-cancellable operating leases not recognised in the financial statements are payable as follows:		
- not later than one year	384,041	288,199
- between one year and five years	909,209	822,050
- later than five years	264,584	427,083
	<u>1,557,834</u>	<u>1,537,332</u>

#### 16 Lessor Entitlements

##### *Operating lease receivable - Company as sublessor*

In March 2019, the Company entered into an arm's-length commercial sub-lease of the Laurens Street premises.

This non-cancellable lease expires in January 2025 and the sublease agreement includes contractual terms for annual indexation of 4% for the term of the lease.

The future minimum lease receipts under non-cancellable leases are:

- no later than 1 year	134,583	-
- between 1 year and 5 years	744,759	-
- greater than 5 years	222,410	-
Total minimum lease receipts	<u>1,101,752</u>	-

## **Notes to the Financial Statements**

**For the Year Ended 31 December 2018**

### **17 Financial Risk Management**

The Company is exposed to a variety of financial risks through its use of financial instruments.

The Company's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets.

The most significant financial risks to which the Company is exposed to are described below:

#### **Specific risks**

- Liquidity risk
- Credit risk
- Market risk - currency risk, interest rate risk and price risk

#### **Financial instruments used**

The principal categories of financial instrument used by the Company are:

- Trade receivables
- Cash at bank
- Trade and other payables

#### **Objectives, policies and processes**

Risk management is a function of the Board supported by the Company's Audit, Risk and Compliance committee (ARCC) under the delegated power from the Board of Directors. The Leadership Team has primary responsibility for the development of relevant policies and procedures to mitigate the risk exposure of the Company, these policies and procedures are then reviewed by the ARCC and subject to being adopted are tabled for approval by the full Board.

### **18 Members' Guarantee**

Victorian Opera Company Ltd is a company limited by guarantee. In the event of, and for the purpose of winding up of the company, the amount capable of being called up from each member and any person or association who ceased to be a member in the year prior to the winding up, is limited to \$100, subject to the provisions of the company's constitution.

### **19 Key Management Personnel Remuneration**

The total remuneration paid to the key management personnel of Victorian Opera Company Limited during the year is:

\$ 495,758 (2017: \$ 371,433).

## Victorian Opera Company Limited

56 116 549 798

## Notes to the Financial Statements

For the Year Ended 31 December 2018

### 20 Auditors' Remuneration

	2018	2017
	\$	\$
Remuneration of the auditor (Banks Group Assurance Pty Ltd) for:		
- auditing or reviewing the financial statements	18,500	18,200

### 21 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2018 (31 December 2017: Nil).

### 22 Related Parties

Any persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise), are considered to be key management personnel.

Directors do not receive remuneration for their services. For details of remuneration disclosures relating to other key management personnel, refer to Note 19: Key Management Personnel Remuneration.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

### 23 Cash Flow Information

#### Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net deficit to net cash provided by operating activities:

Deficit for the year	(223,349)	(47,317)
Non-cash flows in deficit:		
- depreciation	51,244	33,879
- net gain on disposal of property, plant and equipment	-	(13,636)
Changes in assets and liabilities:		
- decrease in trade and other receivables	52,653	19,149
- (increase) in other assets	(16,908)	(139,587)
- increase/(decrease) in trade and other payables	125,427	(29,310)
- increase in employee benefits	3,759	24,536
- increase in provisions	294,632	-
- (decrease)/increase in other liabilities	(187,552)	20,541
Cashflows from operations	99,906	(131,745)

**Victorian Opera Company Limited**

**56 116 549 798**

## **Notes to the Financial Statements**

**For the Year Ended 31 December 2018**

### **24 Events after the end of the Reporting Period**

In March 2019, the Company executed a sub-lease with a tenant for the leased property at Laurens Street in West Melbourne, commencing 12 March 2019 through to 31 January 2025.

In the interval between the end of the financial year and the date of this report, no other item, transaction or event of a material and unusual nature have arisen, in the opinion of the directors, to affect significantly the operations of the company, the results of these operations, or the state of affairs of the company in future financial years.

## **Directors' Declaration**

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 10 to 28, are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* and:
  - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
  - b. give a true and fair view of the financial position as at 31 December 2018 and of the performance for the year ended on that date of the Company.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

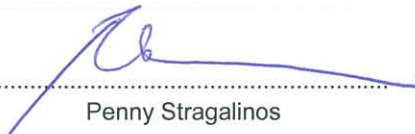
This declaration is made in accordance with a resolution of the Board of Directors.

Director .....



Genevieve Overell

Director .....



Penny Stragalinos

Dated 18 April 2019

# Independent Audit Report to the members of Victorian Opera Company Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Victorian Opera Company Limited (the Company), which comprises the statement of financial position as at 31 December 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and 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 Company is in accordance with 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 31 December 2018 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*.

### 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 Company in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and 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.

### Responsibilities of 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company 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 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 the financial report.

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

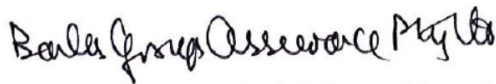


## Independent Audit Report to the members of Victorian Opera Company Limited

- 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 Company'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 Company'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 Company 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.

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Banks Group Assurance Pty Ltd, Chartered Accountants  
Authorised audit company number 294178 (ACN 115 749 598)



Andrew Fisher, Partner  
Registration number 306364

Melbourne, Australia  
18 April 2019