Victorian Opera Company Ltd

56 116 549 798

Financial Statements

For the Year Ended 31 December 2019

Victorian Opera Company Limited

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For the Year Ended 31 December 2019

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Directors' Report
31 December 2019

The directors present their report on Victorian Opera Company Limited for the financial year ended 31 December 2019.

(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 was previously 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, a member of the Audit, Risk and Compliance Committee and was acting Chairman of the latter committee from May to August 2019.
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 a member of the Audit Committee for CEDA (the Committee for Economic Development of Australia).
Other Victorian Opera committees	Penny was the Chair of the Audit, Risk and Compliance Committee.
Term Expired	29 May 2019
Siobhan Lenihan	
Qualifications	BA (Sydney), MLS (UTS), GAICD
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.
Other Victorian Opera committees	Siobhan is a member of the Artistic and People & Culture Committee.

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Directors' Report
31 December 2019

(a) General information

Information on directors

Roger Box	
Qualifications	BBus Economics and Marketing
Experience	Roger is currently the Industry Head of Finance at Google which he joined in January 2016. He was previously on the Board of Directors and an Executive Director of Digital at Clemenger BBDO from 2013 to 2015. Prior to this 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 Pty Ltd.
Other Victorian Opera committees	Roger is a member of the Marketing and Development Committee
Vivienne Corcoran	
Qualifications	BA, Grad Dip Mktg, CPM, FAICD
Experience	Vivienne is Chair of Statewide Autistic Services Inc, on the Board of ICON APAC an association for B2B marketers in the region 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 and working on a PhD with Edinburgh Business School.
Other Victorian Opera committees	Vivienne is the Chair of the Marketing and Development 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 Accenture Australia Foundation, Alliance Française de Melbourne and Blak Dot Art Gallery.
Other Victorian Opera committees	Grant is the Chair of the People and Culture Committee.

Directors' Report
31 December 2019

(a) General information

Information on directors

Selina Lightfoot

Qualifications	BA/LLB, GAICD, Grad Dip App Fin
Experience	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 and People and Culture Committee.

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	Stephen is the Chair of the Artistic Committee.

Patricia Stebbens

Qualifications	BEco, Master of Applied Finance, FCA
Experience	Patricia is a partner of KPMG, a professional services firm. She has over 25 years' experience in providing audit and advisory services, predominantly in the financial services and energy and natural resources sectors. Patricia is a member of KPMG Australia Partner Remuneration Nomination Committee and leads the IFRS and Australian Accounting Standards team. She is also a finance committee member of Lauriston Girls' School and was previously a finance committee member of Southern Cross Aged Care Victoria.
Other Victorian Opera committees	Patricia was appointed Chair of the Audit, Risk and Compliance Committee on 28 August 2019.

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:

Elizabeth Hill

Directors' Report
31 December 2019

(a) General information

Review of operations

i. The Company has recorded a surplus from operations of $498,637 compared to a deficit of $223,419 in the previous reporting period.

ii. Revenue from Operations increased by $178,057 (2.5%) to $7,190,613. Excluding the impact of a bequest of $510,088 in the prior financial year, year on year revenue was up $688,145 (9.8%) on a normalised basis. There were two primary drivers for this being an increase of $348,054 in box office sales (average ticket price in 2019 was $71 per ticket compared to $45 per ticket for the comparative period) and an increase of $343,030 in Australia Council for the Arts grants in respect of the Company being a Major Performing Arts organisation for a full calendar year compared to half of the calendar year in 2018.

iii. Operating costs at $6,708,800 were down $549,829 (7.6%) on a comparative basis. Excluding the impact of the Lauren Street relocation project costs recognised last financial year of $655,490, then year on year operating costs increased by $105,661 (1.5%) on a normalised basis. Operating costs were closely managed against budget throughout the year.

iv. The current year surplus of $498,637 should be viewed through the lens of:

- For the three-year period to end of 2018, the Company generated accumulated operating deficits of $987,062.
- The accumulated deficit to end of 2019 was $82,667 reflecting that further efforts are needed to bring the Company back to an accumulated surplus position. Whilst we hold appropriate levels of reserves in accordance with best practice principles, in an age where many arts organisations struggle to balance their books, the Board is mindful of its responsibility to manage and balance its financial resources.
- The Board has set an annual target of achieving a 2-3% surplus as a percentage of operating revenue). Measured on a similar basis, the current year surplus is 7% as a percentage of operating revenue and whilst this is higher than anticipated, it predominantly results from customers opting for higher priced seats for our productions and increased levels of Australia Council for the Arts funding, neither of which are guaranteed into the future.
- The Company has as one of its strategic purposes, developing its own works, partnering with other interstate opera companies to develop future productions, developing and utilising local talent and bringing opera to regional areas including Tasmania. We see this as an investment in the opera art form but in order to participate we need the monies to do it and ultimately this is dependent on our ability to generate surpluses.
- At a time when operating costs continue to increase annually whilst the majority of grant funding is not index linked, we are heavily reliant on leveraging other sources of revenue such as from sponsors, philanthropy, donations and box office sales and there are or will be years when this is more or less predictable than others.

v. Following the departure of the previous CEO in late 2018, the Company initiated a search for a replacement early in 2019. During this period, Elizabeth Hill, our artistic associate and executive producer was appointed to the role of acting CEO whilst a global search was initiated and this resulted in a formidable shortlist of potential candidates.

The Board was delighted to announce that Elizabeth Hill was the successful candidate and she was appointed to the CEO role in May 2019.

vi. 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 customers, subscribers, sponsors, donors and patrons.

Directors' Report

31 December 2019

(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 2019 the collective liability of members was $ NIL (2018: $ 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.

Events after the reporting date

With the emergence of the devasting impact of the Corona virus (COVID-19) and the consequent uncertainties around its long-term impacts, the Company has considered whether this material uncertainty could have an impact on its ability to continue as a going concern.

Having considered all available information about the impact on future opera performances, existing cash balances, Victorian Government commitments made in relation to future grant funding and financial forecasts over the next thirteen months, the Board has formed the view that the adoption of going concern principles continues to be appropriate for the Company.

Directors' Report
31 December 2019

(a) General information

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		People & Culture	
	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
Genevieve Overell	7	7	-	-	5	4	*	*	*	*
Penny Stragalinos	3	2	-	-	2	2	-	-	-	-
Siobhan Lenihan	7	5	2	2	-	-	-	-	5	5
Roger Box	7	6	-	-	-	-	3	3	-	-
Vivienne Corcoran	7	5	-	-	-	-	3	3	-	-
Grant Powell	7	7	-	-	-	-	-	-	5	5
Selina Lightfoot	7	7	-	-	5	5	-	-	5	5
Stephen McIntyre AM	7	6	2	2	-	-	-	-	-	-
Patricia Stebbens	3	3	-	-	2	2	-	-	-	-

*Attended as Voluntary or Ex Officio Member

<u>Key:</u>

ARCC: Audit, Risk and Compliance Committee
M&D: Marketing & Development Committee

Directors' Report

31 December 2019

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 2019 has been received and can be found on page 8 of the financial report.

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

Director: Genevieve Overell	Director: Patricia Stebbens

Dated 17 April 2020

BANKS GROUP

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 2019, 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)

17 April 2020

Melbourne, Australia

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2019

	Note	2019 $	2018 $
Revenue from Operations			
Government funding revenue	4	**4,566,224**	4,422,464
Box office and performance income	4	**1,143,890**	795,186
Sponsorship, philanthropic and donation income	4	**1,324,388**	1,229,898
Bequest Income- Estate of Leary, Ullin and Warren	4	**-**	510,088
Leases interest income		**35,931**	-
Other income	4	**120,180**	54,920
Total revenue from operations		**7,190,613**	7,012,556
Expenses			
Administrative expenses		**(718,837)**	(649,117)
Laurens St expenses	5	**(15,969)**	(655,490)
Marketing and development expenses		**(633,647)**	(480,132)
Personnel expenses	6	**(3,668,118)**	(3,670,292)
Production expenses		**(1,590,291)**	(1,803,598)
Leases interest expense		**(81,938)**	-
Total Expenses		**(6,708,800)**	(7,258,629)
Net Surplus / (Deficit) from Operations		**481,813**	(246,073)
Melva Thompson Bequest Fund Revenue		**16,824**	22,724
Total comprehensive income for the year		**498,637**	(223,349)

The accompanying notes form part of these financial statements.

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Statement of Financial Position

31 December 2019

	Note	2019 $	2018 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	**3,150,330**	2,622,087
Trade and other receivables	8	**163,856**	148,651
Finance lease receivables	11	**133,446**	-
Other non-financial assets	9	**205,821**	411,440
TOTAL CURRENT ASSETS		**3,653,453**	3,182,178
NON-CURRENT ASSETS			
Right-of-use assets	10	**296,306**	-
Finance lease receivables	11	**707,525**	-
Property, plant and equipment	12	**115,838**	141,627
TOTAL NON-CURRENT ASSETS		**1,119,669**	141,627
TOTAL ASSETS		**4,773,122**	3,323,805
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	**325,914**	188,118
Onerous lease provision	14	**-**	106,784
Employee benefits	15	**215,672**	139,591
Other liabilities	16	**39,321**	478,836
Lease liabilities	17	**332,863**	-
TOTAL CURRENT LIABILITIES		**913,770**	913,329
NON-CURRENT LIABILITIES			
Trade and other payables	13	**70,834**	-
Onerous lease provision	14	**-**	187,848
Employee benefits	15	**25,434**	50,917
Other liabilities	16	**29,896**	37,217
Lease liabilities	17	**1,016,337**	-
TOTAL NON-CURRENT LIABILITIES		**1,142,501**	275,982
TOTAL LIABILITIES		**2,056,271**	1,189,311
NET ASSETS		**2,716,851**	2,134,494
EQUITY			
Reserves		**2,799,518**	2,757,694
Accumulated deficit		**(82,667)**	(623,200)
TOTAL EQUITY		**2,716,851**	2,134,494

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity

For the Year Ended 31 December 2019

2019

	Accumulated Deficit	Bequest Reserve	General Reserve	Special Reserve	"Building our Future" Reserve	Total
	$	$	$	$	$	$
Balance at 1 January 2019	**(623,200)**	**960,150**	**1,300,000**	**400,000**	**97,544**	**2,134,494**
Restatement from adoption of AASB 16	**58,720**	**-**	**-**	**-**	**-**	**58,720**
Balance at 1 January 2019 restated	**(564,480)**	**960,150**	**1,300,000**	**400,000**	**97,544**	**2,193,214**
Net surplus from operations	**481,813**	**-**	**-**	**-**	**-**	**481,813**
Bequest fund income	**16,824**	**-**	**-**	**-**	**-**	**16,824**
Bequest donation	**(16,824)**	**41,824**	**-**	**-**	**-**	**25,000**
Balance at 31 December 2019	**(82,667)**	**1,001,974**	**1,300,000**	**400,000**	**97,544**	**2,716,851**

The best practice financial management principles of the Major Performing Arts Inquiry recommend that arts organisations maintain a reserve to expenditure ratio of at least 20%. Accordingly, the company maintains a reserves/expenditure ratio of 40.5% (2018: 29.4%) and a cash/expenditure ratio of 47% (2018: 36.1%).

As previously noted, 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 not to 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.

2018

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

The Company has initially applied AASB 15 and AASB 1058 using the modified retrospective approach and has not restated comparatives. The comparatives have been prepared using AASB 111, AASB 118, AASB 1004 and related interpretations.

The Company has initially applied AASB 16 using the modified retrospective approach and has not restated comparatives. The comparatives have been prepared using AASB 117 and related interpretations.

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Statement of Cash Flows

For the Year Ended 31 December 2019

	Note	2019 $	2018 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**7,157,706**	6,675,329
Payments to suppliers and employees		**(6,398,525)**	(7,148,158)
Finance Lease income		**35,931**	-
Interest received		**32,714**	39,923
Bequest Revenue		**16,824**	532,812
Net cash provided by operating activities	24	**844,650**	99,906
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from finance lease (sub-lease)		**98,652**	-
Purchase of property, plant and equipment		**(35,287)**	(94,713)
Net cash provided by / (used in) investing activities		**63,365**	(94,713)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of lease liabilities		**(322,834)**	-
Payment of lease interest		**(81,938)**	-
Net cash (used in) financing activities		**(404,772)**	-
Non-income bequest received		**25,000**	-
Net cash provided by other activities		**25,000**	-
Net increase in cash and cash equivalents held		**528,243**	5,193
Cash and cash equivalents at beginning of year		**2,622,087**	2,616,894
Cash and cash equivalents at end of financial year	7	**3,150,330**	2,622,087

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2019

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 17 April 2020.

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

For current year

At inception of a contract, the Company assesses whether a lease exists - i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration.

This involves an assessment of whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly identified within the agreement. If the supplier has a substantive substitution right then there is no identified asset.
- The Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use.
- The Company has the right to direct the use of the asset i.e. decision making rights in relation to changing how and for what purpose the asset is used.

2 Summary of Significant Accounting Policies

(b). Leases

Lessee accounting

The non-lease components included in the lease agreement have been separated and are recognised as an expense as incurred.

At the lease commencement, the Company recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where the Company believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises of the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration less any lease incentives received.

The right-of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of assets accounting policy.

The lease liability is initially measured at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Company's incremental borrowing rate is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is remeasured whether there is a lease modification, change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI) or a change in the Company's assessment of lease term.

Where the lease liability is remeasured, the right-of-use asset is adjusted to reflect the remeasurement or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Lessor accounting

When the Company is a lessor, the lease is classified as either an operating or finance lease at inception date based on whether substantially all of the risks and rewards incidental to ownership of the underlying asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When the Company has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income from operating leases is recognised on a straight- line basis over the lease term. Finance income under a finance lease is recorded on a basis to reflect a constant periodic rate of return on the Company's net investment in the lease.

2 Summary of Significant Accounting Policies

(c). Revenue and other income

Revenue from contracts with customers

For current year

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

Generally the timing of the payment for sale of goods and rendering of services corresponds closely to the timing of satisfaction of the performance obligations, however where there is a difference, it will result in the recognition of a receivable, contract asset or contract liability.

None of the revenue streams of the Company have any significant financing terms as there is less than 12 months between receipt of funds and satisfaction of performance obligations.

Specific revenue streams

The revenue recognition policies for the principal revenue streams of the Company are:

Subscriptions and box office income

The Company sells tickets and subscriptions to customers in relation to the productions of the financial year. The inherent performance obligation in these sales being the delivery of operatic productions. A subscription entitles the customer to multiple productions and each is considered to be a separate performance obligation under the standard.

For a standard ticket, transaction price is simply allocated as the cost paid by the customer. With a subscription, the revenue is allocated to each performance obligation proportionally based on the observable stand-alone selling price for each production obligation. Variable consideration is not considered to be a significant factor in determining and allocating transaction price to each obligation.

Revenue relating to the sale of tickets and subscriptions is recognised at the point in time production is performed. At this point the customer has received the benefit promised as part of the contract.

2 Summary of Significant Accounting Policies

(c). Revenue and other income

Specific revenue streams

Grant income

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when control of each performance obligations is satisfied. Only one grant agreement is considered to have sufficiently specific performance obligations, this being the agreement with Creative Victoria.

The varied obligations under the contract are bundled together to form distinct performance obligations. Specifically, the performance obligation involves the performance of a set number of operatic productions of varying sizes as defined within the grant agreement.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Revenue recognition policy for contracts which are either not enforceable or do not have sufficiently specific performance obligations are recognised using the not-for-profit specific standard*: AASB 1058: Income of Not-for Profit entities.*

Amounts arising from grants in the scope of AASB 1058 are recognised at the assets fair value when the asset is received. The Company considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

Donations

Donations collected, including cash and goods for resale, are recognised as revenue when the Company gains control of the asset in line with AASB 1058: Income of Not-for-Profit entities.

(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.

2 Summary of Significant Accounting Policies

(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 assets 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 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.

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).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Company classifies its financial assets into the following categories, those measured at:

- amortised cost

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding.

The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

2 Summary of Significant Accounting Policies

(f). Financial instruments

Financial assets

Impairment of financial assets

Impairment of financial assets is recognised on an expected credit loss (ECL) basis for the following assets:

- financial assets measured at amortised cost

When determining whether the credit risk of a financial assets has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment and including forward looking information.

The Company uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Company uses the presumption that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Company in full, without recourse to the Company to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Trade receivables

Impairment of trade receivables have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Company has determined the probability of non-payment of the receivable and multiplied this by the amount of the expected loss arising from default.

The amount of the impairment is recorded in a separate allowance account with the loss being recognised in finance expense. Once the receivable is determined to be uncollectable then the gross carrying amount is written off against the associated allowance.

Where the Company renegotiates the terms of trade receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Other financial assets measured at amortised cost

Impairment of other financial assets measured at amortised cost are determined using the expected credit loss model in AASB 9. On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

2 Summary of Significant Accounting Policies

(f). Financial instruments

Financial liabilities

The Company measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Company comprise trade payables, bank and other loans and lease liabilities.

(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.

(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). New Accounting Standards and Interpretations

The Company has adopted *AASB 16: Leases* which became effective for the first time at 1 January 2019, the adoption of these standards has not caused any material adjustments to the prior period reported financial position, performance or cash flow of the Company. Refer to Note 10 for details of the changes due to the standard adopted.

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.

Key estimates - provisions

As described in the accounting policies, provisions are measured at management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. These estimates are made taking into account a range of possible outcomes and will vary as further information is obtained.

Key estimates - receivables

The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An impairment provision is included for any receivable where the entire balance is not considered collectible. The impairment provision is based on the best information at the reporting date.

Victorian Opera Company Limited

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Notes to the Financial Statements

For the Year Ended 31 December 2019

4 Revenue and Other Income

	2019 $	2018 $
Government funding revenue		
- Creative Victoria annual grant	**3,787,574**	3,910,064
- Creative Victoria grant supplementation	**79,820**	156,600
- Strategic partnerships program	**52,800**	52,800
- Australia Council grant	**646,030**	303,000
Total Government funding revenue	**4,566,224**	4,422,464
Box office and performance income		
- Box office sales	**1,110,151**	762,097
- Performance and workshop fees	**33,739**	33,089
Total box office and performance income	**1,143,890**	795,186
Sponsorship, philanthropic and donation revenue		
- Corporate Sponsorship	**344,400**	273,611
- Philanthropic	**489,000**	295,000
- Donations	**490,928**	660,853
- Other fundraising income	**60**	434
Total sponsorship, philanthropic and donation revenue	**1,324,388**	1,229,898
Bequest income		
Bequest Income- Estate of Leary, Ullin and Warren	**-**	510,088
Total bequests revenue	**-**	510,088
Other income		
- Interest received	**32,714**	39,923
- Venue hire	**1,871**	4,978
- Equipment and costume hire	**71,900**	2,350
- Other income	**13,695**	7,669
Total other income	**120,180**	54,920
Total Revenue	**7,154,682**	7,012,556

Notes to the Financial Statements

For the Year Ended 31 December 2019

5 Laurens Street running costs and relocation project

	2019 $	2018 $
- Rent, outgoings and repairs	**15,969**	216,629
- Planning and design	**-**	144,229
- Onerous lease provision	**-**	294,632
Total Laurens Street relocation expenses	**15,969**	655,490

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 lease of the Laurens Street premises through to January 2025. The costs shown for the current financial year reflect the Landlord's costs to make ready the offices for a new tenant.

6 Personnel expenses

Administration and marketing	**1,211,072**	1,166,255
Art and production salaries	**2,094,217**	2,156,453
Employee on-costs	**362,829**	347,584
Total personnel expenses	**3,668,118**	3,670,292

7 Cash and Cash Equivalents

Cash on hand	**-**	960
Bank balances	**201,389**	915,877
Short-term deposits	**2,948,941**	1,705,250
Total Cash and Cash Equivalents	**3,150,330**	2,622,087

8 Trade and Other Receivables

	2019 $	2018 $
CURRENT		
Trade receivables	**58,227**	4,950
Deposits	**56,375**	61,375
GST receivable	**49,254**	82,326
Total current trade and other receivables	**163,856**	148,651

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

Notes to the Financial Statements

For the Year Ended 31 December 2019

9 Other non-financial assets

	2019	2018
	$	$
CURRENT		
Prepayments	**31,396**	27,655
Accrued income	**-**	8,964
Deferred production costs	**150,089**	348,259
Wages paid in advance	**24,336**	26,562
Total other non-financial assets	**205,821**	411,440

10 Leases

The Company has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations. The value of the right-in-use asset has been determined as if AASB16 had always applied but adjusted for the onerous lease provision.

Company as a lessee

The Company has leases over land and buildings.

Information relating to the leases in place and associated balances and transactions are provided below.

Terms and conditions of leases

The Company leases land and buildings for their corporate offices and other buildings, the leases are generally for 3 - 7 years and some of the leases include a renewal option to allow the company to renew for further lease terms.

Right-of-use assets

	Buildings
	$
Year ended 31 December 2019	
Balance at beginning of year	**1,630,166**
Depreciation charge	**(200,192)**
Reductions in right-of-use assets due to sub-lease	**(839,036)**
Offset of onerous lease provision on transition	**(294,632)**
Balance at end of year	**296,306**

Statement of Profit or Loss and Other Comprehensive Income

The amounts recognised in the statement of profit or loss and other comprehensive income relating to leases where the Company is a lessee are shown below:

	2019	2018
	$	$
Lease expense	**(81,938)**	-
Depreciation expense	**(200,192)**	-
	(282,130)	-

10 Leases

Company as a lessor

Finance leases

The Company has sub-leased some properties and has classified these as finance leases since the sub-lease is for the remaining life and under the same terms of the head lease.

The company elected to enter a sub-leasing contract on the Laurens Street property. The sub-lease itself took effect in March 2019 and will continue for the remaining useful life of the head lease, ending in January 2025. The lease will not be extended as this is considered an onerous contract, with the provision from the prior year being offset against the right-of-use asset on transition under the rules of the 'modified' retrospective' transition method.

	2019 $	2018 $
Finance leases		
Finance income on the net investment in the lease	**35,931**	-
Total income relating to finance leases	**35,931**	-

11 Finance Lease Receivables

	2019 $	2018 $
CURRENT		
Finance lease receivables	**133,446**	-
Total current finance lease receivables	**133,446**	-
NON-CURRENT		
Finance lease receivables	**707,525**	-
Total non-current finance lease receivables	**707,525**	-

Notes to the Financial Statements

For the Year Ended 31 December 2019

12 Property, plant and equipment

	2019	2018
	$	$
PLANT AND EQUIPMENT		
Production equipment		
At cost	**168,689**	168,689
Accumulated depreciation	**(127,294)**	(112,196)
Total plant and equipment	**41,395**	56,493
Furniture, fixtures and fittings		
At cost	**54,517**	48,390
Accumulated depreciation	**(48,240)**	(47,355)
Total furniture, fixtures and fittings	**6,277**	1,035
Office equipment		
At cost	**197,801**	185,528
Accumulated depreciation	**(149,063)**	(116,848)
Total office equipment	**48,738**	68,680
Improvements		
At cost	**110,587**	93,700
Accumulated Depreciation	**(91,159)**	(78,281)
Total improvements	**19,428**	15,419
Total property, plant and equipment	**115,838**	141,627

(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
	$	$	$	$	$
Year ended 31 December 2019					
Opening balance	**56,493**	**1,035**	**68,680**	**15,419**	**141,627**
Additions	**-**	**6,127**	**12,273**	**16,887**	**35,287**
Depreciation	**(15,098)**	**(885)**	**(32,215)**	**(12,878)**	**(61,076)**
Balance at the end of the year	**41,395**	**6,277**	**48,738**	**19,428**	**115,838**

13 Trade and Other Payables

	2019	2018
	$	$
CURRENT		
Trade payables	**104,779**	20,068
Accrued expenses	**141,578**	108,490
Other payables	**79,557**	59,560
Total trade and other payables	**325,914**	188,118

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.

	2019	2018
NON-CURRENT		
Deposits	**70,834**	-
	70,834	-

14 Provisions

	2019	2018
CURRENT		
Onerous lease contract	**-**	106,784
NON-CURRENT		
Onerous lease contract	**-**	187,848
Total provisions for onerous contract	**-**	294,632

Provision for Onerous Contract

In 2018, following an expert analysis of the renovation options and associated costs of undertaking a move to 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 lease of the Laurens Street premises through to January 2025.

The impact of these decision was that it resulted in an 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 and hence this necessitated creating an onerous lease provision to account for the difference between rental receipts versus rental payments over the duration of the lease / sub-lease.

In adopting AASB 16 for the current financial year, the onerous lease provisions have been accounted for in the right-of use valuation in Note 10.

Victorian Opera Company Limited

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Notes to the Financial Statements

For the Year Ended 31 December 2019

15 Employee Benefits

	2019 $	2018 $
CURRENT		
Long service leave	**102,300**	43,476
Annual leave	**113,372**	96,115
	215,672	139,591
NON-CURRENT		
Long service leave	**25,434**	50,917
Total employee benefits provision	**241,106**	190,508

16 Other Liabilities

	2019 $	2018 $
CURRENT		
Income in advance	**2,000**	233,500
Grants in advance	**30,000**	238,015
Lease incentive	**7,321**	7,321
	39,321	478,836
NON-CURRENT		
Lease incentive	**-**	37,217
	-	37,217
Total other liabilities	**69,217**	29,896

17 Lease Liabilities

	2019 $	2018 $
CURRENT		
Lease liabilities	**332,863**	-
Total	**332,863**	-
NON-CURRENT		
Lease liabilities	**1,016,337**	-
Total	**1,016,337**	-

18 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.

19 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.

20 Key Management Personnel Remuneration

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

$ 381,893 (2018: $ 495,758).

Notes to the Financial Statements

For the Year Ended 31 December 2019

21 Auditors' Remuneration

	2019	2018
	$	$
Remuneration of the auditor (Banks Group Assurance Pty Ltd) for:		
- auditing or reviewing the financial statements	**20,000**	18,500

22 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2019 (31 December 2018: Nil).

23 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 20: Remuneration.

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

24 Cash Flow Information

Reconciliation of surplus / (deficit) result for the year to cashflows from operating activities

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

	2019	2018
	$	$
Surplus/(deficit) for the year	**498,637**	(223,349)
Non-cash flows in deficit:		
- depreciation	**261,269**	51,244
- Lease liability interest expense	**81,938**	-
Changes in assets and liabilities:		
- (increase) / decrease in trade and other receivables	**(53,277)**	52,653
- decrease / (increase) in other assets	**243,690**	(16,908)
- increase in trade and other payables	**164,092**	125,427
- increase in employee benefits	**50,599**	3,759
- increase in provisions	**-**	294,632
- (decrease) in other liabilities	**(402,298)**	(187,552)
Cashflows from operations	**844,650**	99,906

Notes to the Financial Statements

For the Year Ended 31 December 2019

25 Events after the end of the Reporting Period

With the emergence of the devasting impact of the Corona virus (COVID-19) and the consequent uncertainties around its long-term impacts, the Company has considered whether this material uncertainty could have an impact on its ability to continue as a going concern.

Having considered all available information about the impact on future opera performances, existing cash balances, Victorian Government commitments made in relation to future grant funding and financial forecasts over the next thirteen months, the Board has formed the view that the adoption of going concern principles continues to be appropriate for the Company.

Victorian Opera Company Limited

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Directors Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 9 to 31, are in accordance with the *Corporations Act 2001* 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 2019 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: Patricia Stebbens

Dated 17 April 2020

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 2019, 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 2019 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* 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 *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 confirm that the independence declaration required by 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 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.

Independent Audit Report to the members of Victorian Opera Company Limited

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.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Banks Group Assurance Pty Ltd

Andrew Fisher, Partner
Registration number 306364

Melbourne, Australia
17 April 2020