Victorian Opera Company Ltd

56 116 549 798

Financial Statements

For the Year Ended 31 December 2020

Victorian Opera Company Limited

56 116 549 798

Contents

For the Year Ended 31 December 2020

Directors' Report

31 December 2020

The directors present their report on Victorian Opera Company Limited for the financial year ended 31 December 2020.

(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	Australian Institute of Architects, North West Melbourne Primary Healthcare Network, State Revenue Office Audit Committee, Cladding Safety Victoria, Australian British Chamber of Commerce and the Australian German Chamber of Industry and Commerce.
Other Victorian Opera committees	Genevieve is the Chair of the Board of Directors and a member of the Audit, Risk and Compliance Committee.

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 and a Director of the Australia Latin America Foundation.
Other Victorian Opera committees	Siobhan is a member of the Artistic, People & Culture Committees.

Roger Box

Qualifications	BBus Economics and Marketing
Experience	Roger is currently the co-industry head of the financial sector at Google based in Melbourne. He joined Google in 2016 as an Agency Lead. He was previously an Executive Director of Digital at Clemenger BBDO from 2013 to 2015. Roger spent six years in New York as Vice President, Group Director at Digitas leading their work with American Express.
Other Board Appointments	Roger is currently a non-executive Director of Velcro Industries.
Other Victorian Opera committees	Roger is a member of the Marketing and Development Committee.

Directors' Report
31 December 2020

(a) General information

Information on directors

Vivienne Corcoran	
Qualifications	Ba, Grad Dip Mktg, Grad Cert Business Research, CPM, FAICD
Experience	Vivienne is on the board of ICON Asia Pacific 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 a range of corporate, professional services, health and membership-based organisations. Vivienne is a published author and PhD student 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 Alliance Française de Melbourne, the Accenture Australia Foundation and Blak Dot Art Gallery.
Other Victorian Opera committees	Grant is the Chair of the People and Culture Committee.
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, Nuchev Limited and JDRF Australia. Selina is also a member of the Advisory Board for TLC Aged Care and is a former board member of The Queen Elizabeth Centre. Selina's previous legal career included 10 years as a Partner at Herbert Smith Freehills, specialising in corporate law, commercial contracts and mergers and acquisitions.
Other Victorian Opera committees	Selina is a member of the Audit, Risk and Compliance, People and Culture Committees.
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.

Directors' Report
31 December 2020

(a) General information

Information on directors

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

Richard Kurth	
Qualifications	B.Sc (University of Toronto), M.Mus (University of Hartford), M.A and Ph.D (Harvard University).
Experience	Richard is currently director of the University of Melbourne's Conservatorium of Music (MCM). In previous roles he served as director / professor in the School of Music at the University of British Columbia and prior to that, in teaching roles at University of Western Ontario, McGill University and Harvard University.
Other Victorian Opera committees	Richard is a member of the Artistic Committee.
Appointed	18 December 2020

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.

Review of Operations

The Company has recorded a surplus from operations of $2,581,300 compared to a surplus of $498,637 in the previous reporting period. The Company commenced the financial year with a budgeted surplus of $180,784 (based on Revenue from Operations of $7,331,555 less operating costs of $7,150,771), with a program of 11 live performances and other activities including educational and other community engagements planned for the year.

Due to the emergence of the COVID-19 pandemic in early 2020, live performances were cancelled from March 2020. With the continuing financial support of the Victorian Government through Creative Victoria and the Federal Government through the Australia Council for the Arts and assistance from the Federal Government's economic responses to the COVID-19 pandemic, including the Jobkeeper Payment and the Cash Flow Booster Payment schemes and donations from patrons, the focus pivoted to digital offerings enabling the Company to continue its engagement with the community including protecting our employees, our patrons and the Arts community at large.

The following highlights some of the significant flow on impacts of the COVID-19 pandemic on the Company during the year:

Directors' Report

31 December 2020

(a) General information

Operational

1. Except for the *Salome* production in February 2020, all live performances were progressively cancelled which led to a an 88% reduction in budgeted box office revenue.
2. Similar to other arts organisations, the focus pivoted from live audiences to digital offerings enabling the Company to continue its engagement with the community including protecting our employees, our patrons and the Arts community at large.
3. With access to the Federal Government's Jobkeeper scheme for eligible employees, the Company resolved to retain and reskill its core team of twenty employees by minimising operating costs and launching a digital strategy to prepare for an uncertain future.

Financial

1. The Company participated in the Federal Government's Jobkeeper Payment scheme and was eligible for other assistance payments such as Cash flow booster payments. Surplus for the year includes $769,850 from these schemes.
2. The loyalty of our patrons through charitable giving (including the conversion of ticket sales to donations) and the financial support of sponsors continued to be strong at $1,043,620 (2019: $1,324,388). Significant resources were directed towards communicating with ticketholders and processing refunds for ticket sales and subscriptions. Patrons were provided with the option of converting ticket sales refunds into donations.
3. Full year operating costs were $4,166,364 (2019: $6,708,800), 40% lower than budgeted operating costs of $7,150,771. The lower than budget costs result primarily from lower production costs on cancelled productions.
4. The Company received its full Federal and State Government's grants allocation of $4,566,427 (2019: $4,566,224). This together with the various cost mitigation measures enabled the Company to accumulate a surplus for the full year and with this surplus, be confident in its cash flow projections and ability to plan its Artistic programs out to 2023.
5. The Company had cash reserves of $5,839,699 at the end of the financial year (2019: $3,150,330).

Strategic

1. The Board initiated a review to establish how live performances could be complemented with digital offerings. This has resulted in the Company offering three of its productions in digital livestream and on demand in 2021. This represents a significant strategic move forward into the digital arena and will enhance our ability to reach audiences in regional Victoria and across Australia. These offerings are also attracting overseas subscribers.
2. With a strong cash and operating reserves position, this has presented the opportunity to deliver an expanded Artistic program in 2021 incorporating plans for more productions, more performances and in more venues.
3. The Company has operated from Horti Hall, a heritage listed building in Victoria Street in Melbourne for over 15 years. Management has been in discussions with Heritage Victoria to extend the lease whilst concurrently exploring other possible premises that could provide the Company with access to performing spaces that could be enjoyed by the public and innovative rehearsal spaces, whilst taking into consideration sustainable design, location, appeal and interaction with the community. Since 2018, the Board has been reserving funds for premises that could meet these objectives.
4. The nature of live performances involves the Company pre-committing to incurring material costs at theatres, orchestra's, artists, creatives and sets up to eighteen months in advance. When this is combined with the uncertainties associated with maintaining box office patronage within social distancing regulations, maintaining corporate sponsorship support and the possibility of donation fatigue, this heightens the uncertainty of the company's future revenue sources at least for 2021 if not beyond.

   The Board's view is that depending on the rate of recovery in the Arts out of the pandemic, the material surplus accumulated this financial year will be kept in reserve to bridge any potential gap in revenues in 2021 and / or to be utilised for the purposes of a premises project if the Board takes the decision to relocate the Company.
5. 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, sponsors, philanthropists, patrons and donations.

Directors' Report
31 December 2020

(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 2020 the collective liability of members was $ NIL (2019: $ NIL).

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

Other than the events during the year noted under Review of Operations, there have been no significant changes in the state of affairs of the Company during the year.

Future developments and results

Subject to the uncertainties created by the pandemic, the Company plans to continue to deliver artistic, diverse and inclusive arts and cultural programs that deliver benefits to the Victorian community.

Events after the reporting date

With the devasting impact of COVID-19, the Company has considered the long-term impacts of the pandemic and the uncertainty this could have on its ability to continue with live performances and the consequent impact on going concern.

Following the return of socially distanced audiences in early 2021 and the development of a vaccine, the Board’s view is that the adoption of going concern principles continues to be appropriate for the Company.

Directors' Report
31 December 2020

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	12	12	1	1	5	5	-	-	1*	1*
Siobhan Lenihan	12	11	1	1	-	-	-	-	5	5
Roger Box	12	9	-	-	-	-	-	-	-	-
Vivienne Corcoran	12	12	-	-	-	-	-	-	-	-
Grant Powell	12	12	-	-	-	-	-	-	5	5
Selina Lightfoot	12	11	-	-	5	5	-	-	5	5
Stephen McIntyre AM	12	8	1	1	-	-	-	-	2*	2*
Patricia Stebbens	12	12	-	-	5	5	-	-	-	-
Richard Kurth	-	-	1	1	-	-	-	-	-	-

* Attended as Voluntary or Ex Officio Member

Key:

ARCC: Audit, Risk and Compliance Committee

M&D: Marketing & Development Committee – as the majority of performances were cancelled, the committee replaced formal meetings with meetings to support the marketing team and the digital strategy project.

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 2020 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: Genevieve Overell

Director: Patricia Stebbens

Dated 16 April 2021

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 2020, 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)

16 April 2021

Melbourne, Australia

Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2020

	Note	2020 $	2019 $
Revenue from Operations			
Government funding revenue	4	**4,566,427**	4,566,224
Box office and performance income	4	**255,753**	1,143,890
Sponsorship, philanthropic and donation income	4	**1,043,620**	1,324,388
Finance leases interest income		**41,937**	35,931
Other income	4	**829,187**	120,180
Total revenue from operations		**6,736,924**	7,190,613
Expenses			
Administrative expenses		**(434,504)**	(718,837)
Laurens St expenses		**(10,006)**	(15,969)
Marketing and development expenses		**(315,438)**	(633,647)
Personnel expenses	5	**(2,871,567)**	(3,668,118)
Production expenses		**(468,804)**	(1,590,291)
Finance leases interest expense		**(66,045)**	(81,938)
Total Expenses		**(4,166,364)**	(6,708,800)
Net Surplus / (Deficit) from Operations		**2,570,560**	481,813
Melva Thompson bequest interest income		**10,740**	16,824
Total comprehensive income for the year		**2,581,300**	498,637

The accompanying notes form part of these financial statements.

Victorian Opera Company Limited

56 116 549 798

Statement of Financial Position

31 December 2020

	Note	2020 $	2019 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	**5,839,699**	3,150,330
Trade and other receivables	7	**169,156**	163,856
Other non-financial assets	8	**115,361**	205,821
Finance lease receivables	10	**147,981**	133,446
TOTAL CURRENT ASSETS		**6,272,197**	3,653,453
NON-CURRENT ASSETS			
Right-of-use assets	9	**178,259**	296,306
Finance lease receivables	10	**559,544**	707,525
Property, plant and equipment	11	**66,254**	115,838
TOTAL NON-CURRENT ASSETS		**804,057**	1,119,669
TOTAL ASSETS		**7,076,254**	4,773,122
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	12	**223,108**	325,914
Employee benefits	13	**175,593**	215,672
Other liabilities	14	**189,321**	39,321
Lease liabilities	15	**361,699**	332,863
TOTAL CURRENT LIABILITIES		**949,721**	913,770
NON-CURRENT LIABILITIES			
Trade and other payables	12	**70,834**	70,834
Employee benefits	13	**42,254**	25,434
Other liabilities	14	**22,574**	29,896
Lease liabilities	15	**692,720**	1,016,337
TOTAL NON-CURRENT LIABILITIES		**828,382**	1,142,501
TOTAL LIABILITIES		**1,778,103**	2,056,271
NET ASSETS		**5,298,151**	2,716,851
EQUITY			
Reserves		**4,912,714**	2,799,518
Accumulated surplus/(deficit)		**385,437**	(82,667)
TOTAL EQUITY		**5,298,151**	2,716,851

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 31 December 2020

2020

	Accumulated Surplus	Bequest Reserve	General Reserve	Special Reserve	"Building our Future" Reserve	Total
	$	$	$	$	$	$
Balance at 1 January 2020	**(82,667)**	**1,001,974**	**1,300,000**	**400,000**	**97,544**	**2,716,851**
Net surplus from operations	**2,570,560**	**-**	**-**	**-**	**-**	**2,570,560**
Bequest fund income	**10,740**	**-**	**-**	**-**	**-**	**10,740**
Transfer to bequest reserve	**(10,740)**	**10,740**	**-**	**-**	**-**	**-**
Transfer to general reserve			**400,000**	**(400,000)**		**-**
Transfer to general reserve	**(700,000)**	**-**	**700,000**		**-**	**-**
Transfer to building our future reserve	**(1,402,456)**	**-**	**-**	**-**	**1,402,456**	**-**
Balance at 31 December 2020	**385,437**	**1,012,714**	**2,400,000**	**-**	**1,500,000**	**5,298,151**

a) Best practice financial management principles for Major Performing Arts organisations recommends maintaining a reserve to expenditure ratio of at least 20%. The Company has maintained a reserve/expenditure ratio of 117.9% (2019: 40.5%) and a cash/expenditure ratio of 140% (2019: 47%) but note that these ratios are reflective of the lower cost base in the current financial year and a high level of reserves from the material surplus accumulated and as such the Company does not consider it feasible to maintain such high levels of reserves on an ongoing basis.

b) The Board has resolved to merge the special reserve with the general reserve and to further increase the general reserve by $700,000 as part of its policy of maintaining at a minimum, the recommended levels of operating reserves.

c) 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. The Board has resolved to further increase this reserve by $1,402,456 with the aim of utilising it to contribute towards a potential premises project if the Board takes a decision to relocate from its existing location.

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

Victorian Opera Company Limited

56 116 549 798

Statement of Cash Flows

For the Year Ended 31 December 2020

	Note	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers		**7,269,137**	7,157,706
Payments to suppliers and employees		**(4,460,817)**	(6,398,525)
Finance Lease income		**41,937**	35,931
Interest received		**43,451**	32,714
Bequest Revenue		**10,740**	16,824
Net cash provided by operating activities	22	**2,904,448**	844,650
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from finance lease (sub-lease)		**133,446**	98,652
Purchase of property, plant and equipment		**(1,600)**	(35,287)
Net cash provided by investing activities		**131,846**	63,365
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment of finance lease liabilities		**(280,880)**	(322,834)
Payment of finance lease interest		**(66,045)**	(81,938)
Net cash (used in) financing activities		**(346,925)**	(404,772)
Non-income bequest received		**-**	25,000
Net cash provided by other activities		**-**	25,000
Net increase in cash and cash equivalents held		**2,689,369**	528,243
Cash and cash equivalents at beginning of year		**3,150,330**	2,622,087
Cash and cash equivalents at end of financial year	6	**5,839,699**	3,150,330

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2020

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 16 April 2021.

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.

In 2020 the Company has received COVID-19 rent relief in the form of partial rent forgiveness. The Company has elected to apply the AASB 16 COVID-19 related rent concessions practical expedient. The practical expedient has been applied to all applicable rent concessions that were received. This practical expedient exempts the Company from applying the lease modification rules as per AASB 16 and instead requires them to recognise any relief received as a profit and loss item in the current year accounts.

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 component’s then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

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.

Notes to the Financial Statements

For the Year Ended 31 December 2020

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 asset's useful life to the Company, commencing when the asset is ready for use.

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

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

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

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

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

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

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 comprise of 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.

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.

4 Revenue and Other Income

	2020 $	2019 $
Government funding revenue		
- Creative Victoria annual grant	**3,787,574**	3,787,574
- Creative Victoria grant supplementation	**69,687**	79,820
- Strategic partnerships program	**52,800**	52,800
- Australia Council grant	**656,366**	646,030
Total Government funding revenue	**4,566,427**	4,566,224
Box office and performance income		
- Box office sales	**243,309**	1,110,151
- Performance and workshop fees	**12,444**	33,739
Total box office and performance income	**255,753**	1,143,890
Sponsorship, philanthropic and donation revenue		
- Corporate Sponsorship	**86,186**	344,400
- Philanthropic	**464,000**	489,000
- Donations	**493,434**	490,928
- Other fundraising income	**-**	60
Total sponsorship, philanthropic and donation revenue	**1,043,620**	1,324,388
Other income		
- Interest received	**43,451**	32,714
- Venue hire	**2,913**	1,871
- JobKeeper income	**669,750**	-
- Other income	**113,073**	85,595
Total other income	**829,187**	120,180
Total Revenue	**6,694,987**	7,154,682

Notes to the Financial Statements

For the Year Ended 31 December 2020

5 Personnel expenses

	2020	2019
	$	$
Administration and marketing	**863,634**	1,211,072
Art and production salaries	**1,732,741**	2,094,217
Employee on-costs	**275,192**	362,829
Total personnel expenses	**2,871,567**	3,668,118

6 Cash and Cash Equivalents

Bank balances	**156,129**	201,389
Short-term deposits	**5,683,570**	2,948,941
Total Cash and Cash Equivalents	**5,839,699**	3,150,330

7 Trade and Other Receivables

CURRENT		
Trade receivables	**83,056**	58,227
Deposits	**56,375**	56,375
GST receivable	**29,725**	49,254
Total current trade and other receivables	**169,156**	163,856

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

8 Other non-financial assets

CURRENT		
Prepayments	**27,935**	31,396
Accrued income	**83,250**	-
Deferred production costs	**4,176**	150,089
Wages paid in advance	**-**	24,336
Total other non-financial assets	**115,361**	205,821

9 Leases

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 2020	
Balance at beginning of year	**296,306**
Depreciation charge	**(171,547)**
Additions to right-of-use assets	**53,500**
Balance at end of year	**178,259**

	Buildings $
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:

	2020 $	2019 $
Finance lease interest expense	**(66,045)**	(81,938)
Depreciation expense	**(171,547)**	(200,192)
	(237,592)	(282,130)

Through the application of the COVID-19 rent concession practical expedient for the Horti Hall lease the Company has recognised an increase in surplus for the year of $64,702.

Notes to the Financial Statements

For the Year Ended 31 December 2020

9 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.

	2020 $	2019 $
Finance leases		
Finance income on the net investment in the lease	**41,937**	35,931
Total income relating to finance leases	**41,937**	35,931

10 Finance Lease Receivables

	2020 $	2019 $
CURRENT		
Finance lease receivables	**147,981**	133,446
Total current finance lease receivables	**147,981**	133,446
NON-CURRENT		
Finance lease receivables	**559,544**	707,525
Total non-current finance lease receivables	**559,544**	707,525

Notes to the Financial Statements

For the Year Ended 31 December 2020

11 Property, plant and equipment

	2020	2019
	$	$
PLANT AND EQUIPMENT		
Production equipment		
At cost	**170,289**	168,689
Accumulated depreciation	**(142,283)**	(127,294)
Total plant and equipment	**28,006**	41,395
Furniture, fixtures and fittings		
At cost	**54,517**	54,517
Accumulated depreciation	**(50,447)**	(48,240)
Total furniture, fixtures and fittings	**4,070**	6,277
Office equipment		
At cost	**197,801**	197,801
Accumulated depreciation	**(174,599)**	(149,063)
Total office equipment	**23,202**	48,738
Improvements		
At cost	**110,587**	110,587
Accumulated Depreciation	**(99,611)**	(91,159)
Total improvements	**10,976**	19,428
Total property, plant and equipment	**66,254**	115,838

(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 2020					
Opening balance	**41,395**	**6,277**	**48,738**	**19,428**	**115,838**
Additions	**1,600**	**-**	**-**	**-**	**1,600**
Depreciation expense	**(14,989)**	**(2,207)**	**(25,536)**	**(8,452)**	**(51,184)**
Balance at the end of the year	**28,006**	**4,070**	**23,202**	**10,976**	**66,254**

Notes to the Financial Statements
For the Year Ended 31 December 2020

12 Trade and Other Payables

	2020 $	2019 $
CURRENT		
Trade payables	**63,163**	104,779
Sundry payables and accrued expenses	**22,025**	-
Accrued expenses	**57,400**	141,578
Other payables	**80,520**	79,557
Total trade and other payables	**223,108**	325,914

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.

	2020 $	2019 $
NON-CURRENT		
Deposits	**70,834**	70,834
	70,834	70,834

13 Employee Benefits

	2020 $	2019 $
CURRENT		
Long service leave	**102,784**	102,300
Annual leave	**72,809**	113,372
	175,593	215,672
NON-CURRENT		
Long service leave	**42,254**	25,434
Total employee benefits provision	**217,847**	241,106

14 Other Liabilities

	2020 $	2019 $
CURRENT		
Income in advance	**2,000**	2,000
Grants in advance	**180,000**	30,000
Lease incentive	**7,321**	7,321
	189,321	39,321
NON-CURRENT		
Lease incentive	**22,574**	29,896
	22,574	29,896
Total other liabilities	**211,895**	69,217

Notes to the Financial Statements

For the Year Ended 31 December 2020

15 Lease Liabilities

	2020 $	2019 $
CURRENT		
Lease liabilities	**361,699**	332,863
Total	**361,699**	332,863

	2020 $	2019 $
NON-CURRENT		
Lease liabilities	**692,720**	1,016,337
Total	**692,720**	1,016,337

16 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.

17 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.

18 Key Management Personnel Remuneration

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

$ 416,620 (2019: $ 381,893).

19 Auditors' Remuneration

	2020	2019
	$	$
Remuneration of the auditor (Banks Group Assurance Pty Ltd) for:		
- auditing or reviewing the financial statements	**20,000**	20,000
- other services	**3,000**	-
Total	**23,000**	20,000

20 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2020 (31 December 2019: Nil).

21 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 18: Remuneration.

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

Notes to the Financial Statements

For the Year Ended 31 December 2020

22 Cash Flow Information

Reconciliation of result for the year to cashflows from operating activities

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

	2020	2019
	$	$
Surplus/(deficit) for the year	**2,581,300**	498,637
Non-cash flows in surplus:		
- depreciation	**222,731**	261,269
- lease liability interest expense	**66,045**	81,938
- covid-19 rent relief	**(67,402)**	-
Changes in assets and liabilities:		
- (increase) in trade and other receivables	**(24,829)**	(53,277)
- decrease in other assets	**109,989**	243,690
- (decrease)/increase in trade and other payables	**(102,805)**	164,092
- (decrease)/increase in employee benefits	**(23,259)**	50,599
- increase/(decrease) in other liabilities	**142,678**	(402,298)
Cashflows from operations	**2,904,448**	844,650

23 Events after the end of the Reporting Period

The financial report was authorised for issue on 16 April 2021 by the Board of Directors.

Victorian Opera Company Limited

56 116 549 798

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 8 to 28, 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 2020 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 16 April 2021

BANKS GROUP

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 2020, 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 2020 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.

Banks Group | Accountants | Auditors | Advisers
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BANKS GROUP

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

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

Andrew Fisher, Partner
Registration number 306364

Melbourne, Australia
16 April 2021