



Opera Australia  
and its Controlled Entities

# Financial Report

For the year ended 31 December 2014  
A.C.N. 000 755 153

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## OPERA AUSTRALIA DIRECTORS' REPORT

The Board of Directors of Opera Australia has pleasure in submitting its report in respect of the financial year ended 31 December 2014.

### DIRECTORS

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

<b>Names</b>	<b>Qualifications, experience and special responsibilities</b>
Lesley Alway	Ms Alway, BEd, BA (Hons), MBA, is currently Director, Asialink Arts, University of Melbourne, and Member of the Board of Australian Centre for Contemporary Art (ACCA). She was formerly Managing Director, Sotheby's Australia, Director, Heide Museum of Modern Art, Director, Arts Victoria, Director, Artbank, Chair, Visual Arts Board, Council Member, Australia Council, and Chair, Public Art Committee, City of Melbourne. She joined the Board of Opera Australia in December 2009.
Anson Austin OAM	Mr Austin joined the Board in August 2005 as the staff-nominated Director. He was a resident principal artist with Opera Australia for 34 years until his retirement in 2004. Mr Austin has been awarded an Order of Australia Medal.
Philip Bacon AM	Mr Bacon is Director, Philip Bacon Galleries, Trustee, Board of the Queensland Art Gallery, Member, National Gallery of Australia Foundation, Trustee, Gordon Darling Foundation, Board Member, Brisbane Institute and the Brisbane Festival, and a member of the Queensland Government's Arts Investment Advisory Board. From 1996 to 2003 he was a Council Member, National Gallery of Australia. From 1994 to 2011 he was a Director of Opera Australia, and since 2001 he has been a Director of the Opera Australia Capital Fund. He joined the Board in March 2014.
Virginia Braden OAM	Ms Braden, BA, is Director, National Institute of Dramatic Art and member of the Audit, Finance, Administration and Remuneration and the Capital Campaign Committees. She is a Hon Life Member, Australian Music Centre and International Artist Managers' Association. She established Arts Management Pty Ltd in 1979 and ran it until 2008 and now works as an Arts Management Consultant. She has served on a number of boards including The Song Company, Australian Music Centre, Craft Australia, International Artist Managers' Association (Chairman 2000-2003) and Australasian Classical Music Managers' Association. Ms Braden was awarded an OAM for service to arts administration in 2011. She joined the Board of Opera Australia in December 2009.
David Epstein	Mr Epstein joined the Board of Opera Australia in 2010. He is Vice-President, Corporate Affairs and Regulatory Affairs for Singtel Optus. Educated at The ANU and Wharton (UPenn), David is an experienced corporate affairs executive with a background in regulatory and public affairs, both internationally and in Australia. His career spans public and private sectors, including BHP Billiton, Qantas and as a senior ministerial adviser to three Prime Ministers, culminating as Chief of Staff to the Prime Minister. He is also a board member of the European Australian Business Council, Telecommunications Industry Ombudsman Ltd and the Australian Advisory Board of The Asia Society, as well as a Councillor of Creative Partnerships Australia. He joined the Board of Opera Australia in June 2010.

Names	Qualifications, experience and special responsibilities
Tim McFarlane	Mr McFarlane, BEc, is the CEO of The Ambassador Theatre Group Asia Pacific, and Life Member, Live Performance Australia. From 1997 to 2005 he was a Trustee of the Sydney Opera House, from 1986 to 1994 he was General Manager, Adelaide Festival Centre Trust, and from 1994 until 2013 was Managing Director of The Really Useful Company Asia Pacific. He joined the Board of Opera Australia in August 2006 and was elected Chairman of the Audit Committee (formerly the Audit and Risk Committee) in April 2009.
Simon Mordant AM	Mr Mordant is an investment banker and former Vice Chairman and Managing Director of Greenhill & Co., Inc. His directorships include Chairman of the Museum of Contemporary Art, a director of the Australian Broadcasting Corporation, Australian Commissioner 2015 Venice Biennale, a director of MOMA PS1, a member of the International Leadership Council of the New Museum and a member of the International Council of The Museum of Modern Art in New York, a member of the Executive Committee of the Tate International Council, a director of the Garvan Research Foundation, a member of the Wharton Executive Board for Asia and was Deputy President of Takeover Panel 2000-2010. He was awarded an AM being made a Member in the General Division of the Order of Australia for services to the Arts. He joined the Board of Opera Australia in January 2014 and resigned in November 2014.
David Mortimer AO (Chairman from April 2013)	Mr Mortimer has over 40 years of corporate finance and commercial experience. He was a senior executive of TNT Limited Group from 1973, serving as Finance Director and then as Chief Executive Officer. Mr Mortimer has chaired several publicly listed companies and is currently Chairman of Crescent Capital Partners, Mysale Group Plc Alpha Agriculture and a Director of Petsec Energy Ltd. He has also served on several Government Boards as Chairman and as a Director. He has Chaired three major Government reviews and served on several not-for-profit Boards. He has a Bachelor of Economics (First Class Honours) from the University of Sydney and was appointed as an Officer of the Order of Australia in 2005. He joined the Board of Opera Australia in January 2013 and was elected Chairman in April 2013. He is a member of the Audit Committee.
Judith Stewart	Mrs Stewart, a lawyer, has been involved with various not-for-profit entities across the arts and environment over a fifteen year period. She was most recently, and for eight years, the Managing Director of the Great Barrier Reef Foundation, has been a director of the Australian Chamber Orchestra, was Executive Chairman of the Australian Festival of Chamber Music and completed a term as a member of the Australia Council's Major Performing Arts Board. She joined the Board of Opera Australia in March 2011.
Josephine Sukkar	Ms Sukkar, BSc (Hons), Grad Dip Ed, is a co-owner and Principal of construction company Buildcorp. She is Co-President of the YWCA NSW, a director of the Sydney University Football Club Foundation and The Centenary Institute. From 2010 to 2013 Josephine was a non-executive director of The Trust Company Limited. She is also involved with the Museum of Contemporary Art with their annual Bella Dinner, is on the National Judging Panel of the General Sir John Monash Scholarship Foundation, and is a member of the Women and Diversity in Property Committee of the Property Council of Australia. She joined the Board of Opera Australia in March 2011.

**Names**

**Qualifications, experience and special responsibilities**

Mary Waldron

Ms Waldron is PwC Australia's Managing Partner for Reputation, Regulation and Risk. She leads the firm's response to global and national regulatory developments, while embedding a risk management approach to enhance market growth and client service. She has more than 20 years' experience in providing audit assurance and advisory services to some of Australia's largest listed national and multinational public companies, having worked closely with senior executives and directors in the Australian market. Ms Waldron is the Chairman of the Centre for Ethical Leadership Advisory Board at Ormond College, and a Board Director of Chartered Accountants Australia and New Zealand, and the Macfarlane Burnet Institute for Medical Research and Public Health Limited. She was formerly a Director of The Australian Ireland Fund Ltd and Chairman of Melbourne Recital Centre. Ms Waldron joined the Board of Opera Australia in May 2013. She is a member of the Audit Committee.

Unless indicated otherwise, all Directors held their positions as Directors throughout the entire financial year and up to the date of this report.

**COMPANY SECRETARY**

Narelle Beattie

Ms Beattie, BCom, MA, CA was appointed Company Secretary from 1 March 2006. She holds the position of Chief Operating Officer. Ms Beattie is a member of the Institute of Chartered Accountants of Australia and is a non-executive director of City West Housing and Legs on the Wall.

**DIRECTORS' INTERESTS**

The Group is limited by guarantee and accordingly, does not issue shares.

**Directors' Meetings**

The numbers of meetings of the Board of Directors and of Board Committees during the year were:

**Board/Committee      Number of meetings**

Full Board	8
Audit Committee	8

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

	<b>Board of Directors</b>	<b>Audit</b>
Ms Lesley Alway	7 (8)	
Mr Anson Austin OAM	8 (8)	
Mr Philip Bacon	5 (6)	
Ms Virginia Braden OAM	8 (8)	
Mr David Epstein	7 (8)	
Mr Tim McFarlane	5 (8)	5 (8)
Mr Simon Mordant AM	4 (8)	
Mr David Mortimer AO	8 (8)	8 (8)
Ms Judith Stewart	5 (8)	
Ms Josephine Sukkar	6 (8)	
Ms Mary Waldron	6 (8)	5 (8)

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

#### **PRINCIPAL ACTIVITIES**

The principal activities of the Group during the financial year were the production and staging of opera as the National Company for Australia.

#### **OPERATING AND FINANCIAL REVIEW**

The details of the consolidated result including the operating entities and the Opera Australia Capital Fund Group are set out in the following table:

	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Opera Australia	(1,749,223)	(2,299,334)
Australian Opera and Ballet Orchestra	(235,672)	(71,157)
Operating surplus / (deficit)	<u>(1,984,895)</u>	<u>(2,370,491)</u>
Opera Australia Capital Fund Group comprehensive income	1,066,836	2,838,030
Net consolidated comprehensive income	<u>(918,059)</u>	<u>467,539</u>

The operating entities consisting of Opera Australia and the Australian Opera and Ballet Orchestra (AOBO) recorded a combined net deficit for the year of \$1,984,895. The deficit is driven by a significant reduction in mainstage opera box office in comparison to budget expectations. Expenditure was well controlled and moderate savings were achieved. Within the total operating result the AOBO recorded a net deficit of \$235,672, unfavourable to prior year result with some key core positions within the orchestra, previously vacant, being filled during the year. A detailed review of the operations of the operating entities is contained in the reports of the Chairman and Chief Executive in the annual report.

## **DIRECTORS' REPORT**

### **(CONTINUED)**

A Deed of Cross Guarantee currently exists between Opera Australia and the AOBO. This Deed commits each entity to guarantee the debts of the other entity. Given the net liability position of the AOBO, this Deed provides the basis on which it continues to trade. The net loss and net liability position of the AOBO indicates possible impairment of the receivable owed to the parent entity, Opera Australia. In 2009 the Directors of Opera Australia formed the view that a provision for doubtful debts should be raised against the related party receivable balance of \$4,575,744. Since that date further provision for doubtful debts has been raised against increments in the receivable balance. As at 31 December 2014 the related party receivable from the AOBO has increased by \$212,601 from the prior year to a total balance of \$6,548,874. The current year increase in the receivable has been fully provided against in the 2014 accounts. The impact of these transactions eliminates on consolidation.

The net deficit for the year of the parent entity Opera Australia is reported in Note 26 as \$1,961,825. This result comprises the operating deficit of \$1,749,223 and the current year charge to the provision for doubtful debts against the AOBO related party receivable of \$212,601.

The comprehensive income recorded by the Opera Australia Capital Fund Group of \$1,066,836 reflects continued strong investment income, in addition to ongoing fundraising activities.

The Opera Australia Group's net consolidated total comprehensive loss for the year is \$918,059 (2013: comprehensive income \$467,539).

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

There were no significant changes in the state of affairs of the Group from last year.

### **SIGNIFICANT EVENTS AFTER YEAR END**

There have been no matters or circumstances since the end of the financial year that have significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

### **LIKELY DEVELOPMENTS AND FUTURE RESULTS**

The Group expects to maintain the current nature of operations and its overall principal activities will remain unchanged.

### **DIVIDENDS**

The parent entity's Memorandum of Association prohibits the distribution of income and property by way of dividend or bonus and no dividend or bonus has been paid or declared since the end of the previous financial year.

### **DIRECTORS' REMUNERATION**

The parent entity's Memorandum of Association prohibits the payment of remuneration to Directors and no Director has received or become entitled to receive any remuneration during the financial year.

Contracts are entered into in the normal course of business by the Group with companies of which some Directors are common to both. Apart from details disclosed in Note 24 (c), since the end of the previous year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Group with the Director, with a firm of which he or she is a member, or with a company in which he or she has a substantial interest.

## **INDEMNIFICATION OF DIRECTORS AND OFFICERS**

Insurance and indemnity arrangements established in previous years concerning officers of the Group were renewed and continued during 2014. Opera Australia paid the premium on a contract insuring each of the Directors of the Group, named earlier in this report, and each of the full-time executive officers of the Group, against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law.

## **INDEMNIFICATION OF AUDITORS**

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

## **AUDITOR'S INDEPENDENCE DECLARATION**

The Auditor's Independence Declaration is set out on Page 38 and forms part of the Directors' Report for the financial year 2014.

D. MORTIMER  
Director

T. McFARLANE  
Director



Sydney  
3 March 2015



**OPERA AUSTRALIA**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2014**

	Note	Consolidated	
		2014 \$	2013 \$
<b>Current Assets</b>			
Cash and cash equivalents	8	2,081,112	3,253,037
Trade and other receivables	9	3,473,840	2,734,793
Available-for-sale financial assets	10	14,076,642	12,772,797
Prepayments	11	2,966,810	4,495,843
<b>Total Current Assets</b>		<u>22,598,404</u>	<u>23,256,470</u>
<b>Non Current Assets</b>			
Other financial assets	12	298,742	293,976
Property, plant and equipment	13	26,002,206	25,883,755
<b>Total Non-Current Assets</b>		<u>26,300,948</u>	<u>26,177,731</u>
<b>Total Assets</b>		<u>48,899,352</u>	<u>49,434,201</u>
<b>Current Liabilities</b>			
Trade and other payables	14	5,103,617	4,752,884
Provisions	16	5,121,569	5,502,373
Government grants received in advance	17	4,020,451	3,868,609
Unearned revenue	18	18,015,569	17,671,622
<b>Total Current Liabilities</b>		<u>32,261,206</u>	<u>31,795,488</u>
<b>Non-Current Liabilities</b>			
Provisions	16	935,127	1,017,635
<b>Total Non-Current Liabilities</b>		<u>935,127</u>	<u>1,017,635</u>
<b>Total Liabilities</b>		<u>33,196,333</u>	<u>32,813,123</u>
<b>Net Assets</b>		<u>15,703,019</u>	<u>16,621,078</u>
<b>Equity</b>			
Other reserves	19	2,597,317	2,329,491
Retained earnings	20	13,105,702	14,291,587
<b>Total Equity</b>		<u>15,703,019</u>	<u>16,621,078</u>

The accompanying notes form an integral part of this consolidated Statement of Financial Position.

**OPERA AUSTRALIA**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE**  
**INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	<b>Note</b>	<b>Consolidated</b> <b>2014</b> <b>\$</b>	<b>2013</b> <b>\$</b>
<b>INCOME</b>			
Sales revenue	4	70,326,926	55,274,116
Other revenue	4	37,049,318	44,759,486
		<u>107,376,244</u>	<u>100,033,602</u>
<b>EXPENDITURE</b>			
Staff and employment expenses		58,194,607	56,892,270
Travel and transport expenses		7,806,743	8,415,974
Venue occupancy expenses		7,923,913	6,212,207
Marketing and promotion expenses		12,434,725	9,389,774
Depreciation and amortisation expense	7	5,342,426	5,510,537
Finance costs	7	31,941	(66,164)
Other expenses	7	16,827,774	13,943,518
		<u>108,562,129</u>	<u>100,298,116</u>
<b>Net deficit for the year</b>		<u>(1,185,885)</u>	<u>(264,514)</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Investment revaluation gains on available-for-sale financial assets	19	270,146	716,055
Foreign exchange gain / (loss)	19	(2,320)	15,998
<b>Total other comprehensive income the year</b>		<u>267,826</u>	<u>732,053</u>
<b>Total comprehensive income for the year</b>		<u>(918,059)</u>	<u>467,539</u>

The accompanying notes form an integral part of this consolidated Statement of Profit or Loss and Comprehensive Income.

**OPERA AUSTRALIA**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	<b>Note</b>	<b>Consolidated</b> <b>2014</b> <b>\$</b>	<b>2013</b> <b>\$</b>
<b>Operating activities</b>			
Receipts from operations		113,773,370	100,992,121
Payments to suppliers and employees		(109,939,631)	(101,063,939)
Interest received		461,845	634,822
Interest paid		(3,891)	(9)
<b>Net cash flows from operating activities</b>	<b>8</b>	<b>4,291,693</b>	<b>562,995</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(5,483,086)	(5,873,816)
Purchase of other financial assets		(4,766)	(28,176)
Proceeds from sale of property, plant and equipment		26,554	3,701
<b>Net cash flows used in investing activities</b>		<b>(5,461,298)</b>	<b>(5,898,291)</b>
Net increase / (decrease) in cash and cash equivalents		(1,169,605)	(5,335,296)
Net foreign exchange differences		(2,320)	15,998
Cash and cash equivalents at 1 January		3,253,037	8,572,335
<b>Cash and cash equivalents at 31 December</b>	<b>8</b>	<b>2,081,112</b>	<b>3,253,037</b>

The accompanying notes form an integral part of this consolidated Statement of Cash Flows.

**OPERA AUSTRALIA**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

	<b>Note</b>	<b>Other Reserves \$</b>	<b>Retained Earnings \$</b>	<b>Total \$</b>
<b>Consolidated</b>				
At 1 January 2013	19, 20	1,597,438	14,556,101	16,153,539
Net deficit for the year		-	(264,514)	(264,514)
Other comprehensive income		732,053	-	732,053
Total comprehensive income for the year		<u>732,053</u>	<u>(264,514)</u>	<u>467,539</u>
At 31 December 2013		2,329,491	14,291,587	16,621,078
Net deficit for the year		-	(1,185,885)	(1,185,885)
Other comprehensive income		267,826	-	267,826
Total comprehensive income for the year		<u>267,826</u>	<u>(1,185,885)</u>	<u>(918,059)</u>
At 31 December 2014		<u>2,597,317</u>	<u>13,105,702</u>	<u>15,703,019</u>

The accompanying notes form an integral part of this consolidated Statement of Changes in Equity.

# OPERA AUSTRALIA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1. CORPORATE INFORMATION

The financial report of Opera Australia and its controlled entities (collectively, the Group) for the year ended 31 December 2014 was authorised for issue in accordance with a resolution of the directors on 3 March 2015.

Opera Australia (the parent) is a not-for-profit organisation, limited by guarantee, with its registered offices being located at 480 Elizabeth Street, Surry Hills NSW 2010.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

This general purpose financial report has been prepared for distribution to the members to fulfil the directors' financial reporting requirements under the *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012*. The accounting policies used in the preparation of this financial report, as described below, are consistent with the financial reporting requirements of the *Corporations Act 2001*, the *Australian Charities and Not-for-Profits Commission Act 2012* and with previous years, and are, in the opinion of the directors, appropriate to meet the needs of members.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF PREPARATION

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards Reduced Disclosure Requirements, the *Australian Charities and Not-for-Profits Commission Act 2012* and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has also been prepared on a historical cost basis and does not take account of changes in either the general purchasing power of the dollar or in the price of specific assets, except for land and buildings stated at deemed cost (Note 13) and current listed managed fund units measured at fair value (Note 10).

The financial report is presented in Australian dollars, and all values have been rounded to the nearest dollar unless otherwise stated.

#### STATEMENT OF COMPLIANCE

The financial report complies with Australian Accounting Standards Reduced Disclosure Requirements, which include Australian equivalents to International Financial Reporting Standards, (AIFRS). Some AIFRS and other Australian Accounting Standards contain requirements specific to not-for-profit entities that are inconsistent with IFRS requirements. The following Australian Accounting Standards include not-for-profit specific requirements which have been applied in preparing this financial report:

AASB 116: *Property, Plant and Equipment*

AASB 136: *Impairment of Assets*

AASB 1004: *Contributions*

The accounting policies are consistent with those of the previous financial year.

The Group's principal financial instruments comprise cash and short-term deposits, receivables, payables and available-for-sale assets.

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy.

#### *New and amended standards and interpretations*

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 January 2014:

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

AASB 13: *Fair Value Measurement*

AASB 10: *Consolidated Financial Statements*

AASB 2013-8: *Australian Implementation Guidance for Not-for-profit Entities – Control and Structured Entities*

The Group has performed an assessment of the nature and the impact of each new standards and amendments has determined that they do not impact the annual consolidated financial statements of the Group.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 31 December 2014; the Directors have not yet assessed the impact of these new or amended standards and interpretation on the Group's financial report.

### **BASIS OF CONSOLIDATION**

The consolidated financial statements comprise the financial statements of the parent entity, Opera Australia, and its controlled entities as at 31 December each year. The term "Group" used throughout these financial statements means the parent entity and its controlled entities. Note 24(a) provides details of the entities comprising the Group.

The financial statements of the controlled entities are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring in line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

### **GOING CONCERN**

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

At 31 December 2014, the Group's current liabilities exceeded current assets by \$9,662,802 (2013: \$8,539,018).

The ability of the group to continue as a going concern is dependent upon ongoing support of sponsors and government contracts and its ability to continue to plan and produce profitable productions.

A large component of net assets is readily converted to cash and a significant portion of the Group's current liabilities represents ticket sale revenue and grants secured and received in advance for scheduled productions. Group currently has a \$6 million bill / overdraft facility and expects this facility to be renewed in early 2015.

In addition to the above, the directors have reviewed the Group's prospective financial information, including cash flow forecasts, which has allowed them to conclude on the Group's ability to continue as a going concern and to pay debts when they become due and payable.

# OPERA AUSTRALIA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

##### *Box Office*

Revenue from ticket sales is recognised in the consolidated statement of profit or loss upon presentation of the performance. Revenue from ticket sales in respect of productions not yet performed is included in the consolidated Statement of Financial Position as advance bookings under the heading "Unearned Revenue".

##### *Commercial Activities*

Commercial Activities include production hires, distribution of recordings as well as activities involving provision of orchestral and artists' services. Revenue from these activities is recognised on completion of the activity. Program sales revenue is recognised in line with contractual arrangements.

##### *Contributions*

###### *Sponsorship*

Sponsorship commitments are brought to account as income in the year in which sponsorship benefits are bestowed.

###### *Donations*

All unencumbered donations are brought to account as received.

##### *Government Grants*

###### *Opera Australia*

The annual grants from the Australian Government through the Major Performing Arts Board of the Australia Council, the New South Wales Government through Arts NSW and the Victorian Government through Creative Victoria are received on a calendar basis. These grants are brought to account on a monthly pro-rata basis over the period of the grant. Project-specific grants are brought to account based on timing of the project.

###### *Australian Opera and Ballet Orchestra Limited*

The annual grants from the Australian Government through the Major Performing Arts Board of the Australia Council and from the New South Wales Government through Arts NSW are received on a calendar year basis. These grants are brought to account on a monthly pro-rata basis over the period of the grant.

##### *Interest*

Interest income is recognised as the interest accrues.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest bearing loan borrowings in current liabilities on the consolidated Statement of Financial Position.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **PRODUCTION MANUFACTURE – COSTS OF MANUFACTURING COSTUMES, SCENERY SETS AND PROPERTIES**

#### *Capitalisation*

The capitalised value of costumes, scenery sets and properties includes direct labour, direct materials and on-costs associated with direct labour. On-costs include superannuation, workers compensation, annual leave and long service leave accruals.

#### *Amortisation*

The parent entity has amortised the net cost of manufacturing costumes, scenery sets and properties for new productions over the expected minimum number of performances for that production. The basis for amortisation is the manufacturing cost, including on-costs associated with direct labour.

All costumes, scenery sets and properties are carefully stored and are maintained in a condition suitable for re-use.

### **DEFERRED PRODUCTION COSTS**

Costs of production and other associated expenditure (except for advertising and promotional activities) in respect of productions not yet performed for the first time are included in the consolidated Statement of Financial Position as prepaid expenditure and deferred production costs under the heading "Prepayments."

Expenditure on advertising and promotional activities is recognised as an expense when the entity either has the right to access the goods or has received the service.

### **PROPERTY, PLANT AND EQUIPMENT**

Land and buildings are carried at deemed cost.

Property, plant and equipment excluding freehold land and buildings are valued at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings	50 years
Buildings additions	5-20 years
Musical instruments	20 years
Leasehold improvements	3-10 years
Owned plant & equipment	3-10 years



# OPERA AUSTRALIA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### IMPAIRMENT AND RECOVERABLE AMOUNT OF NON-CURRENT ASSETS

##### *Impairment*

The carrying values of plant and equipment (including costumes, scenery sets and properties) are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

##### *Recoverable Amount*

The recoverable amount of an asset is the greater of net selling price and value in use. Value in use is taken to be the depreciated replacement cost of the asset concerned.

#### TRADE AND OTHER RECEIVABLES

Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt.

#### AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets, comprising managed funds, are non-derivative financial assets. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Regular way purchases and sales of investments are recognised on trade-date, i.e., the date on which the company commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs.

Available-for-sale financial assets are subsequently carried at fair value. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in the investments revaluation reserve. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are reclassified from the investments revaluation reserve to the consolidated statement of profit or loss as gains and losses from investment securities.

The fair values of investments are based on the exit price (i.e., the price that would be received to sell an asset in an orderly transaction) of investments held at the balance sheet date.

#### OTHER FINANCIAL ASSETS

Other investments, including equity interests in non-subsidiary, non-associated corporations are included in investments at the lower of cost or recoverable amount.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

## **NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date.

### **TRADE AND OTHER PAYABLES**

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

### **INTEREST BEARING LOANS AND BORROWINGS**

All loans and borrowings are initially recognised at fair value of the consideration received less directly attributable transaction costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

### **BORROWING COSTS**

Borrowing costs are recognised as an expense when incurred.

### **PROVISIONS AND EMPLOYEE LEAVE BENEFITS**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

#### *Employee Leave Benefits*

##### *(i) Wages, salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within twelve months of the reporting date are recognised in respect of employee services up to the reporting date. They are measured at the amounts expected to be paid when the liability is settled.

##### *(ii) Long service leave*

The liability for long service leave is recognised and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

### **LEASES**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

# OPERA AUSTRALIA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Group as lessee*

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the consolidated Statement of Comprehensive Income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the consolidated Statement of Profit and Loss on a straight-line basis over the lease term. Lease incentives are recognised in the consolidated Statement of Profit and Loss as an integral part of the total lease expense.

### TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

Both the functional and presentation currency of the Group is Australian dollars. Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. All differences in the consolidated financial report are taken to the consolidated Statement of Comprehensive Income.

### INCOME TAX

The Group is an income tax exempt charitable entity under Subdivision 50-B of the Income Tax Assessment Act 1997.

### ACCOUNTING FOR GOODS & SERVICES TAX

Revenues, expenses and assets are recognised net of the amount of GST. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated Statement of Financial Position. Cash flows are included in the consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

### COMPARATIVE INFORMATION

Where necessary, comparatives have been reclassified or repositioned for consistency with current year disclosures.

### NOTE 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. The following critical accounting policies have been identified for which significant judgements, estimates and assumptions are made.

#### *Impairment of available-for-sale financial assets*

The Group holds a number of available-for-sale financial assets and follows the requirements of AASB 139 *Financial Instruments: Recognition and Measurement* in determining when an available-for-sale asset is impaired. In making this judgment the Group assessed the duration and extent to which the fair value is less than cost.

#### *Hedging activities and derivatives*

The Group uses foreign exchange forward contracts to manage some of its transaction exposure, with the intention to reduce foreign exchange risk in highly probable forecast transactions and unrecognized firm commitments. The foreign exchange forward contracts are not designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally settling within twelve months. Any gains or losses arising from changes in the fair value of derivative are taken directly to profit or loss.

#### *Impairment of Non-financial Assets*

Management reviews non-financial assets periodically to determine whether there is evidence that the present value of future cash flows is lower than the net book value recorded on the consolidated Statement of Financial Position. In such cases, an impairment charge is calculated and recorded as an expense in current year earnings.

#### *Estimated useful lives*

Upon capitalisation of non-financial assets, management estimates the useful life over which to depreciate the asset. Useful lives are in line with statutory guidelines and are based on management experience and judgement.

**OPERA AUSTRALIA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

**NOTE 4. REVENUE**

Surplus from operations is after crediting the following revenues:

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
<i>Sales revenue</i>		
Box office	67,432,347	51,677,441
Commercial activities	2,894,579	3,596,675
<b>Total sales revenue</b>	<b>70,326,926</b>	<b>55,274,116</b>
<i>Other revenue</i>		
Contributions	7,898,523	12,767,169
Government grants (see Note 5)	24,948,334	25,176,841
Other revenue (a)	3,132,485	5,502,831
Gain on disposal of property, plant and equipment	4,345	-
Interest and investment income		
from unrelated persons (b)	1,004,137	1,299,842
Realised gain on available-for-sale financial assets (c)	61,494	12,803
<b>Total other revenue</b>	<b>37,049,318</b>	<b>44,759,486</b>
<b>Total revenues</b>	<b>107,376,244</b>	<b>100,033,602</b>

(a) Includes investment from government destination organisations and contributions from Opera Conference.

(b) Interest and investment income includes \$912,787 (2013: \$1,035,855) attributable to Opera Australia Capital Fund entities.

(c) The realised gain on available-for-sale financial assets is fully attributable to Opera Australia Capital Fund entities.

## NOTE 5: GOVERNMENT GRANTS

	Consolidated	
	2014	2013
	\$	\$
<i>Australia Council</i>		
Base Funding Major Performing Arts Board	19,829,126	19,478,513
Playing Australia	445,676	527,656
Creative Communities Partnership Initiative	167,255	200,000
Creative Professionals	18,740	-
Indigenous Mentorship	13,972	6,028
Strategic Management and Business Capacity Building	-	279,747
Interconnections	-	29,974
Executive Mentoring Program	-	3,000
Total Australia Council	20,474,769	20,524,918
<i>Other Federal</i>		
Department of Education and the Department of Employment - Completion Incentive Scheme	20,000	-
Total Other Federal	20,000	-
<i>Arts NSW</i>		
Base Funding	3,285,660	3,285,660
Primary Schools Touring	65,000	65,000
Touring & Outreach Regional Tour	51,642	-
Total Arts NSW	3,402,302	3,350,660
<i>Creative Victoria</i>		
Base Funding	1,001,263	1,001,263
Touring & Outreach Regional Tour	50,000	-
Total Creative Victoria	1,051,263	1,001,263
<i>Other Victoria</i>		
City of Melbourne - Melbourne Ring Festival	-	300,000
Total Other Victoria	-	300,000
Total Government Grants	24,948,334	25,176,841

**OPERA AUSTRALIA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(CONTINUED)

**NOTE 6: RESERVES INCENTIVE SCHEME FUNDS**

Under the Reserves Incentive Scheme, the Opera Australia Capital Fund, a controlled entity of Opera Australia, raised \$1,557,000 in 2001. This income enabled Opera Australia to qualify for its full entitlement under the Reserves Incentive Scheme of \$3,100,000 in 2002.

The Reserve Incentive Scheme Funds of \$4,657,000 are held in escrow in the Opera Australia Capital Fund Limited. They have not been used to secure any liabilities of any entity within the Group. The monies are subject to the terms and conditions of the Reserves Incentive Scheme Deeds between the Major Performing Arts Board, Arts NSW, Opera Australia and the Opera Australia Capital Fund Limited and between the Major Performing Arts Board, Creative Victoria, Opera Australia and the Opera Australia Capital Fund Limited. The Reserves Incentive Scheme Funds consist of contributions from the following:

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Opera Australia Capital Fund Limited	1,557,000	1,557,000
Federal	1,550,000	1,550,000
NSW	1,085,000	1,085,000
Victoria	465,000	465,000
<b>Total Reserves Incentive Scheme Funds Available</b>	<b><u>4,657,000</u></b>	<b><u>4,657,000</u></b>

## NOTE 7. EXPENDITURE

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

	2014	Consolidated	2013
	\$		\$
<i>Depreciation, amortisation and impairments:</i>			
Depreciation of:			
- Buildings	213,813		204,157
- Leasehold improvements	1,590		1,589
- Plant and equipment	474,280		459,373
Amortisation of costumes, scenery sets and properties	3,879,895		4,616,358
Impairment of costumes, scenery sets and properties	772,848		229,060
	<u>5,342,426</u>		<u>5,510,537</u>
<i>Finance Costs:</i>			
Interest paid or payable to:			
Other unrelated parties	3,891		9
Long service leave provision discount adjustment	28,050		(66,173)
	<u>31,941</u>		<u>(66,164)</u>
<i>Other Expenses:</i>			
Production expenses	7,930,255		7,532,801
Premises	1,448,968		1,443,966
Scores, royalties & instruments	4,151,167		1,491,544
Insurance	514,728		564,986
IT	637,369		552,071
Recording and surtitles	239,114		483,481
Professional fees	232,962		174,947
Loss on disposal of property, plant and equipment	-		132,254
Administration expenses	1,673,211		1,567,468
	<u>16,827,774</u>		<u>13,943,518</u>



**OPERA AUSTRALIA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(CONTINUED)

**NOTE 8. CASH AND CASH EQUIVALENTS**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	2,081,112	3,253,037
Total cash and cash equivalents	<u>2,081,112</u>	<u>3,253,037</u>
Reconciliation from the net surplus to net cash flows from operations:		
Net surplus / (deficit)	(1,185,885)	(264,514)
Adjustments for:		
Depreciation, amortisation and impairment	5,342,426	5,510,537
Net (gain) / loss on disposal of property, plant and equipment	(4,345)	132,254
Net unrealised gain on change in fair value of available-for-sale financial assets	270,146	716,055
Changes in assets and liabilities:		
(Increase) / decrease in assets:		
Accounts receivable, net	(739,047)	(474,639)
Prepayments and other assets	1,529,033	(160,316)
Financial assets	(1,303,845)	(2,411,056)
(Decrease) / increase in liabilities:		
Accounts payable	350,733	(358,915)
Other liabilities	495,789	(2,222,119)
Provisions	(463,312)	95,708
Net cash flows from operating activities	<u>4,291,693</u>	<u>562,995</u>

**NOTE 9. TRADE AND OTHER RECEIVABLES (CURRENT)**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Trade and other receivables	3,486,576	2,749,293
Provision for doubtful debts	(12,736)	(14,500)
Total trade and other receivables (Current)	<u>3,473,840</u>	<u>2,734,793</u>

An increase in doubtful debts provision of \$212,601 has been raised in the parent entity Opera Australia for the receivable owing from the related party Australian Opera and Ballet Orchestra. The receivable and related doubtful debts provision both eliminate on consolidation.

The fair value of financial assets is equivalent to the carrying amount at the reporting date as disclosed in the consolidated Statement of Financial Position and related notes. This is because either the carrying amounts approximate to the fair value or because of their short-term to maturity.

**NOTE 10. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CURRENT)**

Listed managed funds (a)	14,076,642	12,772,797
	<u>14,076,642</u>	<u>12,772,797</u>

(a) Units held in managed funds are readily saleable with no fixed term.

The fair value of financial assets is equivalent to the carrying amount at the reporting date as disclosed in the consolidated Statement of Financial Position and related notes. This is because either the carrying amounts approximate to the fair value or because of their short-term to maturity.

Available-for-sale financial assets are fully attributable to Opera Australia Capital Fund entities.

**NOTE 11. PREPAYMENTS (CURRENT)**

Deferred production costs	1,649,549	3,470,593
Prepaid expenditure	1,286,474	988,573
Materials to be utilised in future productions	30,787	36,677
Total prepayments (Current)	<u>2,966,810</u>	<u>4,495,843</u>

**OPERA AUSTRALIA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

**NOTE 12. OTHER FINANCIAL ASSETS (NON-CURRENT)**

	2014 \$	2013 \$
The following shares and investments are carried at cost		
Shares in associated and controlled companies		
- Unlisted	<u>2</u>	<u>2</u>
The following interest in an associate is accounted for using the equity method		
Interest in an associate		
- Opera Conference Partnership	<u>298,740</u>	<u>293,974</u>
Total other financial assets (Non-Current)	<u>298,742</u>	<u>293,976</u>

Opera Australia has a 45.9% interest in The Opera Conference Partnership, involved in the production of Opera performances in Australia. The Group's interest in The Opera Conference Partnership is accounted for using the equity method in the consolidated financial statements. The Partnership cannot distribute its profits without majority consent of the four partners.

**NOTE 13. PROPERTY, PLANT AND EQUIPMENT**

	Land and buildings (a)	Leasehold improvements	Plant and equipment (b)	Costumes, scenery sets and properties (c)	Total property, plant and equipment
At 1 January, 2014					
Deemed cost	22,054,753	37,857	5,897,997	25,507,487	53,498,094
Additions	68,798	-	496,737	4,917,551	5,483,086
Disposals	-	-	(62,796)	(2,536,305)	(2,599,101)
At 31 December, 2014	22,123,551	37,857	6,331,938	27,888,733	56,382,079
At 1 January, 2014					
Accumulated depreciation and impairment	(2,352,766)	(33,221)	(3,934,258)	(21,294,094)	(27,614,339)
Depreciation/Amortisation charge for the year	(213,813)	(1,590)	(474,280)	(3,879,895)	(4,569,578)
Impairment charge for the year	-	-	-	(772,848)	(772,848)
Disposals	-	-	40,587	2,536,305	2,576,892
At 31 December, 2014	(2,566,579)	(34,811)	(4,367,951)	(23,410,532)	(30,379,873)
Net carrying amount					
At 1 January, 2014	19,701,987	4,636	1,963,739	4,213,393	25,883,755
At 31 December, 2014	19,556,972	3,046	1,963,987	4,478,201	26,002,206

(a) Freehold land and building values are stated at deemed cost.

(b) Plant and equipment is inclusive of musical instruments.

(c) The insured value of costumes, scenery sets and properties is \$38,141,000. This compares with the amortised balance above of \$4,478,201.

**NOTE 14. TRADE AND OTHER PAYABLES (CURRENT)**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Trade payables	1,752,066	1,688,610
Other payables	1,695,020	2,178,587
Accruals	1,656,531	885,687
<b>Total trade and other payables (Current)</b>	<b>5,103,617</b>	<b>4,752,884</b>

The fair value of financial liabilities is equivalent to the carrying amount at the reporting date as disclosed in the consolidated Statement of Financial Position and related notes. This is because either the carrying amounts approximate to the fair value or because of their short-term to maturity.

**NOTE 15. INTEREST BEARING LOANS AND BORROWINGS***Financing facilities available*

At the reporting date the Group has with the Commonwealth Bank a bank overdraft facility of \$3,000,000 and a bill drawdown facility of \$3,000,000 secured by a charge over freehold land and buildings. The overdraft is subject to an interest rate of up to 7.29%.

There were no borrowings at the end of 2014.

**NOTE 16. PROVISIONS**

Annual leave	1,774,619	2,124,313
Long service leave	3,346,950	3,378,060
<b>Total provisions (Current)</b>	<b>5,121,569</b>	<b>5,502,373</b>
 Long service leave	 935,127	 1,017,635
<b>Total provisions (Non-Current)</b>	<b>935,127</b>	<b>1,017,635</b>

**OPERA AUSTRALIA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(CONTINUED)

**NOTE 17. GOVERNMENT GRANTS RECEIVED IN ADVANCE (CURRENT)**

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Grants received in advance:		
Federal	3,920,451	3,716,967
NSW	-	51,642
Victoria	-	50,000
Other	100,000	50,000
Total grants received in advance	<u>4,020,451</u>	<u>3,868,609</u>

The federal grants received in advance balance relates primarily to a proportion of the 2015 base funding from the Major Performing Arts Board for next year's activity (\$3,181,818). The remaining federal grants received in advance balance relates to: \$485,452 for the Playing Australia 2015 Regional Tour, \$246,202 for *The Rabbits* via The Major Festivals Initiative and \$6,979 for Creative Communities Partnerships Initiative. The Other grants received reflects \$50,000 from Creative Partnerships Australia matching program as well as \$50,000 from the Department of Foreign Affairs and Trade to present the *Shane Warne Musical*.

**NOTE 18. UNEARNED REVENUE (CURRENT)**

Future seasons income	2,479,678	3,034,071
Advance bookings	15,535,891	14,637,551
Total unearned revenue	<u>18,015,569</u>	<u>17,671,622</u>

**NOTE 19. OTHER RESERVES**

Opening balance	15,998	-
Exchange differences on translation of foreign operations	(2,320)	15,998
Closing balance	<u>13,678</u>	<u>15,998</u>
<i>Net Unrealised Gains Reserve</i>		
Opening balance	1,313,493	597,438
Net gains on available-for-sale financial assets (a)	270,146	716,055
Closing balance	<u>1,583,639</u>	<u>1,313,493</u>
<i>New Works and Touring Reserve</i>		
Opening balance	1,000,000	1,000,000
Closing balance	<u>1,000,000</u>	<u>1,000,000</u>
Total other reserves	<u>2,597,317</u>	<u>2,329,491</u>

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

## NOTE 20. RETAINED EARNINGS

	Consolidated	
	2014	2013
	\$	\$
Opening balance	14,291,587	14,556,101
Net surplus / (deficit) for the year	(1,185,885)	(264,514)
Closing balance	<u>13,105,702</u>	<u>14,291,587</u>

## NOTE 21. COMMITMENTS AND CONTINGENCIES

### (A) ARTISTS AND VENUE CONTRACTS

Committed expenditure is payable as follows:

Within one year	12,200,117	11,458,960
After one year but not more than five years	499,700	-
	<u>12,699,817</u>	<u>11,458,960</u>

The Group, by the nature of its operations, has entered into contracts for performances scheduled to take place during 2015 and subsequent years. These amounts include the maximum expenditure required to satisfy the contracts with the artists. The terms and conditions of the contracts place a liability on the Group under certain circumstances to pay specified sums should the artists not be engaged or the performances not take place.

The parent entity enters into contracts for the hire of theatres and performances venues. As at 31 December 2014, contracts for use of the Arts Centre Melbourne, the Sydney Opera House, Queensland Performing Arts Centre, Princess Theatre, the Sydney Festival and Royal Botanic Gardens (including water access via Roads and Maritime Services) had been committed for 2015 and included within commitments above. The Sydney Opera House, Princess Theatre, the Sydney Festival and Royal Botanic Gardens (including water access via Roads and Maritime Services) commitments have been reported at the minimum base rental only.

### (B) OPERATING LEASE COMMITMENTS

Operating leases have been entered into to provide costume, set and properties storage and also for the hire of machinery. Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

Within one year	124,582	120,719
	<u>124,582</u>	<u>120,719</u>

## NOTE 22. SEGMENT INFORMATION

The Group operates predominantly in the performing arts industry, specifically the production and staging of operas and music theatre as the National Opera Company in Australia and the provision of orchestral services to both Opera Australia and The Australian Ballet. As such, management considers that the entity operates in one segment.



# OPERA AUSTRALIA

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

### NOTE 23. KEY MANAGEMENT PERSONNEL COMPENSATION

The following compensation was made to the sixteen employees (2013: fifteen employees) on the executive team for their contributions as employees for the Group and for conducting and directing services:

	<b>Consolidated</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$</b>	<b>\$</b>
Employee benefits (a)	2,646,491	2,457,984
Total Compensation	<u>2,646,491</u>	<u>2,457,984</u>

(a) Employee benefits include short-term employee benefits and termination benefits. Short-term employee benefits include annual salary, superannuation payments, paid leave, conducting and directing fees, and all other compensation.

### NOTE 24. RELATED PARTY DISCLOSURE

#### (A) CONTROLLED ENTITIES:

The following were controlled entities at 31 December 2014. The Australian Opera and Ballet Orchestra Limited, Opera Australia Capital Fund, Opera Australia Capital Fund UK and Opera Australia Capital Fund Limited have the same reporting date as that of the parent entity and have been included in the consolidated financial statements. OA Super Pty Limited was a superannuation trust company. With the winding up of the OA Superannuation Fund, the company is now a shell company and as such is not included in the consolidated financial statements.

<b>Name of controlled entity</b>	<b>Reporting date</b>	<b>Place of Incorporation</b>	<b>Ownership interest</b>
Australian Opera and Ballet Orchestra Limited	31 December	Australia	100%
OA Super Pty Limited	30 June	Australia	100%
Opera Australia Capital Fund *	31 December	Australia	0%
Opera Australia Capital Fund UK *	31 December	United Kingdom	0%
Opera Australia Capital Fund Limited *	31 December	Australia	0%

\* Opera Australia Capital Fund Limited is the trustee of the Opera Australia Capital Fund. These entities and Opera Australia Capital Fund UK are controlled entities as the Opera Australia Board has the right of veto over independent appointments to the Opera Australia Capital Fund Limited Board and Opera Australia is the predominant beneficiary of the Opera Australia Capital Fund.

Although included in the consolidated result of Opera Australia Group, the Opera Australia Capital Fund reserves of \$14,482,337 are only accessible to Opera Australia through the provisions of the Opera Australia Capital Fund Trust Deed and the Reserve Incentive Scheme Deeds referred to in Note 6.

During January 2009, \$1.2m was paid to the Melva Thompson Bequest Fund, of which an Opera Australia representative is one of two trustees. This amount relates to the Melva Thompson Estate which was settled in November 2008. These funds are to be managed jointly by Opera Australia with the Victorian Opera Company, the other beneficiary, to assist the development and performance of opera and music theatre in the state of Victoria.

In November 2014, the Melva Thompson Bequest Fund was dissolved. The Melva Thompson Bequest Fund was jointly managed by Opera Australia and an unrelated entity. All remaining funds were distributed to the beneficiaries in accordance with the trust deed and a resolution of the Trustees. Opera Australia received a cash distribution of \$622,499 upon termination of the trust in 2014.

## NOTE 24. RELATED PARTY DISCLOSURE (CONTINUED)

### (B) TRANSACTIONS WITH RELATED PARTIES IN THE WHOLLY OWNED GROUP:

The parent entity entered into the following transactions during the year with related parties in the wholly owned group:

- loans were received and repayments made on short-term intercompany accounts; and
- management fees were received from a wholly owned controlled entity.

These transactions were undertaken on commercial terms and conditions.

### (C) TRANSACTIONS WITH DIRECTORS

The parent entity's Memorandum of Association prohibits the payment of remuneration to Directors and no Director has received or become entitled to receive any remuneration during the financial year.

Contracts are entered into in the normal course of business by the Group with companies of which some Directors are common to both. Apart from details disclosed in this note, since the end of the previous year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Group with the Director, with a firm of which he or she is a member, or with a company in which he or she has a substantial interest.

In 2014, income for rehearsal studio hire of \$644 (2013: nil) was received by the parent entity from The Ambassador Theatre Group Asia Pacific. The rehearsal studio hire was charged at normal market prices. The CEO of The Ambassador Theatre Group Asia Pacific is Tim McFarlane, a director of the parent entity. No amount was outstanding at 31 December 2014.

## NOTE 25. GUARANTEE

Every member of the parent entity undertakes to contribute to the assets of the company, if it is wound up while he/she is a member or within one year after he/she ceases to be a member, for payment of the debts and liabilities of the company, contracted before he/she ceased to be a member, and of the costs, charges and expenses of winding up and for the adjustment of the rights of contributors amongst themselves, such amount as may be required but not exceeding twenty dollars (\$20).

## NOTE 26. PARENT ENTITY INFORMATION

### Information relating to Opera Australia

	2014 \$	2013 \$
Current Assets	7,548,427	9,822,094
Total Assets	33,849,376	35,999,827
Current Liabilities	30,659,459	30,783,439
Total Liabilities	31,419,520	31,608,146
Other reserves	1,000,000	1,000,000
Retained earnings	1,429,856	3,391,681
Total Equity	<u>2,429,856</u>	<u>4,391,681</u>
Total net deficit for the year	<u>(1,961,825)</u>	<u>(2,683,891)</u>

A Deed of Cross Guarantee currently exists between Opera Australia and the Australian Opera and Ballet Orchestra. This Deed commits each entity to guarantee the debts of the other entity. The Australian Opera and Ballet Orchestra recorded a deficit of \$235,672 at the end of 2014 (2013: deficit of \$71,157).



**OPERA AUSTRALIA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Continued)

**NOTE 27. EMPLOYEE NUMBERS**

	2014	Consolidated 2013
The number of full time equivalents employed as at 31 December	549	558
Total number of full time equivalents	<u>549</u>	<u>558</u>

**NOTE 28. REMUNERATION OF AUDITORS**

The auditor of Opera Australia is Ernst & Young.

Amounts received or due and receivable by Ernst & Young Australia for:

	\$	\$
An audit of the financial report of the entity	185,000	145,000
Total remuneration of auditors	<u>185,000</u>	<u>145,000</u>

During the year, an amount equivalent to the audit fee of \$185,000 (2013: \$145,000) was donated by the Ernst & Young Foundation to Opera Australia in accordance with the Sponsorship agreement.

## OPERA AUSTRALIA DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Opera Australia, I state that in the opinion of the directors:

- (a) The financial statements and notes of the company and Group are in accordance with the *Corporations Act 2001* and 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 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards-Reduced Disclosure Requirements, the *Corporations Regulations 2001* and the *Australian Charities and Not-for-Profits Commission Regulation 2013*; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



D. MORTIMER

Director



T. McFARLANE

Director

Sydney  
3 March 2015

## Independent auditor's report to the members of Opera Australia

We have audited the accompanying financial report of Opera Australia which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### ***Directors' responsibility 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, the *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### ***Auditor's responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### ***Independence***

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012*. We have given to the directors of the company a written Auditor's Independence Declaration.



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### Opinion

In our opinion the financial report of Opera Australia is in accordance with the *Corporations Act 2001* and the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

- (a) giving a true and fair view of the financial position of Opera Australia at 31 December 2014 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements, the *Corporations Regulations 2001* and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Ernst & Young

Lisa Nijssen-Smith

Partner

Sydney

3 March 2015

## Auditor's Independence Declaration to the Directors of Opera Australia

In relation to our audit of the financial report of Opera Australia for the financial year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Lisa Nijssen-Smith  
Partner  
3 March 2015



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