

Opera Australia
and its Controlled Entities

Financial Report

For the year ended 31 December 2018
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 2018.

DIRECTORS

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

Names	Qualifications, experience and special responsibilities
David Mortimer AO (Chairman from April 2013)	Mr Mortimer has over 40 years of corporate finance and commercial experience both as a Chief Finance Officer and Chief Executive Officer of TNT Limited the worldwide transport and logistics group. He was a founding Shareholder and Chairman of private equity group Crescent Capital Partners until his retirement in December 2017. He is a Director of public and private companies and has interests in property, agriculture and portfolio investments. Mr Mortimer was a Fellow of the Senate of the University of Sydney until November 2017. He continues as Chairman of the investment committee of the University. He has chaired several publicly listed companies and government businesses in addition to his current directorships; he continues to serve as Chairman and Director of not for profit organisations and foundations. Mr Mortimer has a Bachelor of Economics (First Class Honours) from the University of Sydney. He was appointed as an Officer of the Order of Australia in 2005 for "Service to business and commerce through innovation and visionary leadership, as an advisor to government and to the community." He joined the Board of Opera Australia in January 2013 and was elected Chairman in April 2013. Mr Mortimer is Chair of the People Remuneration and Nominations Committee and a member of the Property Advisory Committee and Audit and Risk Committee.
Lesley Alway	Ms Alway, BEd, BA (Hons), MBA, is Chair of the Geelong Performing Arts Centre Trust and a member of the Australia-ASEAN Council appointed through the Department of Foreign Affairs and Trade. 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, Director, Asialink Arts, University of Melbourne, Member of the Board of Australian Centre for Contemporary Art (ACCA) and Chair, Public Art Committee, City of Melbourne. Ms Alway was appointed to Board of Opera Australia in December 2009 and resigned in May 2018.
Philip Bacon AM	Mr Bacon is Director, Philip Bacon Galleries Pty Ltd, Deputy Chairman, Brisbane Festival, Deputy Chairman, Council for the Order of Australia, Chairman of Opera Australia Capital Fund, Trustee, Gordon Darling Foundation, Trustee Margaret Olley Art Trust, and Member of the Board of the Foundation of the National Gallery of Australia. 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. Mr Bacon was made a Member, Order of Australia in 1999 receiving in the same year a Doctor of Philosophy (honoris causa) from the University of Queensland. In 2002 Mr Bacon received a Doctor of the University from Griffith University, and Doctor of the University from Queensland University of Technology in 2005. Mr Bacon was re-appointed to the Board of Opera Australia in March 2014.
Brian Benjamin	Mr Benjamin, BEc MBA, has worked in corporate finance for over 30 years including 14 years with Macquarie Corporate Finance and the balance in his own advisory business. He specialised in mergers, acquisitions and advisory roles in telecoms, mining and infrastructure. He was instrumental

DIRECTORS REPORT (Continued)

in the establishment and success of Melbourne Chamber Orchestra where he was Executive Chairman for five years. In that role, he initiated and guided the group's transition to the Melbourne Recital Centre and the appearance there in the year of its opening of the legendary Sir Neville Marriner. He is an active supporter of classical music and musicians in Melbourne. Mr Benjamin was appointed to the Board of Opera Australia in February 2017 and is a member of the Property Advisory Committee and the People Remuneration and Nominations Committee.

David Epstein

Mr Epstein is a non-executive Director and consultant public affairs adviser, specialising in political risk management, transaction advice, corporate communications, and regulatory strategy. He is Principal of Vigot & Co, Chair of Communications Compliance Limited, the independent consumer compliance monitoring body for the Australian telecommunications industry, and an Adjunct Professor within the Deakin Business School of Deakin University. Mr Epstein has held senior executive roles at Qantas Airways, BHP Billiton and Optus (Singtel), and been a senior adviser to three Australian Prime Ministers, culminating as Chief of Staff to the Prime Minister. Educated at The ANU and Wharton, Mr Epstein is a non-executive Director of Communications Compliance Ltd, The Asia Society-Australia, the European Australian Business Council and Can Too Foundation. He also sits on advisory boards for IoTStream Limited, the Advisory Board Centre and the Headon Photo-festival Foundation. Mr Epstein joined the Board of Opera Australia in June 2010 and is a member of the People Remuneration and Nominations Committee.

Jonathan Feder

Mr Feder, LLB (Hons)/BSc is a Partner and leader of the Intellectual Property team at K&L Gates in Australia. He is a current Board member of Melbourne Theatre Company, a role he has held since 2010 as well as a member of the Advisory Board to the Department of Fine Arts and Music at the University of Melbourne. Mr Feder has also raised investment funds for numerous theatrical productions which have been presented throughout the world including shows in New York, London and Australia. Mr Feder joined the Opera Australia Board in February 2017 and is a member of the Audit and Risk Committee.

Jane Hansen

Ms Hansen is a Company Director with more than 25 years investment banking and management experience in London, New York and Australia. Currently Chair and CEO of the Hansen Little Foundation and all associated philanthropic initiatives, Ms Hansen was formerly a mergers and acquisitions and corporate finance specialist at Macquarie Bank and First Boston/Credit Suisse. Ms Hansen joined the Board of the Melbourne Theatre Company in February 2015 and is also the inaugural Chair of the theatre company's Foundation. She is the Deputy Chancellor and a Member of the Council of the University of Melbourne, and sits on the Melbourne University Humanities Foundation and is Deputy Chair of the Believe Campaign. Ms Hansen also sits on the Board of the Lord Mayor's Charitable Foundation and is a Fellow of the University of Melbourne. Previous directorships include the MCG Trust, the State Sport Centres Trust, the federal body of Athletics Australia and the Foundation of the State Library of Victoria. Ms Hansen holds a Bachelors Degree in Economics from Monash University, a Masters Degree in Finance and Business Administration from Columbia University in New York, and is currently undertaking an Arts Degree majoring in History at Melbourne University. Ms Hansen joined the Board of Opera Australia in August 2018.

DIRECTORS' REPORT (Continued)

Tim McFarlane AM Mr McFarlane, BEd, is the Executive Chairman of Trafalgar Entertainment Group since 2018 and a Director of Entertainment Assist, a national health promotion charity. He is a former President and Life Member of Live Performance Australia. From 1996 to 2005 he was a Trustee of the Sydney Opera House, from 1986 to 1994 he was General Manager of the Adelaide Festival Centre Trust and the Adelaide Festival, from 1994 to 2013, he was the Managing Director of The Really Useful Company Asia Pacific and from 2013 to 2017 he was the CEO of the Ambassador Theatre Group Asia Pacific. Mr McFarlane was made a Member of the Order of Australia in 2016. He joined the Board of Opera Australia in August 2006 and is a member of the Audit and Risk Committee, the Property Advisory Committee and the People, Remuneration and Nominations Committee.

Alison Pert Dr Pert, LLB (Manc) LLM (Lond) PhD (Sydney) Adjunct Associate Professor, University of Sydney, is a lawyer with extensive experience in commercial contracts, litigation, insurance and public international law. Her career has spanned the government, private and academic sectors, both in Australia and overseas. Dr Pert has worked for the governments of Papua New Guinea and Australia, representing the latter in treaty negotiations. She has worked in private practice and as in-house counsel, and currently lectures in public international law at the University of Sydney. She is the author of two books and many articles and papers; she also gives media interviews on the issues of public international law arising from current events. Dr Pert was appointed to the Board of Opera Australia in June 2017 and is a member of the Property Advisory Committee and the People, Remuneration and Nominations Committee.

Deena Shiff Ms Shiff BSc(Econ) LSE, MA(Law) Cambridge is the Chairman of the global board of the BAI Communications Group, the Chairman of a Co-operative Research Centre in health sciences, a Non-Executive Director on the board of ASX listed Appen Ltd, a Director of the Government advisory body Infrastructure Australia, the Chairman of the Supervisory Board of ASX listed Marley Spoon AG and the Chairman of the Advisory Board of the Australian Centre for China in the World. Ms Shiff is on the Member Council of Musica Viva and was until February 2018 the Chair of the Sydney Writers' Festival. Ms Shiff was previously a Group Managing Director at Telstra, running Telstra Wholesale and then Telstra Business. In 2011, Ms Shiff established Telstra's corporate venture capital arm, Telstra Ventures. Ms Shiff has also been a partner at Mallesons Stephen Jacques. Ms Shiff was appointed to the Board of Opera Australia in June 2017 and is a member of the Audit and Risk Committee and the People, Remuneration and Nominations Committee.

Andrew Sisson AO Mr Sisson graduated in mathematics and statistics from Melbourne University and joined the investment department of National Mutual Life as a share analyst in January 1974. He worked for National Mutual for fourteen years managing the share portfolios of the statutory funds as well as the portfolio management subsidiary. Mr Sisson established Balanced Equity Management in 1988 to manage discrete portfolios of Australian shares. It now has \$10 billion under management, concentrating on the largest fifty companies in the index with an investment approach based on long-term view fundamental value. In 2011 Balanced Equity Management was acquired by Franklin Resources Inc., a funds management company listed on the New York Stock Exchange. Mr Sisson is a Trustee of the National Gallery of Victoria, and has recently been a Director of Save the Children Australia and a member of the Takeovers Panel. Mr Sisson joined the Board of Opera Australia in February 2017, and was appointed Chairman of the Audit and Risk Committee in November 2017. Mr Sisson was awarded the Officer of the Order of Australia in 2018.

DIRECTORS' REPORT (Continued)

Josephine Sukkar AM

Ms Sukkar, BSc (Hons), Grad Dip Ed, is a co-owner and Principal of construction company Buildcorp and chair of the Buildcorp Foundation. Ms Sukkar is a professional company Director who works across a range of industries, including property, construction, finance, sport, the arts, medical research and social services. Ms Sukkar serves on a number of private, public, government and not-for-profit boards, including Growthpoint Properties Australia, Parramatta Park Trust, the Australian Museum, Centenary Institute of Medical Research, Melbourne University Infrastructure Committee and the Australian Rugby Foundation. She is President of Australian Women's Rugby and through Buildcorp has been a major sponsor of rugby in Australia for nearly 30 years. She has previously served as a Director of The Trust Company, and was Co-President of the YWCA NSW. In 2017 she was made a Member of the Order of Australia for her services to the community, the arts and sports. Ms Sukkar joined the Board of Opera Australia in 2011 and is Chair of the Property Advisory Committee.

DIRECTORS' INTERESTS

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

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of Board Committees) and number of meetings attended by each Director in their capacity as a Director or member of a Board Committee during 2018 are set out in the table below:

	Board of Directors		Audit and Risk Committee		People Remuneration and Nomination Committee	
	A	B	A	B	A	B
	Mr David Mortimer AO	7	7	8	8	2
Ms Lesley Alway	3	3	-	-	-	-
Mr Philip Bacon AM	7	6	-	-	-	-
Mr Brian Benjamin	7	6	-	-	1	1
Mr David Epstein	7	7	-	-	1	1
Mr Jonathan Feder	7	7	8	8	-	-
Ms Jane Hansen	2	2	-	-	-	-
Mr Tim McFarlane	7	6	8	5	2	2
Ms Deena Shiff	7	6	8	5	2	2
Mr Andrew Sisson AO	7	7	8	8	-	-
Ms Josephine Sukkar AM	7	5	-	-	-	-
Ms Alison Pert	7	7	-	-	2	2

A Number of meetings held during the year while the Director was a member of the Board or Committee

B Number of meetings attended by the Director during the year while the Director was a member of the Board or Committee

The Property Advisory Committee did not meet during the year.

DIRECTORS' REPORT (Continued)

PRINCIPAL ACTIVITIES

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

OPERATING AND FINANCIAL REVIEW

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

	2018	2017
	\$	\$
Opera Australia – Trading Result	342,676	(2,084,742)
Opera Australia – Bequests	4,482,518	-
Opera Australia net surplus / (deficit) for the year	4,825,194	(2,084,742)
Opera Australia Capital Fund and controlled entities after distribution to Opera Australia of \$788,769 (2017: \$665,000)	765,325	2,752,700
Consolidated Surplus for the year	5,590,519	667,958

Opera Australia (the parent entity) returned a modest surplus from trading activities during the 2018 year of \$342,676. The final reported surplus of \$4,825,194 (2017: deficit (\$2,084,742)) as reported in Note 24, was significantly enhanced by \$4,482,518 of bequest related funds received during the year as reported in Note 19. The Opera Australia Capital Fund and controlled entities' result reflected strong philanthropic support and investment income with overall investment returns impacted by a downturn in share market conditions in the latter part of 2018.

A detailed review of the operations of each operating entity is contained in the reports of the Chairman and Chief Executive within the annual report.

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 constitution 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 constitution 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. 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.

DIRECTORS' REPORT
(CONTINUED)

INDEMNIFICATION OF DIRECTORS AND OFFICERS


Insurance and indemnity arrangements established in previous years concerning officers of the Group were renewed and continued during 2018. 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 39 and forms part of the Directors' Report for the financial year 2018.



A.R.N. SISSON AO
Director



D. MORTIMER AO
Director

18th April 2019

**OPERA AUSTRALIA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

	Note	Consolidated	
		2018 \$	2017 \$
Current Assets			
Cash and cash equivalents	8	19,281,573	13,537,100
Trade and other receivables	9	4,172,903	3,635,259
Financial assets	10	21,217,744	17,514,273
Prepayments	11	1,853,254	2,232,449
Total Current Assets		46,525,474	36,919,081
Non-Current Assets			
Other financial assets	12	275,332	2
Property, plant and equipment	13	26,615,336	25,058,668
Total Non-Current Assets		26,890,668	25,058,670
Total Assets		73,416,142	61,977,751
Current Liabilities			
Trade and other payables	14	12,969,922	9,227,325
Provisions	16	5,445,122	5,380,193
Government grants received in advance	17	547,531	601,567
Unearned revenue	18	17,466,793	15,167,388
Total Current Liabilities		36,429,368	30,376,473
Non-Current Liabilities			
Provisions	16	1,054,407	844,698
Government grants received in advance	17	132,799	547,531
Total Non-Current Liabilities		1,187,206	1,392,229
Total Liabilities		37,616,574	31,768,702
Net Assets		35,799,568	30,209,049
Equity			
Other reserves	19	4,853,800	2,980,491
Retained earnings		30,945,768	27,228,558
Total Equity		35,799,568	30,209,049

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 2018**

	Note	Consolidated 2018 \$	2017 \$ Restated (refer note 2)
INCOME			
Sales revenue	4	67,004,710	67,269,622
Government grants	5	26,269,238	25,898,608
Other revenue and income	4	22,004,393	16,050,984
Total revenue and income		115,278,341	109,219,214
EXPENDITURE			
Staff and employment expenses	7	55,524,983	56,855,995
Travel and transport expenses		7,526,119	7,111,607
Venue expenses		11,261,466	8,170,055
Marketing and promotion expenses		12,759,445	13,428,291
Depreciation, amortization and impairment expense	7	1,629,470	3,979,248
Finance costs	7	546	6
Share of (gain) / loss of an associate		285,689	800,148
Other expenses	7	18,678,549	19,258,761
Total expenditure		107,666,267	109,604,111
Net gain/(loss) on financial assets	25	(2,028,540)	1,032,360
Surplus for the year		5,583,534	647,463
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation gain		6,985	20,495
Total other comprehensive income for the year		6,985	20,495
Total comprehensive income for the year		5,590,519	667,958

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 2018

	Note	Consolidated	
		2018	2017
		\$	\$
Operating activities			
Receipts from operations		119,019,046	113,836,302
Payments to suppliers and employees		(109,029,382)	(111,292,441)
Interest received		390,865	302,290
Franking credits received		150,943	109,561
Dividends received		146,116	-
Interest paid		(546)	(6)
Net cash flows from operating activities		<u>10,677,042</u>	<u>2,955,706</u>
Investing activities			
Purchase of property, plant and equipment		(3,186,139)	(2,974,947)
Purchase of units held in managed funds		(7,441,708)	(1,206,656)
Proceeds from sale of property, plant and equipment		-	91,058
Proceeds from disposal of units held in managed funds		6,436,869	206,656
Contribution to equity accounted associate		(748,576)	(329,397)
Net cash flows used in investing activities		<u>(4,939,554)</u>	<u>(4,213,286)</u>
Net increase/(decrease) in cash and cash equivalents		5,737,488	(1,257,580)
Net foreign exchange differences		6,985	(20,495)
Cash and cash equivalents at 1 January		13,537,100	14,815,175
Cash and cash equivalents at 31 December	8	<u>19,281,573</u>	<u>13,537,100</u>

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 2018**

	Note	Other Reserves \$	Retained Earnings \$	Total \$
Consolidated				
Balance as at 31 Dec 2016		1,983,944	27,557,147	29,541,091
AASB 9 implementation	2	(980,946)	980,946	-
1 January 2017		1,002,998	28,538,093	29,541,091
Net surplus for the year		-	647,463	647,463
Other comprehensive income		20,495	-	20,495
Transfer to/(from) Investment Revaluation Reserve		1,956,998	(1,956,998)	-
		-	-	-
At 31 December 2017	19	2,980,491	27,228,558	30,209,049
Net surplus for the year		-	5,583,534	5,583,534
Other comprehensive income		6,985	-	6,985
Transfer to/(from) Investment Revaluation Reserve		(2,616,194)	2,616,194	-
Transfer to Bequests Reserve		4,482,518	(4,482,518)	-
At 31 December 2018	19	<u>4,853,800</u>	<u>30,945,768</u>	<u>35,799,568</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 2018 was authorised for issue in accordance with a resolution of the Directors on 18th April 2019.

Opera Australia (the parent entity) is a not-for-profit organisation and a public company 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.

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 *Australian Charities and Not-for-Profits Commission Act 2012*, Australian Accounting Standards – Reduced Disclosure Requirements, 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 net book value (Note 13) and financial assets 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 group has elected to present Tier 2 General Purpose Financial Statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB-RDRs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), and the Australian Charities and Not-for-Profits Commissions Act 2012.

The accounting policies are consistent with those of the previous financial year except the first-time application of AASB 9 Financial Instruments that is described below.

Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and short-term deposits, trade receivables, payables, managed funds and listed equity investments.

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.

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies, new and amended standards and interpretations

There are certain standards and amendments which are effective for annual periods beginning on or after 1 January 2018. These amendments have had no impact on the Group's statement of financial position or performance for the period except for the policies statement below:

AASB 9 Financial Instruments:

The Group has adopted AASB 9 from 1 January 2018. The standard introduced new classification and measurement models for financial assets:

- A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest.
- A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value.
- All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ("OCI").

Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New impairment requirements use an expected credit loss ("ECL") model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For trade receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

As a result of the adoption of AASB 9, the Group designated the managed funds and listed equity investments disclosed in note 10 as financial assets measured at fair value through profit or loss. On 1 January 2017, the Net Investment Revaluation Reserve (included in "Other Reserves" of the consolidated statement of changes in equity) is transferred to Retained Earnings. Subsequent to 1 January 2017, all movements on the managed funds and listed equity investments are recognised in the profit or loss under "Net gain/(losses) on financial assets". The Group intend to accumulate the unrealised fair value adjustments in respect of the financial assets. Therefore, for each period, the Group transfers the unrealised fair value adjustment of the period from Retained Earnings to the Net Investment Revaluation Reserve.

A summary of the retrospective changes made to the 2017 comparatives in the Consolidated Statement of Profit or Loss and Comprehensive Income in relation to the implementation of AASB 9 to reflect the recognition of unrealised gains on financial assets of \$976,052 through the profit and loss is as follows:

	2017 Restated \$	2017 Issued \$
Net Surplus / (Deficit) for the year	647,463	(328,589)
Total Other Comprehensive Income for the year	20,495	996,547
Total Comprehensive Income for the year	<u>667,958</u>	<u>667,958</u>

OPERA AUSTRALIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

Accounting standards and interpretations issued but not yet effective

The following Australian Accounting Standards and AASB Interpretations were recently issued or amended, but were not yet effective and were not adopted for the annual reporting period ended 31 December 2018:

AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers establishes a comprehensive framework for recognising revenue. AASB 15 will become mandatory for the 31 December 2019 financial statements. The standard introduces a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Where required, credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period. The Group is assessing the potential impact of applying this new standard.

AASB 1058 Income of Not-for-Profit Entities

AASB 1058 Income of Not-for-Profit Entities simplifies the income recognition requirements that apply to not-for-profit entities, in conjunction with AASB 15 Revenue from Contracts with Customers. AASB 1058 will become mandatory for the 31 December 2019 financial statements. The Group is assessing the potential impact of applying this new standard.

AASB 16 Leases

AASB 16 Leases removes the current operating and finance lease distinction and requires entities to recognise all material leases on the Statement of Financial Position. AASB 16 will become mandatory for the 31 December 2019 financial statements, and the Group has made a preliminary assessment of the potential impact of applying this new standard. The Group is assessing the potential impact of applying this new standard.

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. Note 22 (a) provides details of the entities comprising the Group.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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.

OPERA AUSTRALIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

As at 31 December 2018, the Group's current assets exceeded current liabilities by \$10,096,106 (2017: \$6,542,608).

A large component of net assets is readily convertible 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.

In addition, 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.

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 and Comprehensive Income upon presentation of the performance. Cash received from ticket sales in respect of productions not yet performed is included in the 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 that rights to benefits are granted.

Donations

Donations are recognised as revenue when the Group obtains control of the contribution and its amount can be measured reliably. For non-reciprocal donations, this is generally when the cash is received.

Bequests

Bequests are recognised as revenue when the Group obtains control of the contribution and its amount can be measured reliably. For non-reciprocal bequests, this is generally when the cash or property is received.

Government Grants

The annual grants from the Australian Government through the Major Performing Arts Board of the Australia Council, the New South Wales Government through Create NSW and the Victorian Government through Creative Victoria are received on a calendar basis. Grants are phased evenly across the reporting period. Project-specific grants are brought to account based on timing of the project. Any funding not spent on the planned activities agreed between the parties at the start of each calendar year is required to be repaid.

Interest

Interest income is recognised as the interest accrues.

OPERA AUSTRALIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

PROPERTY, PLANT AND EQUIPMENT

Land and buildings are carried at net book value.

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 and intangibles as follows:

Buildings	50 years
Building additions	5-20 years
Musical instruments	4-20 years
Leasehold improvements	3-10 years
Software	3-5 years
Plant and equipment	3-10 years

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 Group 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

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

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

IMPAIRMENT AND RECOVERABLE AMOUNT OF NON-CURRENT ASSETS

Impairment

The carrying values of property, 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 day terms, are recognised at fair value less an allowance for any expected credit loss which is raised pursuant to AASB 9 Financial Instruments.

Collectability of trade receivables is reviewed on an ongoing basis. Under AASB 9 Financial Instruments, the Group uses an expected credit loss ("ECL") model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For trade receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

INVESTMENT IN ASSOCIATES AND JOINT VENTURES

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.

OPERA AUSTRALIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group's investments in its associates and joint ventures 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.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the Statement of Profit or Loss and Comprehensive Income.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss in the Statement of Profit or Loss and Comprehensive Income.

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 twelve 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.

OPERA AUSTRALIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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. 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 corporate 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.

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 Profit or Loss and Comprehensive Income.

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

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 Profit or Loss and 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. Trade receivables and trade 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 Statement of Financial Position. Cash flows are included in the 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.

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

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 based on management experience and judgement.

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 4. REVENUE AND INCOME

Surplus from operations is after crediting the following revenues:

	2018	Consolidated	2017
	\$		\$
<i>Sales revenue</i>			
Box office	61,396,258		63,705,786
Commercial activities	5,608,452		3,563,836
Total sales revenue	<u>67,004,710</u>		<u>67,269,622</u>
<i>Other revenue and income</i>			
Contributions (donations and sponsorship)	12,069,962		9,744,087
Bequest revenue (a)	5,364,372		174,437
Other revenue (b)	3,008,390		5,186,656
Interest income from unrelated persons (c)	390,865		302,289
Investment income from unrelated persons (c)	1,170,804		643,515
Total other revenue and income	<u>22,004,393</u>		<u>16,050,984</u>

(a) Bequest revenue includes \$4,663,466 attributable to Opera Australia as the parent entity (2017: nil).

(b) Includes investment from government destination organisations and equity accounting contributions.

(c) Interest and investment income includes \$968,935 (2017: \$644,821) attributable to Opera Australia Capital Fund entities.

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)

NOTE 5. GOVERNMENT GRANTS

	Consolidated	
	2018	2017
	\$	\$
<i>Australia Council</i>		
Base Funding Major Performing Arts Board	21,170,160	20,877,868
Playing Australia	444,913	499,565
Total Australia Council	21,615,073	21,377,433
<i>Other Federal</i>		
Australia Council & MPA Collaborative	-	85,485
Total Other Federal	-	85,485
<i>Create NSW</i>		
Base Funding	3,429,622	3,367,802
Primary Schools Touring	66,625	66,625
Total Create NSW	3,496,247	3,434,427
<i>Creative Victoria</i>		
Base Funding	1,001,263	1,001,263
Touring Victoria	156,655	-
Total Creative Victoria	1,157,918	1,001,263
Total government grants	<u>26,269,238</u>	<u>25,898,608</u>

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 6. OPERA AUSTRALIA CAPITAL FUND INCOME RECEIVED FROM TRUSTEE

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 were 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:

	2018	Consolidated	2017
	\$		\$
Opera Australia Capital Fund Limited	-		1,557,000
Federal	-		1,550,000
NSW	-		1,085,000
Victoria	-		465,000
Opera Australia Capital Fund income received from trustee	-		4,657,000

The requirement of the Reserves Incentive Scheme to aggregate all income expired, and the restriction lifted, in August 2018. Opera Australia Capital Fund Limited's 15 year escrow obligation in relation to the funds held under that agreement has come to an end. The consequence of that termination is that Opera Australia Capital Fund Limited now holds the funds free of the escrow and absolutely for its own benefit. Opera Australia Capital Fund Limited proposes to transfer those funds from Opera Australia Capital Fund Limited in its own right to Opera Australia Capital Fund Limited as trustee of Opera Australia Capital Fund (the Fund) so that the funds will become part of the corpus of the Fund and be held in accordance with its trust deed to be applied for the benefit of Opera Australia. The transfer will be effected during the year-ending 31 December 2019.

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 7. EXPENDITURE

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

	Consolidated	
	2018	2017
	\$	\$
Staff and employment expenses	55,524,983	55,633,655
Past superannuation contributions to employees	-	1,222,340
	<u>55,524,983</u>	<u>56,855,995</u>
<i>Depreciation, amortisation and impairments:</i>		
Depreciation of:		
- Buildings	152,121	148,189
- Property, plant and equipment	579,939	440,568
Amortisation of costumes, scenery sets and properties	897,410	2,632,778
Impairment of costumes, scenery sets and properties	-	757,713
	<u>1,629,470</u>	<u>3,979,248</u>
<i>Finance Costs:</i>		
Line/overdraft fees	83,250	92,278
Interest paid or payable to:		
Other unrelated parties	546	6
	<u>83,796</u>	<u>92,284</u>
<i>Other Expenses:</i>		
Production expenses	6,754,687	10,517,370
Premises	1,421,496	1,664,269
Scores, royalties & instruments	6,718,491	3,405,690
Insurance	425,741	458,873
IT	1,014,488	883,953
Recording and surtitles	184,682	100,219
Professional fees	1,059,226	985,318
Net loss on asset disposal	-	20,297
Administration expenses	1,016,488	1,130,494
	<u>18,595,299</u>	<u>19,166,483</u>

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 8. CASH AND CASH EQUIVALENTS

	Consolidated	
	2018	2017
	\$	\$
Cash at bank and on hand	19,281,573	13,537,100
Total cash and cash equivalents	<u>19,281,573</u>	<u>13,537,100</u>

NOTE 9. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade and other receivables	4,268,845	3,640,512
Allowance for expected credit losses / Provision for doubtful debts	(95,942)	(5,253)
Total trade and other receivables (Current)	<u>4,172,903</u>	<u>3,635,259</u>

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. FINANCIAL ASSETS (CURRENT)

Managed funds (a)	17,882,671	17,514,273
Listed equity investments	3,335,073	-
	<u>21,217,744</u>	<u>17,514,273</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.

NOTE 11. PREPAYMENTS (CURRENT)

Deferred production costs	1,307,168	1,824,441
Prepaid expenditure	540,881	386,749
Materials to be utilised in future productions	5,205	21,259
Total prepayments (Current)	<u>1,853,254</u>	<u>2,232,449</u>

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 12. OTHER FINANCIAL ASSETS (NON-CURRENT)

	2018	Consolidated	2017
	\$		\$
The following shares and investments are carried at fair value:			
Shares in controlled companies (unlisted)	2		2
Equity Investment (unlisted)	275,330		-
Total other financial assets (Non-Current)	<u>275,332</u>		<u>2</u>

Opera Australia has a 40.0% 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.

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 13. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings (a)	Leasehold Improvements	Plant and Equipment (b)	Costumes, Scenery, Sets and Props	Total Property, Plant and Equipment
At 1 January 2018 Deemed cost	20,330,510	82,522	8,944,989	35,487,613	64,845,635
Additions	57,785	114,965	1,056,893	1,956,495	3,186,137
Transfer	33,670	(44,665)	10,995	-	-
Disposals	-	-	-	-	-
Cost at 31 December 2018	20,421,965	152,822	10,012,877	37,444,108	68,031,772
At 1 January 2018 Accumulated depreciation and impairment	(2,593,928)	(37,857)	(5,355,602)	(31,799,579)	(39,786,966)
Depreciation/ Amortisation charge for the year	(152,121)	-	(579,939)	(897,410)	(1,629,470)
Disposals	-	-	-	-	-
Accumulated depreciation and impairment at 31 December 2018	(2,746,049)	(37,857)	(5,935,541)	(32,696,989)	(41,416,437)
Net carrying amount At 1 January 2018	17,736,582	44,665	3,589,387	3,688,034	25,058,669
At 31 December 2018	17,675,916	114,965	4,077,336	4,747,119	26,615,336

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

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

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 14. TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated	
	2018	2017
	\$	\$
Trade payables	3,122,411	3,573,214
Other payables	2,268,847	3,146,380
Accruals	7,578,664	2,399,571
Amounts owed to Associates	-	108,160
Total trade and other payables (Current)	<u>12,969,922</u>	<u>9,227,325</u>

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 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 (2017: \$3,000,000) and a bill drawdown facility of \$3,000,000 (2017: \$3,000,000) secured by a charge over freehold land and buildings. The overdraft is subject to an interest rate of up to 4.52% (2017: 4.52%). The Group has decided not to renew these facilities upon their expiration in March 2019.

There were no borrowings as at the end of 2018.

NOTE 16. PROVISIONS

	Consolidated	
	2018	2017
	\$	\$
Annual leave	1,824,245	1,772,699
Long service leave	3,620,877	3,607,494
Total provisions (Current)	<u>5,445,122</u>	<u>5,380,193</u>
Long service leave	1,054,407	844,698
Total provisions (Non-Current)	<u>1,054,407</u>	<u>844,698</u>

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 17. GOVERNMENT GRANTS RECEIVED IN ADVANCE

	Consolidated	
	2018	2017
	\$	\$
Grants received in advance:		
Federal	547,531	601,567
Total grants received in advance (Current)	<u>547,531</u>	<u>601,567</u>
Grants received in advance:		
Federal	<u>132,799</u>	<u>547,531</u>
Total grants received in advance (Non-Current)	<u><u>132,799</u></u>	<u><u>547,531</u></u>

The federal grants for the Regional Tour are received two years in advance.

NOTE 18. UNEARNED REVENUE (CURRENT)

Advance bookings	15,184,441	13,906,837
Other future season's revenue	2,282,352	1,260,551
Total unearned revenue	<u><u>17,466,793</u></u>	<u><u>15,167,388</u></u>

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 19. OTHER RESERVES

	Consolidated	
	2018	2017
	\$	\$
Foreign Exchange Translation Reserve:		
Opening balance	23,493	2,998
Exchange differences on translation of foreign operations	6,985	20,495
Closing balance	<u>30,478</u>	<u>23,493</u>

The Foreign Exchange Translation Reserve was created to account for all GBP/AUD foreign exchange translations on consolidation of a controlled entity, Opera Australia Capital Fund (UK) Ltd.

Net Investment Revaluation Reserve:

Opening balance	1,956,998	980,946
AASB 9 implementation	-	(980,946)
Net unrealised gains / (losses) on financial assets	<u>(2,616,194)</u>	<u>1,956,998</u>
Closing balance	<u>(659,196)</u>	<u>1,956,998</u>

The Net Investment Revaluation Reserve was created to record accumulated unrealised fair value adjustments in respect of the managed funds and listed equity investment held by the Group at balance date.

New Works and Touring Reserve:

Opening balance	1,000,000	1,000,000
Movement during the year	<u>-</u>	<u>-</u>
Closing balance	<u>1,000,000</u>	<u>1,000,000</u>

The New Works and Touring Reserve was created to provide for the development of new Australian operatic works and to support the group in touring on national and international tours.

Bequest Reserve:

Opening balance	-	-
Bequests received	4,663,466	-
Net income earned	108,492	-
Net unrealised gains /(losses) on financial assets	(289,440)	-
Expenditure against bequests	<u>-</u>	<u>-</u>
Closing Balance	<u>4,482,518</u>	<u>-</u>

The Bequest Reserve was created to record the application of bequest monies and financial assets received by the parent where these gifts are designated for a specific purpose in accordance with the instructions of the deceased. Funds and assets received have been invested in accordance with the Opera Australia investment policy and expenditure against these funds is monitored to ensure that the Group's legal obligations with respect to the bequests are appropriately satisfied.

	Consolidated	
	2018	2017
	\$	\$
Total Other Reserves	<u>4,853,800</u>	<u>2,980,491</u>

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 20. COMMITMENTS AND CONTINGENCIES

	Consolidated	
	2018	2017
	\$	\$
(A) ARTISTS , VENUE AND CO-PRODUCTION CONTRACTS		
Committed expenditure is payable as follows:		
Within one year	19,839,765	13,711,955
After one year but not more than five years	1,980,850	2,891,625
	<u>21,820,615</u>	<u>16,603,580</u>

The Group, by the nature of its operations, has entered into contracts for performances scheduled to take place during 2019 and subsequent years. These amounts include the maximum expenditure required to satisfy the contracts with artists, creatives and co-production partners. The terms and conditions of the contracts place a liability on the Group under certain circumstances to pay specified sums should artists not be engaged or the performances not take place.

The Group enters into contracts for the hire of theatres and performance venues. As at 31 December 2018, contracts for use of the Arts Centre Melbourne, the Sydney Opera House, the Sydney Festival and Royal Botanic Gardens (including water access via Roads and Maritime Services) have been committed for 2019 and are included within commitments above. The Sydney Opera House, 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:

	Consolidated	
	2018	2017
	\$	\$
Within one year	372,439	230,228
After one year but not more than five years	1,145,482	183,105
More than five years	2,001,914	-
	<u>3,519,835</u>	<u>3,190,510</u>

(C) CONTINGENT LIABILITIES

The Group has three bank guarantees in place with Commonwealth Bank of Australia as at 31 December 2018. These relate to the Melbourne office premises lease, storage premises at White Bay and a bond in favour of Australian Business Chamber related a carnet shipment of wardrobe hired to Des Moines Metro Opera USA.

Within one year	59,083	49,000
	<u>59,083</u>	<u>49,000</u>

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 21. KEY MANAGEMENT PERSONNEL COMPENSATION

The following compensation was made to the 12 employees (2017: 13) on the executive team for their contributions as employees for the Group and for conducting and directing services:

	Consolidated	
	2018	2017
	\$	\$
Employee benefits (a)	2,575,666	2,375,147
Total compensation	2,575,666	2,375,147

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

NOTE 22. RELATED PARTY DISCLOSURE

(A) CONTROLLED ENTITIES:

The entities listed in the summary below were controlled entities at 31 December 2018. 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.

Name of controlled entity	Reporting date	Place of Incorporation	Ownership Interest	
			2018	2017
OA Super Pty Limited	30 June	Australia	100%	100%
Opera Australia Capital Fund *	31 December	Australia	0%	0%
Opera Australia Capital Fund UK *	31 December	United Kingdom	0%	0%
Opera Australia Capital Fund Limited *	31 December	Australia	0%	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 Opera Australia's Board has the right of veto over independent appointments to Opera Australia Capital Fund Limited's 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 \$18,906,166 are only accessible to Opera Australia through the provisions of the Opera Australia Capital Fund's Trust Deed.

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 22. RELATED PARTY DISCLOSURE (CONTINUED)

(B) TRANSACTIONS WITH RELATED PARTIES IN THE GROUP

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

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

These transactions were undertaken on commercial terms and conditions.

(C) TRANSACTIONS WITH DIRECTORS

The parent entity's constitution 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. 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.

NOTE 23. GUARANTEE

Every member of the parent entity undertakes to contribute to the assets of the parent entity, 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).

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 24. PARENT ENTITY INFORMATION

Information relating to Opera Australia

	2018	2017
	\$	\$
Current Assets	27,457,872	18,605,574
Total Assets	54,348,540	43,664,244
Current Liabilities	36,267,930	30,203,807
Total Liabilities	37,455,138	31,596,036
Other reserves	5,482,518	1,000,000
Retained earnings	11,410,884	11,068,208
Total Equity	<u>16,893,402</u>	<u>12,068,208</u>
Total net surplus / (deficit) for the year	<u>4,825,194</u>	<u>(2,084,742)</u>

NOTE 25. NET GAIN / (LOSS) ON FINANCIAL ASSETS DISTRIBUTED TO RESERVES

The net gain/(loss) on financial assets being managed funds and listed equities was distributed to Reserves as follows:

	Consolidated	
	2018	2017
	\$	\$
Net Investment Revaluation Reserve		
Unrealised gains/(losses) on financial assets	(2,616,194)	976,052
Bequest Reserve		
Unrealised gains/(losses) on financial assets	(289,440)	-
Retained Earnings		
Realised gains on financial assets	877,094	56,308
Net gain/(loss) on financial assets	<u>(2,028,540)</u>	<u>1,032,360</u>

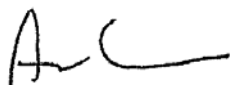
OPERA AUSTRALIA

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Opera Australia (the Company), I state that in the opinion of the Directors:

- (a) The financial statements and notes of the Company and its controlled entities (collectively "the Group") are in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:
 - (i) giving a true and fair view of the Group'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 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



A.R.N. SISSON AO

Director



D.MORTIMER AO

Director

18th April 2019

Independent Auditor's Report to the Members of Opera Australia

Opinion

We have audited the financial report of Opera Australia (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2018, 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 to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities 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 Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is the directors' report accompanying the financial report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment 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 Group'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 Group'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 Group 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.



Ernst & Young



Lisa Nijssen-Smith
Partner
Sydney
18 April 2019



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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 2018, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.

This declaration is in respect of Opera Australia and the entities it controlled during the financial year.

Ernst & Young

Lisa Nijssen-Smith
Partner
Sydney
18 April 2019

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