

Victorian Opera Company Ltd

Financial Statements

For the Year Ended 31 December 2017

Victorian Opera Company Limited

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For the Year Ended 31 December 2017

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Victorian Opera Company Limited

Directors' Report

31 December 2017

The directors present their report on Victorian Opera Company Limited for the financial year ended 31 December 2017.

(a) General information

Information on directors

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

Jane Hemstrich

Qualifications

BSc (Hons), FCA, FAICD

Experience

Jane is a Non-Executive Director of Lend Lease Corporation Ltd and Telstra Corporation Limited. 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 a 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 has been Chair of the Board of Directors from 22 February 2013.

Francis Ebury, Earl of Wilton

Qualifications

PhD (Melb)

Experience

Francis worked at J.P. Morgan & Co. Inc. for 25 years in the Melbourne and Hong Kong offices. He held positions in Investment Management and Human Resources. The last position he held was Head of Human Resources, Asia South.

Other Victorian Opera committees

He was Chair of the HR Committee and a member of the Strategic Initiatives Committee and Artistic Committee.

Resigned

25 May 2017

Greig Gailey

Qualifications

BEcon (UQ)

Experience

Greig is the Chairman of Caltex Australia Limited, on the Advisory Board of CSL Australia Ltd, and Chairman of the Horizon Roads Group (the operator of Eastlink). Greig has been Chairman of the Minerals Council of Australia and the International Zinc Association, and was President of the Business Council of Australia from 2007 to 2009.

After a long career with the British Petroleum Company he became CEO of Fletcher Challenge Energy from 1998 until March 2001. He subsequently joined Pasmenco as CEO in August 2001 until 2007 and saw the company through its major transformation and re-emergence as Zinifex.

Other Victorian Opera committees

He was Deputy Chair of the Board of Directors and Chair of the Strategic Initiatives Committee.

Resigned

25 May 2017

Victorian Opera Company Limited

Directors' Report

31 December 2017

Information on directors

Anne Gilby

Qualifications

Experience

BA (ANU), Reifeprüfung (Detmold), Grad.DipEd. (Monash)

Anne has held positions as Principal Oboist of the Bremerhaven Orchestra, the Elizabethan Melbourne Orchestra and the Australian Chamber Orchestra, and as Lecturer in Oboe at the Western Australian Academy of Performing Arts in Perth, Head of Woodwind at the Victorian College of the Arts in Melbourne, and Lecturer in Ensemble Studies at Monash University's School of Music-Conservatorium.

Anne has appeared as soloist with such ensembles as the Australian Chamber Orchestra, the West Australian Symphony Orchestra, the Melbourne Musicians and the Blackwood River Chamber Festival. She chaired the Artistic Committee of the Australian Youth Orchestra Ltd and served on the Music Board of the Australia Council.

Other Victorian Opera committees

She was Chair of the Artistic Committee and a member of the HR Committee.

Resigned

25 May 2017

Penny Stragalinos

Qualifications

Experience

BComm (Melb), Exec MBA, FCA, RCA

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

She is Chair of the Audit, Risk and Compliance Committee.

Siobhan Lenihan

Qualifications

Experience

BA (Sydney), MLS (UTS)

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

She is a member of the Artistic Committee and the HR Committee and was a member of the Audit, Risk and Compliance Committee.

Roger Box

Qualifications

Experience

BBus Economics and Marketing

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 2013-2015.

Roger spent six years in New York as Vice President, Group Director at Digitas leading their work with American Express. Roger is currently a non-executive Director of Velcro Industries.

Other Victorian Opera committees

He was Chair of the Marketing and Development Committee in 2017 and continues as a member of that committee.

Victorian Opera Company Limited

Directors' Report

31 December 2017

Information on directors

Vivienne Corcoran

Qualifications

Experience

Ba, Grad Dip Mktg, CPM, FAICD

Vivienne is Chair of Statewide Autistic Services and on the Branch Executive Committee of Scouts Victoria. 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 Victoria Opera committees

She is the Chair of the Marketing and Development Committee and was a member of the Audit, Risk and Compliance Committee.

Grant Powell

Qualifications

Experience

BEng Chem (Hons), Grad Dip Applied Finance

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

He is Chair of the HR and Strategic Issues Committees.

Appointed

25 May 2017

Jane Harvey

Qualifications

Experience

BCom, MBA (Melb), FCA, FAICD

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

She is a member of the Audit, Risk and Compliance Committee.

Appointed

25 May 2017

Selina Lightfoot

Qualifications

Experience

BA/LLB, GAICD, Grad Dip App Fin

Selina is a Non-Executive Director of DWS Ltd, JDRF Australia and Nuchev Pty Ltd. She is President of The Queen Elizabeth Centre, an early parenting centre and public hospital. She is also a member of the Advisory Board for TLC Aged Care.

Selina has had a legal career spanning 25 years, including 10 years as a Partner at Herbert Smith Freehills specialising in corporate law, commercial contracts and mergers and acquisitions.

Other Victorian Opera committees

She is a member of the Audit, Risk and Compliance Committee and the HR Committee.

Appointed

25 May 2017

Victorian Opera Company Limited

Directors' Report

31 December 2017

Information on directors

Stephen McIntyre AM

Qualifications

BA (Melb)

Experience

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

He is Chair of the Artistic Committee.

Appointed

25 May 2017

Directors have been in office during the financial year unless otherwise stated. Committee membership information is for the financial year ended 31 December 2017.

Company secretary

John Orr, B. Bus (Accounting), CPA

Review of operations

The Company has recorded a deficit from operations of \$47,317, a significant improvement compared to the deficit of \$646,669 recorded last year.

Revenue from Operations increased by \$216,042. However, the various components of income varied in different ways. The most significant change was an increase in Government Grants, with Victorian Opera receiving \$300,000 from the Australia Council for the Arts. This is to be increased in 2019 with Victorian Opera becoming a Major Performing Arts Company – final details of the funding are still to be finalised. Other revenues were slightly down, reflecting the difficult conditions for attracting philanthropic support and the variety of repertoire performed from year to year which impacts venues and box office.

Expenses declined by \$386,323 from last year. The major reduction was in personnel expenses which reduced by \$341,001, mostly attributable to a decrease in creative personnel in line with the requirements of the repertoire performed.

Victorian Opera has entered into a seven-year lease for premises from February 2018 that are to be refitted to our specifications. We plan to relocate to these premises in the latter part of 2018.

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.

Victorian Opera Company Limited

Directors' Report

31 December 2017

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 2017 the collective liability of members was \$ 200 (2016: \$ 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

Directors' Report

31 December 2017

Meetings of directors and committees

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		HR	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Jane Hemstritch	4	4	-	-	-	-	-	-	-	-
Greig Gailey	2	2	-	-	-	-	-	-	-	-
Francis Ebury	2	2	2	2*	2	2*	1	1*	1	1
Siobhan Lenihan	4	4	3	3	3	3	-	-	2	1
Jane Harvey	2	1	-	-	1	1	-	-	-	-
Grant Powell	2	2	-	-	-	-	-	-	1	1
Selina Lightfoot	2	2	-	-	2	2	-	-	1	1
Anne Gilby	2	1	1	1	-	-	-	-	1	-
Roger Box	4	2	-	-	-	-	3	3	-	-
Penny Stragalinos	4	3	1	1*	4	4	-	-	-	-
Vivienne Corcoran	4	4	-	-	3	3	3	2	-	-
Stephen McIntyre AM	2	1	3	3	-	-	-	-	-	-

* Attended as Voluntary or Ex Officio Member

Key:

ARCC - Audit, Risk and Compliance Committee

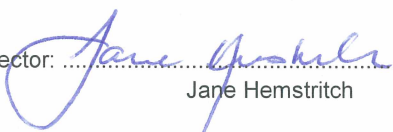
M&D - Marketing and Development Committee

HR - Human Resources Committee

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 2017 has been received and can be found on page 7 of the financial report.

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

Director: 
Jane Hemstritch

Director: 
Penny Stragalinos

Dated 3 May 2018

Victorian Opera Company Limited

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 2017, 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)

03 May 2018

Melbourne, Australia

Victorian Opera Company Limited

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2017

	Note	2017 \$	2016 \$
Revenue from Operations			
Government funding revenue	3	4,290,374	3,897,200
Box office and performance income	3	1,304,731	1,393,004
Sponsorship, philanthropic and donation income	3	878,620	937,229
Other income	3	115,954	146,204
Total revenue from operations		6,589,679	6,373,637
Expenses			
Personnel expenses	4	(3,721,271)	(4,062,272)
Marketing and development expenses		(411,765)	(469,412)
Production expenses		(1,965,806)	(1,971,635)
Administrative expenses		(560,149)	(541,995)
Total expenses		(6,658,991)	(7,045,314)
Net Deficit from Operations		(69,312)	(671,677)
Melva Thompson Bequest Fund interest		21,995	25,008
DEFICIT FOR THE YEAR		(47,317)	(646,669)

The accompanying notes form part of these financial statements.

Victorian Opera Company Limited

Statement of Financial Position

31 December 2017

	Note	2017 \$	2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	2,616,894	2,810,445
Trade and other receivables	6	171,113	154,768
Other non-financial assets	7	424,722	320,629
TOTAL CURRENT ASSETS		3,212,729	3,285,842
NON-CURRENT ASSETS			
Property, plant and equipment	8	98,159	56,596
TOTAL NON-CURRENT ASSETS		98,159	56,596
TOTAL ASSETS		3,310,888	3,342,438
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	107,230	136,540
Employee benefits	10	118,178	112,323
Other liabilities	11	659,067	638,526
TOTAL CURRENT LIABILITIES		884,475	887,389
NON-CURRENT LIABILITIES			
Employee benefits	10	68,570	49,889
TOTAL NON-CURRENT LIABILITIES		68,570	49,889
TOTAL LIABILITIES		953,045	937,278
NET ASSETS		2,357,843	2,405,160
EQUITY			
Reserves		2,637,426	2,613,571
Accumulated deficit		(279,583)	(208,411)
TOTAL EQUITY		2,357,843	2,405,160

The accompanying notes form part of these financial statements.

Victorian Opera Company Limited

Statement of Changes in Equity
For the Year Ended 31 December 2017

2017

	Accumulated Deficit	Bequest Reserve	General Reserves	Special Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 January 2017	(208,411)	913,571	1,300,000	400,000	2,405,160
Net deficit from operations	(69,312)	-	-	-	(69,312)
Melva Thompson Bequest Fund Revenue	21,995	-	-	-	21,995
Transfer to Bequest Reserve	(23,855)	23,855	-	-	-
Balance at 31 December 2017	(279,583)	937,426	1,300,000	400,000	2,357,843

2016

	Accumulated Deficit	Bequest Reserve	General Reserves	Special Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 January 2016	463,266	888,563	1,300,000	400,000	3,051,829
Net deficit from operations	(671,677)	-	-	-	(671,677)
Melva Thompson Bequest Fund Revenue	25,008	-	-	-	25,008
Transfer to Bequest Reserve	(25,008)	25,008	-	-	-
Balance at 31 December 2016	(208,411)	913,571	1,300,000	400,000	2,405,160

Reserves have been established in line with funding recommendations that arts organisations should build general and special reserves to a minimum of 20% of annual costs.

The Bequest Reserve has been established to support the company in specific future projects.

The Special Reserve has been established to assist the company to manage artistic and financial risk.

Victorian Opera Company Limited

Statement of Cash Flows

For the Year Ended 31 December 2017

	2017	2016
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from customers	7,037,947	7,121,946
Payments to suppliers and employees	(7,229,754)	(7,150,549)
Melva Thompson Bequest Fund revenue	21,995	25,008
Interest received	38,067	47,636
Net cash (used in)/provided by operating activities	19 <u>(131,745)</u>	<u>44,041</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of plant and equipment	13,636	-
Purchase of property, plant and equipment	(75,442)	(22,323)
Net cash (used in) investing activities	<u>(61,806)</u>	<u>(22,323)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (decrease)/increase in cash and cash equivalents held	(193,551)	21,718
Cash and cash equivalents at beginning of year	2,810,445	2,788,727
Cash and cash equivalents at end of financial year	5 <u>2,616,894</u>	<u>2,810,445</u>

The accompanying notes form part of these financial statements.

Victorian Opera Company Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

The financial statements are for Victorian Opera Company Limited as a not-for-profit individual entity.

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

The financial report was authorised for issue on 3 May 2018 by the Board of Directors.

1 Summary of Significant Accounting Policies

(a). 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.

(b). Comparative Amounts

Comparatives are consistent with prior years, unless otherwise stated.

(c). 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*.

(d). 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 that period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Company will obtain ownership of the asset or over the term of the lease.

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.

Notes to the Financial Statements

For the Year Ended 31 December 2017

1 Summary of Significant Accounting Policies

(e). Revenue and other income

Revenue is recognised when the amount of the revenue can be measured reliably, it is probable that economic benefits associated with the transaction will flow to the entity and specific criteria relating to the type of revenue as noted below, have been satisfied.

Revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, discounts and rebates.

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.

Performance fees

Performance fees are recognised as revenue when the income is received.

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.

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.

(f). 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.

Notes to the Financial Statements For the Year Ended 31 December 2017

1 Summary of Significant Accounting Policies

(g). 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.

Plant and equipment that have been contributed at no cost, or for nominal cost are valued and recognised at the fair value of the asset at the date it is acquired.

Depreciation

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 2017

1 Summary of Significant Accounting Policies

(h). Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. For financial assets, this is the equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

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.

Notes to the Financial Statements

For the Year Ended 31 December 2017

1 Summary of Significant Accounting Policies

(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 assets 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.

(i). Cash and cash equivalents

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

(j). 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 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 twelve months 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 bonds 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 2017

1 Summary of Significant Accounting Policies

(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 against early adoption of these Standards. The following table summarises those future requirements, and their impact on the Company:

Pronouncement	AASB16 New Lease Standard
Effective Date	1 January 2019
Expected Impact on the Financial Statements	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. Operating profit should increase as 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.
Pronouncement	AASB9 Financial Instruments
Effective Date	1 January 2018
Expected Impact on the Financial Statements	There will be significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The changes are not expected to have a material impact on the Financial Statements.
Pronouncement	AASB 15 Revenue from contracts with customers
Effective Date	1 January 2018
Expected Impact on the Financial Statements	The changes in revenue recognition requirements in AASB 15 are likely to cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures required. These changes are not expected to have a material impact on the Financial Statements.

2 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.

Notes to the Financial Statements
For the Year Ended 31 December 2017

3 Revenue and Other Income

	2017	2016
	\$	\$
Government funding revenue		
- Creative Victoria annual grant	3,787,574	3,731,600
- Regional touring funding	150,000	80,000
- Strategic Partnerships Program	52,800	52,800
- Creative Victoria special grant	-	32,000
- Australia Council grant	300,000	-
- Local Government grant	-	800
Total government funding revenue	<u>4,290,374</u>	<u>3,897,200</u>
Box office and performance income		
- Box office sales	1,003,512	1,377,377
- Producer fees	188,922	(85,958)
- Performance and workshop fees	112,297	101,585
Total box office and performance income	<u>1,304,731</u>	<u>1,393,004</u>
Sponsorship, philanthropic and donation revenue		
- Corporate sponsorship	86,387	199,526
- Philanthropic	230,000	342,000
- Other fundraising income	4,545	16,241
- Donations	557,688	379,462
- Total sponsorship, philanthropic and donation revenue	<u>878,620</u>	<u>937,229</u>
Other income		
- Interest received	38,067	47,636
- Other income	76,760	98,568
- Venue hire	1,127	-
- Total other income	<u>115,954</u>	<u>146,204</u>
Total Revenue from Ordinary Activities	<u>6,589,679</u>	<u>6,373,637</u>

4 Personnel Expenses

	2017	2016
	\$	\$
Administration and marketing	1,138,310	1,108,737
Art and production salaries	2,212,331	2,595,425
Employee on-costs	370,630	358,110
Total personnel expenses	<u>3,721,271</u>	<u>4,062,272</u>

Victorian Opera Company Limited

Notes to the Financial Statements
For the Year Ended 31 December 2017

5 Cash and cash equivalents

	2017	2016
	\$	\$
Cash on hand	960	960
Cash at bank	433,281	1,048,157
Cash at bank and in hand	434,241	1,049,117
Short-term bank deposits	2,182,653	1,761,328
Total cash and cash equivalents	2,616,894	2,810,445

6 Trade and other receivables

	2017	2016
	\$	\$
CURRENT		
Trade receivables	57,603	76,752
Deposits	109,042	57,096
GST receivable	4,468	20,920
Total current trade and other receivables	171,113	154,768

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

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

7 Other non-financial assets

	2017	2016
	\$	\$
CURRENT		
Deferred production costs	346,950	214,073
Prepayments	35,421	35,183
Accrued income	5,140	39,306
Wages paid in advance	37,211	32,067
Total other non-financial assets	424,722	320,629

Victorian Opera Company Limited

Notes to the Financial Statements
For the Year Ended 31 December 2017

8 Property, plant and equipment

	2017	2016
	\$	\$
PLANT AND EQUIPMENT		
Production equipment		
At cost	136,901	118,356
Accumulated depreciation	(97,337)	(115,995)
Total production equipment	<u>39,564</u>	2,361
Furniture, fixtures and fittings		
At cost	47,277	47,277
Accumulated depreciation	(47,277)	(46,735)
Total furniture, fixtures and fittings	<u>-</u>	542
Office equipment		
At cost	123,717	96,002
Accumulated depreciation	(91,042)	(78,730)
Total office equipment	<u>32,675</u>	17,272
Improvements		
At cost	93,700	93,700
Accumulated depreciation	(67,780)	(57,279)
Total improvements	<u>25,920</u>	36,421
Total property, plant and equipment	<u><u>98,159</u></u>	<u>56,596</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:

	Production Equipment	Furniture, Fixtures and Fittings	Office Equipment	Improvements	Total
	\$	\$	\$	\$	\$
Year ended 31 December 2017					
Balance at the beginning of year	2,361	542	17,272	36,421	56,596
Additions	47,727	-	27,715	-	75,442
Depreciation expense	(10,524)	(542)	(12,312)	(10,501)	(33,879)
Balance at the end of the year	<u>39,564</u>	<u>-</u>	<u>32,675</u>	<u>25,920</u>	<u>98,159</u>

Victorian Opera Company Limited

Notes to the Financial Statements
For the Year Ended 31 December 2017

9 Trade and other payables

	2017	2016
	\$	\$
CURRENT		
Trade payables	11,676	53,425
Other payables	95,554	83,115
Total trade and other payables	107,230	136,540

10 Employee Benefits

	2017	2016
	\$	\$
Current liabilities		
Long service leave	11,899	-
Annual leave	106,279	112,323
Total current employee benefits	118,178	112,323
Non-current liabilities		
Long service leave	68,570	49,889

11 Other liabilities

	2017	2016
	\$	\$
CURRENT		
Income in Advance	417,567	348,526
Grants in Advance	241,500	290,000
Total other liabilities	659,067	638,526

12 Leasing Commitments

Operating leases

	2017	2016
	\$	\$
Minimum lease payments under non-cancellable operating leases not recognised in the financial statements are payable as follows:		
- not later than one year	288,199	5,330
- between one year and five years	822,050	6,970
- later than five years	427,083	-
	1,537,332	12,300

Operating leases relate to the Company's office rental of Horticultural Hall until December 2018 and the new lease at 29-47 Laurens Street, West Melbourne from February 2018 onwards (for a term of 7 years) as well as a photocopier lease.

Notes to the Financial Statements

For the Year Ended 31 December 2017

13 Financial Risk Management

The Company is exposed to a variety of financial risks through its use of financial instruments. This note discloses the Company's objectives, policies and processes for managing and measuring these risks.

The Company's overall risk management plan seeks to minimise potential adverse effects due to the unpredictability of financial markets. The Company does not speculate in financial assets.

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

Specific risks

- Market risk - currency risk and cash flow interest rate risk
- Credit risk
- Liquidity 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 carried out by the Company's Audit, Risk and Compliance Committee under the delegated power from the Board of Directors. The Finance Manager 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 approved by the Audit, Risk and Compliance Committee and tabled at the board meeting following their approval.

Reports are presented at each Board meeting regarding the implementation of these policies and any risk exposure which the Audit, Risk and Compliance Committee believes the Board should be aware of.

14 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.

15 Key Management Personnel Disclosures

The total remuneration paid to key management personnel of the Company is \$ 371,433 (2016: \$ 372,742).

Victorian Opera Company Limited

Notes to the Financial Statements

For the Year Ended 31 December 2017

16 Auditors' Remuneration

	2017	2016
	\$	\$
Remuneration of the auditor (Banks Group Assurance Pty Ltd) for:		
- auditing or reviewing the financial statements	19,000	18,500

17 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2017 (31 December 2016: None).

18 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 15: Key Management Personnel Disclosures.

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

19 Cash Flow Information

Reconciliation of result for the year to cashflows from operating activities

	2017	2016
	\$	\$
Deficit for the year	(47,317)	(646,669)
Non-cash flows in profit:		
- depreciation	33,879	23,926
- net gain on disposal of property, plant and equipment	(13,636)	-
Changes in assets and liabilities:		
- decrease in trade and other receivables	19,149	26,236
- (increase)/decrease in other non-financial assets	(139,587)	8,617
- (decrease)/increase in trade and other payables	(29,310)	15,920
- increase in employee benefits	24,536	57,484
- increase/(decrease) in other liabilities	20,541	558,527
Cashflow from operations	(131,745)	44,041

20 Events Occurring After the Reporting Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, 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.

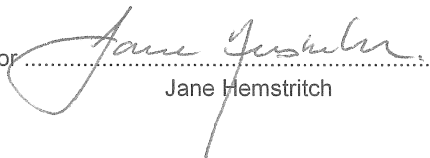
Victorian Opera Company Limited

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 8 to 23, are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*:
 - a. comply with Australian Accounting Standards - Reduced Disclosure Requirements; and
 - b. give a true and fair view of the financial position of the Company as at 31 December 2017 and of its performance for the year ended on that date.
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 
Jane Hemstrich

Director 
Penny Stragalinos

Dated 03 May 2018

Victorian Opera Company Limited

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 2017, 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 Division 60 of 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 2017 and of its financial performance for the year ended; and
- (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012* 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 Company in accordance with the auditor independence requirements of the *Corporations Act 2001* 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 confirm that the independence declaration required by the Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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 and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Australian Charities and Not-for-Profits Commission Regulations 2013* and the *Australian Charities and Not-for-profits Commission Act 2012* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine necessary to enable the preparation of a 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.

Victorian Opera Company Limited

Independent Audit Report to the members of Victorian Opera Company Limited

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:

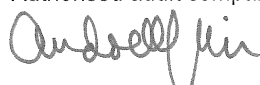
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a 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

03 May 2018