



OPERA QUEENSLAND LIMITED
ACN 010 258 750

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their report together with the financial report of Opera Queensland Limited ("the Company") for the year ended 31 December 2017 and the auditor's report thereon.

Directors

The Directors of the Company at any time during or since the end of the financial year are:

Sally Pitkin *LL.B, LL.M, PhD, FAICD*

Chair since August 2016

Chair, Nominations Committee

Director since April 2012

David Siddle *BA (Hons), PhD, FASSA*

Deputy Chair since August 2016

Member, Audit and Risk Committee

Director since September 2014

Kim Challenor *BComm, BA, CA*

Treasurer since June 2012

Chair, Audit and Risk Committee

Director since June 2012

Anne Cross *BSW, MSW, FAIM, FAICD*

Director since April 2017

David Gow *BComm, LLB, FAICD*

Director since April 2018

Teresa Dyson *LL.B (Hons), BA, MTax, MAppFin*

Member, Audit and Risk Committee

Director since August 2016

Colin Furnival *PhD, FRCS, FRACS, GAICD*

Chair, Opera Queensland Foundation

Member, Nominations Committee

Director since December 2009

Ieuan Hyde *BA*

Director since June 2013

(Retired May 2017)

Directors' meetings

The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year were:

	Directors Meetings		Audit & Risk Committee	
	Attended	Held*	Attended	Held*
K Challenor	9	9	6	6
A Cross	8	8		
T Dyson	8	9	5	6
W Fellowes**			6	6
C Furnival	7	9		
I Hyde	3	3		
S Pitkin	9	9		
D Siddle	9	9	6	6

* Reflects the number of meetings held during the time the Director held office during the year.

** External Committee Member

Our strategy

Respond to the continually evolving demands of audiences and the artform.

Operate under a model characterised by a flexible cost structure and collaborative partnerships.

Deliver a diverse portfolio of bold opera and music theatre experiences for a diverse audience.

Building and maintaining strong meaningful relationships with diverse communities across Queensland.

Connecting the artistic program to our broader community through three equally valued activity streams:

- metropolitan Brisbane
- regional Queensland
- education and community engagement

Principal activities

The principal activities of the Company in 2017 were:

- Presentation of two mainstage operas; Bizet's *The Pearlfishers*, and a new Opera Queensland production of Gilbert & Sullivan's *Ruddigore, or The Witch's Curse!* at the Queensland Performing Arts Centre (QPAC).
- Partnering with the Queensland Art Gallery & Gallery of Modern Art (QAGOMA) to present the art-meets-music production of *Sensory* at QAGOMA.
- The touring production of *A Night With Opera Queensland* presented to 12 regional Queensland communities.
- Presentation of a concert featuring the Opera Queensland community chorus on the set of *The Pearlfishers* for *An Afternoon with Jason Barry-Smith*.
- Partnering with Queensland Musical Festival for a semi-staged presentation of Franz Lehar's *The Merry Widow* at Jimbour House for *Opera at Jimbour*.
- Presentation of a premiere collaboration of *Mozart Airborne* with Expressions Dance Company at QPAC.
- Presentation of *Carmen in Concert* in partnership with the Queensland Symphony Orchestra in the Concert Hall at QPAC.

- The creation and presentation of a new re-telling of Humperdinck's *Hansel & Gretel* in collaboration with shake & stir theatre co as a primary schools touring production. *Hansel & Gretel* was delivered to 13,652 primary school students in metropolitan, regional and remote Queensland.
- In-school programs and residencies, and community workshops attended by 1,094 participants.
- Audience development and fundraising events and initiatives.

Review and Result of Operations

The result of the Company for the year was a surplus of \$91,297 (2016: \$32,443).

The difference in income and expenditure between 2017 and 2016 reflects the cyclical nature of the Company's annual program of activities, particularly in relation to the difference in scale of regional touring activity from year to year. A more detailed review of the operations of the Company during the financial year is contained in the Chair's Message and Artistic Director's Message in the Annual Report.

During the year there was a transition of senior management with the appointment of a new Artistic Director and Chief Executive Officer and a new Executive Director.

The Company is exempt from income tax.

Performance measurement

The Company measures performance through agreed outcomes and performance indicators established in collaboration with the Queensland and Federal Governments. These performance indicators and measures are directly aligned to the achievement of our five core goals listed below through the actions and activities as articulated in our *Strategic Plan 2012-2017*. Performance measures and benchmarks are reviewed, and measures set on an annual basis.

- Connection to the world
- Connection to our communities
- Excellence, Leadership and Innovation
- Powerful Brand and Reputation
- Sustainability and Financial Strength

Members guarantee

The Company is limited by guarantee and does not have share capital. The liability of its members is limited to \$50 for each member and the total amount liable for 2017 is \$2,250 (2016: \$4,450).

Events subsequent to balance date

On 26 March 2018, Opera Queensland received advice from the Australia Council and Arts Queensland confirming core funding at the current levels as set out in the 2016-2017 Tripartite Funding Agreement (and associated Deed of Variation) would be extended to 31 December 2019.

Apart from the matter referred to above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual

nature likely, in the opinion of the directors of the Company, to affect significantly the results of the operations of the Company, or the state of affairs of the Company, in future financial years.

Lead Auditor's independence declaration

The Lead Auditor's independence declaration is set out on page 6 and forms part of the directors' report for financial year 2017.

Signed in accordance with a resolution of the Directors:



Sally Pitkin
Chair
Brisbane, 23 April 2018

DIRECTORS' DECLARATION

In the opinion of the Directors of Opera Queensland Limited ("the Company"):

- (a) The financial statements and notes set out on pages 7 to 22 are in accordance with the *Australian Charities and Not-for-profits Commission 2012*, including:
 - (i) giving a true and fair view of the financial position of the Company as at 31 December 2017 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Australian Charities and Not-for-profits Commission 2012*; 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.

This report is made in accordance with a resolution of the directors.



Sally Pitkin

Chair

Brisbane, 23 April 2018



Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To: the directors of Opera Queensland Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Tracey Barker
Partner

Brisbane
23 April 2018

OPERA QUEENSLAND LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

		2017	2016
		\$	\$
INCOME	Notes		
Event Income	8	1,378,928	1,839,820
Sponsorships & Donations	9	520,279	677,952
Other Income		181,404	376,414
Government Income			
Queensland government			
Operational grant		2,567,320	2,531,873
Project funding		142,829	391,707
Other grants		100,000	100,000
Opera Conference funding	6	55,132	54,371
Federal government			
Operational grant		428,831	422,909
Opera Conference funding	6	230,645	227,461
Local government		30,000	40,000
TOTAL INCOME		<u>5,635,368</u>	<u>6,662,507</u>
 EXPENDITURE			
Production & Touring		3,343,996	4,623,260
Community Programs & Education		218,546	152,384
Marketing & Business Development		776,602	818,025
Infrastructure & Administration	10	1,204,927	1,036,395
TOTAL EXPENDITURE	11	<u>5,544,071</u>	<u>6,630,064</u>
 Net surplus		91,297	32,443
 Other comprehensive income attributable to members of the company		-	-
 TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF THE COMPANY		<u>91,297</u>	<u>32,443</u>

The Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements set out on pages 11 to 22.

OPERA QUEENSLAND LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Accumulated Surplus	Subordinated Loan	Total Accumulated Funds
	\$	\$	\$
Total accumulated funds at 1 January 2016	125,164	200,000	325,164
Surplus for the year	32,443	-	32,443
Other comprehensive income	-	-	-
Total accumulated funds attributable to members at 31 December 2016	157,607	200,000	357,607
Total accumulated funds at 1 January 2017	157,607	200,000	357,607
Surplus for the year	91,297	-	91,297
Other comprehensive income	-	-	-
Total accumulated funds attributable to members at 31 December 2017	248,904	200,000	448,904

The Statement of Changes In Equity is to be read in conjunction with the Notes to the Financial Statements set out on pages 11 to 22.

OPERA QUEENSLAND LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2017

	Notes	2017	2016
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	12	196,535	691,219
Trade receivables and other assets	13	282,803	134,583
Total Current Assets		<u>479,338</u>	<u>825,802</u>
NON-CURRENT ASSETS			
Property, plant and equipment	14	645,828	671,890
Other non-current assets	15	-	63,164
Total Non-Current Assets		<u>645,828</u>	<u>735,054</u>
TOTAL ASSETS		<u>1,125,166</u>	<u>1,560,856</u>
CURRENT LIABILITIES			
Trade and other payables	16	153,014	139,002
Employee benefits	17	190,772	228,667
Other	18	332,476	835,580
Total Current Liabilities		<u>676,262</u>	<u>1,203,249</u>
TOTAL LIABILITIES		<u>676,262</u>	<u>1,203,249</u>
NET ASSETS		<u>448,904</u>	<u>357,607</u>
<i>Represented by:</i>			
ACCUMULATED FUNDS			
Subordinated loan	19	200,000	200,000
Accumulated surplus	20	248,904	157,607
TOTAL ACCUMULATED FUNDS		<u>448,904</u>	<u>357,607</u>

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 11 to 22.

OPERA QUEENSLAND LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 \$	2016 \$
Cash flow from operating activities			
Cash receipts from customers and grantors		5,009,008	6,250,607
Cash paid to suppliers and employees		(5,509,708)	(6,045,294)
Interest Received		8,399	12,626
Net cash (used in)/from operating activities	22	<u>(492,301)</u>	<u>217,939</u>
Cash flow from investing activities			
Disposal of term deposit		-	400,000
Acquisition of plant and equipment		(2,383)	(3,551)
Net cash (used in)/from investing activities		<u>(2,383)</u>	<u>396,449</u>
Net (decrease)/increase in cash & cash equivalents		(494,684)	614,388
Cash and cash equivalents at 1st January		691,219	76,831
Cash and cash equivalents at 31st December	12	<u><u>196,535</u></u>	<u><u>691,219</u></u>

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 11 to 22.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. Reporting entity

Opera Queensland Limited (the "Company") is a not-for-profit company limited by guarantee and incorporated under the *Corporations Act 2001*. The company is domiciled in Australia and its registered offices are at 140 Grey Street, South Bank Queensland.

The principal activities of the Company are to reflect, celebrate and enrich life in our communities through opera experiences.

The financial report was authorised for issue by the directors on 23 April 2018.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board and the *Australian Charities and Not-for-profit Commission*.

A statement of compliance with International Financial Reporting Standards cannot be made due to the Company applying the not-for-profit sector specific requirements contained in Australian Accounting Standards.

(b) Basis of preparation

The financial report is presented in Australian dollars and prepared on the historical cost basis.

There are no estimates or assumptions that have a significant risk of causing a material adjustment to the financial report.

The accounting policies below have been applied consistently to all periods presented in the financial report.

(c) Going concern

The Company made a surplus of \$91,297 continuing to build on its accumulated funds. The Company's Tripartite Funding Agreement with the Queensland and Federal Governments (the Funding Agencies) allowed the Company to draw from its 2018 guaranteed funding from Arts Queensland to meet its 2017 cash flow requirements.

The Funding Agencies have agreed that they will continue to fund the Company's operations in 2018 and 2019 subject to the Company meeting its funding and reporting obligations under the special conditions in the 2018 Deed of Variation to the Tripartite Funding Agreement for 2016-2017, and the 2018-2021 Tripartite Structural Adjustment and Temporary Funding Uplift Agreement. The Company continues to be subject to the Fair Notice Protocols of the Agreement as set out in Clause 6.1. The terms of the Tripartite Funding Agreement are set out in Note 27.

As disclosed in Note 23, the Company has access to \$300,000 by way of an overdraft facility. Forecasts of cash flows have been prepared for the 12 month period from the date the

Directors have approved this financial report which support the Directors' view that the Company will be able to pay its debts as and when they fall due in this period.

Having regard to the above the Directors are of the opinion that it is appropriate to prepare the financial statements on the going concern basis. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the assets carrying amounts or the amounts and classifications of liabilities that might be necessary should the Company not continue as a going concern.

(d) Economic dependency

The ability of the Company to maintain its operations is dependent, inter alia, on the continuing financial support of the Queensland Government through Arts Queensland and the Federal Government through the Australia Council as set out in the relevant Tripartite Funding Agreements.

This in turn is dependent upon the Queensland Performing Arts Centre providing its venues on the planned dates for productions.

3. Significant accounting policies

(a) Revenue

Grants

The annual grants from the Queensland (Arts Queensland) and Federal (Australia Council) Governments are received in instalments as scheduled under Tripartite Funding Agreements (Note 27). Grant revenue is brought to account when controlled, at the fair value of the consideration received. Advance grant monies received in the year prior to the funding year are recognised as a liability (Note 18). Grant revenue is subject to fulfilment of conditions as stipulated in the Tripartite Funding Agreements. In 2017, the Company satisfied all conditions of the Agreement with the exception of reserves held (Note 20).

Grant revenue includes an amount that is paid directly to the Opera Conference to fund joint productions across states (refer Note 6).

Special purpose reciprocal grants, including local government grants and other State grants awarded are recognised at the time the obligation is fulfilled. All grant funding provided in 2017 has been spent on the activity as required, and in accordance with each agreement. The company did not receive any other forms of Government assistance.

Sponsorships and Donations

Cash sponsorship and donations are recognised as income on receipt of the monies, at the fair value of the consideration received. The fair values of in-kind sponsorships are agreed between the Company and the sponsors having regard to the services being provided and are recognised as revenue as earned.

Other Income

Other income comprises fees and income earned from workshops held, tickets to fundraising and other company-held events, venue and equipment hires, provision of services, and other minor subsidiary activities. Other income is recognised at the time of invoicing, at the fair value of the consideration received or receivable.

(b) Production costs

Direct costs relating to operas

The total cost of staging productions, including the manufacturing of costumes, scenery and properties, is charged as expenditure in the period in which the production is performed by the Company.

Costs of production and other associated expenditure in respect of performances not yet performed by the Company are included in 'Prepayments' (Note 13) for productions programmed within 12 months.

Season launch and brochure costs

Costs associated with the season launch and the development and printing of the season brochure are expensed when the launch occurs and when the brochures are sent out.

(c) Property, plant and equipment

Items of leasehold property, plant, equipment and motor vehicles are stated at cost or deemed cost less accumulated depreciation/amortisation and impairment losses (see accounting policy (e)).

Depreciation/amortisation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are as follows:

- Leasehold property 100 years
- Plant and equipment 3-10 years
- Motor vehicles 3-6 years

The residual value, if not insignificant, is reassessed annually for impairment.

(d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Impairment

The carrying amount of the Company's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying value of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the

Statement of Comprehensive Income. The recoverable amounts of the Company's plant and equipment assets are calculated as the depreciated replacement cost of the asset.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Receivables are individually assessed for impairment.

(f) Employee benefits

Wages, salaries and annual leave:

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be wholly settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Long service leave:

The Company's net obligation in respect of long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the corporate bond rate at the balance sheet date which have maturity dates approximating to the terms of the Company's obligations.

Superannuation:

The Company contributes to industry defined contribution superannuation funds in accordance with current legislation and to authorised personal superannuation funds. Contributions are recognised as an expense in the statement of comprehensive income as incurred.

(g) Accounting Standards

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018 and early application is permitted. However, the Company has not applied the following new or amended standards in preparing these financial statements.

AASB 9 Financial Instruments is effective for annual reporting periods beginning on 1 January 2018. This Standard replaces existing guidance in *AASB 139 Financial Instruments: Recognition and Measurement* and includes revised guidance on the classification and measurement of financial instruments and a new expected credit loss model for calculating impairment on financial assets. The effect of this change has not affected the preparation of these financial statements.

AASB 15 Revenue from Contracts with Customers is effective for annual reporting periods beginning on 1 January 2019. This Standard replaces existing revenue recognition guidance in *AASB 118 Revenue* and establishes a comprehensive framework for the recognition of revenue. The Company does not plan to adopt this Standard early and the extent of the impact has not been determined.

AASB 16 Leases will become effective for annual reporting periods beginning on 1 January 2019. The Standard removes the classification of leases as either operating leases or finance leases, resulting in all leases being recognised on balance sheet, except for short term leases and leases of low value assets. The Company does not plan to adopt this Standard early and the extent of the impact has not been determined.

AASB1058 *Income for Not-for-profit Entities* is a standard addressing the recognition and measurement of income for not-for-profit entities. The concept of reciprocal and non-reciprocal transactions has been removed, and instead an assessment of enforceability and performance obligations is required. Application is effective for the Company's 2019 financial statements.

(h) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowing, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment loss.

A financial instrument is recognised if the Company becomes a party to the contractual provision of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(i) Joint arrangements

Under AASB 11, the Company classifies material interests in joint arrangements as either joint operations (if the Company has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Company has rights only to the net assets of an arrangement). When making this assessment, the Company considers the structure of the arrangements, the contractual terms of the arrangements and other facts and circumstances.

The Company has one joint arrangement, being an interest in Opera Conference, which is an entity established for the purpose described in Note 6. The Company's contribution in 2017 to Opera Conference was \$285,777 which was funded by the Queensland and Federal Governments. This joint arrangement is not material to the Company and consequently has not been accounted for as a joint arrangement.

4. Company membership

The Company is limited by guarantee and does not have share capital. The liability of the members is limited. Every member of the Company undertakes to contribute to the assets of the Company, in the event of the same being wound up while a member, or within one year after ceasing to be a member, for payment of the debts and liabilities of the Company (contracted before membership ceases) and of the costs, charges and expenses of winding up and for the adjustment of the rights of the contributories amount themselves, such amount as may be required, not to exceed \$50 per member.

Membership of the Company consists of the following:

	No. of members	
	2017	2016
Life Membership	8	9
Annual Membership	45	89
	<u>53</u>	<u>98</u>

5. Income tax

In accordance with Section 50-45 of the *Income Tax Assessment Act* the Company is not liable for income tax.

6. Opera Conference

In 1995 the state opera companies – Opera Queensland, West Australian Opera, State of South Australia united with the national company, Opera Australia, in a formally constituted partnership known as the Opera Conference, where the companies collaborate to produce and present one new production in most years, and to support opera regional touring throughout Australia. The Australian Government and the respective state governments fund the Opera Conference through each company's Funding Agreement. Funding identified for this purpose is redirected by each company to the Opera Conference partnership to fund the collaborative initiatives undertaken.

	2017	2016
	\$	\$
Annual funding amount contributed to Opera Conference by Opera Queensland from:		
State Government funding	55,132	54,371
Federal Government funding	230,645	227,461
	<u>285,777</u>	<u>281,832</u>

7. Auditors' Remuneration

KPMG provide their audit services on an honorary basis and receive Corporate Partner status	25,000	25,000
---	--------	--------

8. Event Income

As noted within the Director's Report, differences in income and expenditure between 2017 and 2016 reflect the cyclical nature of the Company's annual program of activities, particularly in relation to the difference in scale of regional touring activity with *A Night With Opera Queensland* presented in 2017 being of a materially smaller scale to *The Barber of Seville* touring production in 2016.

	2017	2016
	\$	\$
9. Sponsorships & Donations		
Sponsorships - cash	23,950	20,000
Sponsorships – in kind	162,630	309,888
Philanthropic Trusts and Foundations	145,000	145,000
General Donations	188,699	203,064
	<u>520,279</u>	<u>677,952</u>
10. Infrastructure and Administration		
Infrastructure & Administration expenditure includes an initial investment in the future capability of the organisation, including a transition to a new leadership model with a full-time Artistic Director and Chief Executive Officer, and a new Executive Director.		
11. Employee expenses included within total expenditure		
Productions & touring	1,871,598	2,131,382
Community programs & education	128,391	102,620
Marketing & business development	246,196	309,883
Infrastructure & administration	660,319	612,456
	<u>2,906,504</u>	<u>3,156,341</u>
12. Cash and cash equivalents		
Cash balances	800	800
Bank balances	195,735	690,419
	<u>196,535</u>	<u>691,219</u>
13. Trade receivables and other assets		
Trade receivables	38,148	85,921
Prepayments	244,655	48,662
	<u>282,803</u>	<u>134,583</u>
Production & Touring expenditure includes the prepayment of certain costume and creative design expenses associated with the <i>Ruddigore, Or the Witch's Curse!</i> production that was commissioned in 2017 and will continue to be utilised into 2018. The portion of the production that is deemed to relate to future years is \$76,803 and is currently recognised as an asset through prepayments.		
14. Property, plant & equipment		
Lease premium and leasehold improvements at deemed cost	797,102	797,102
Accumulated amortisation	(173,055)	(165,170)
	<u>624,047</u>	<u>631,932</u>
The Company has a long term lease of its premises at a rent of \$1 per annum.		

Plant and Equipment at cost	410,138	407,755
Accumulated Depreciation	(388,357)	(367,797)
	<u>21,781</u>	<u>39,958</u>
Net book value property, leases, plant and equipment.	<u>645,828</u>	<u>671,890</u>

At 31 December 2017, \$315,991 of assets has been fully written down (2016: \$326,678).

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Lease and leasehold improvements

Carrying amount at the beginning of the year	631,932	639,818
Amortisation charge for the year	(7,885)	(7,886)
Carrying amount at the end of the year	<u>624,047</u>	<u>631,932</u>

Plant and equipment

Carrying amount at the beginning of the year	39,958	57,303
Acquisitions during the year	2,383	3,551
Depreciation charge for the year	(20,560)	(20,896)
Carrying amount at the end of the year	<u>21,781</u>	<u>39,958</u>

Depreciation and amortisation expenses for the year are included under Infrastructure & Administration expenses in the Statement of Comprehensive Income.

	2017	2016
	\$	\$
15. Other non-current assets		
Production costs for use in 2018 production (recognised as a prepayment in 2017 – refer note 13)	-	63,164
	<u> </u>	<u> </u>
16. Trade and other payables		
Trade payables	35,277	59,604
Other payables and accrued expenses	117,737	79,398
	<u>153,014</u>	<u>139,002</u>

	2017 \$	2016 \$
17. Employee benefits		
Current		
<i>Liability for long service leave</i>		
Carrying amount at the beginning of the year	55,935	54,781
Leave accrued during the year	4,686	1,154
Carrying amount at the end of the year	<u>60,621</u>	<u>55,935</u>
<i>Liability for annual leave</i>		
Carrying amount at the beginning of the year	172,732	150,913
Leave (expensed)/accrued during the year	(42,581)	21,819
Carrying amount at the end of the year	<u>130,151</u>	<u>172,732</u>
<i>Total Current Leave Liabilities</i>	<u>190,772</u>	<u>228,667</u>
18. Other Current Liabilities		
Queensland government 2018 (2017) operational grant <i>(refer to Note 27 Tripartite Funding)</i>	332,396	655,613
Other income received in advance	80	5,040
Ticket sales in advance	-	174,927
	<u>332,476</u>	<u>835,580</u>
19. Subordinated Deferred Loan	<u>200,000</u>	<u>200,000</u>

The directors consider that as the subordinated deferred loan is only repayable on the winding up of the Company, or earlier by mutual consent between the Company and the loan holder, (being the Queensland Government) and it is subordinated to all other loans and creditors, it should be disclosed with the members' funds in the balance sheet.

The loan is interest free.

20. Grant Conditions – Reserves Held

Opera Queensland's minimum required level of reserves held is 20% (net assets as a percentage of total expenditure) as defined by the Australia Council for all Major Performing Art companies. Reserves exist and are maintained in order to protect the Company in the event of unanticipated adverse financial circumstances.

Reserves as at 31 December 2017 remain below 20%, however, the Company intends to build reserves to the required level of 20% through recurring annual operating surpluses.

21. Commitments and Contingent Liabilities

The Company, by the nature of its operations, has entered into contracts with artists, theatre proprietors, suppliers and others for productions, commissions and performances scheduled to be delivered or to take place through to 31 December 2018. Total amounts payable under these contracts are set out below. The terms and conditions of such contracts place a liability under certain circumstances on the Company to pay some or all of these amounts should the service or supply not be called upon.

	2017	2016
	\$	\$
Payable within one year		
Artists' fees	341,648	395,711
Venue hire & production	260,921	228,178
Other	30,371	32,388
	<u>632,940</u>	<u>656,277</u>

22. Reconciliation of cash flows from operating activities

Cash flows from operating activities

Net surplus for the year	91,297	32,443
Depreciation	20,560	20,896
Amortisation	7,885	7,886
Write-off of production costs	-	79,638
<i>Operating profit before changes in working capital and provisions</i>	<u>119,742</u>	<u>140,863</u>
<i>Changes in:</i>		
Trade receivables & other assets	(148,220)	81,627
Other Non-Current Assets	63,164	-
Trade & other payables	14,012	49,066
Employee benefits	(37,895)	22,974
Other current liabilities	(503,104)	(76,591)
<i>Net cash (used in)/from operating activities</i>	<u>(492,301)</u>	<u>217,939</u>

23. Financing Arrangements

The Company has a bank overdraft facility for \$300,000 which is secured by a first registered mortgage over the Company's lease at South Bank.

25. Financial instruments

The Company is not exposed to any material credit risks or market risks on financial instruments.

The Company has not entered into any derivative transactions.

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors the level of expected cash inflows together with expected cash outflows. The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash outflows on financial liabilities over the succeeding 60 days.

In respect of income-earning financial assets and interest bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the period in which they reprice. Non-derivative financial liabilities have a contractual maturity within 6 months. The carrying value for each class of financial assets and liabilities is in line with fair value.

		2017	2016
		\$	\$
	Notes	6 Months	6 Months
		or less	or less
Financial Assets			
Cash and cash equivalents:			
<i>floating interest rate - 0.5% (2016: 0.6%)</i>	12	188,826	323,233
<i>non-interest bearing</i>		7,709	367,986
Term deposits		-	-
Trade receivables:			
<i>non-interest bearing</i>	13	38,148	85,921
		<u>234,683</u>	<u>777,140</u>

26. Related party disclosures

The following were key management personnel during the year:

Directors

Ms Kim Challenor

Ms Anne Cross (*from April 2017*)

Ms Teresa Dyson

Dr Colin Furnival

Mr Ieuan Hyde (*retired May 2017*)

Dr Sally Pitkin

Prof David Siddle

Executives

Mr Patrick Nolan (*from November 2017*)

Ms Sandra Willis (*from July 2017*)

Ms Lindy Hume (*departed October 2017*)

Mr Russell Mitchell (*departed July 2017*)

All directors are non-executive and are required to be members of the company. Several members of the Board are also Patrons of Opera Queensland. No remuneration is payable to the Directors of the Company and there were no amounts paid to superannuation funds or as retirement allowance in connection with the retirement of any Directors of the Company. Directors are provided with tickets free of charge to represent the Company at promotional events.

Key Management Personnel provided donations to the Company during the year of \$33,750 (2016: \$43,863).

Executive compensation included in the Statement of Comprehensive Income is as follows:

	2017	2016
	\$	\$
Short term employee benefits	344,192	286,581
Post-employment benefits	28,853	26,107
	<u>373,045</u>	<u>312,688</u>

27. Tripartite funding

The Company receives funding from both the Queensland Government, administered by Arts Queensland, and from the Federal Government, administered by The Australia Council, (collectively the Funding Agencies).

On 24 November 2017, the Funding Agencies agreed to continue to extend core funding to the Company at current levels to 31 December 2018, subject to the Company continuing to meet its reporting obligations, the condition of a surplus result, ongoing close monitoring of budgets and programs, and provision of an updated operational plan to commence from 2018. Further, in response to the National Opera Review conducted and reported on in previous years, the Company was awarded a temporary uplift in core funding and a structural adjustment from 2018 to 2021 through a Tripartite Funding Agreement (also entered into on 24 November 2017).

In 2017, the Company brought forward \$332,396 from its 2018 agreed funding to meet its 2017 cash flow requirements. The Government funding received for 2017 is shown in the Statement of Comprehensive Income, and the amount brought forward from 2018 is shown in the Balance Sheet as an Other Current Liability.

The approved funding for the year 2018, including the amount brought forward in 2017 is:

	\$
Australia Council	668,709
Arts Queensland	<u>3,149,165</u>
	<u>3,817,874</u>

28. Subsequent Events

On 26 March 2018, Opera Queensland received a letter from the Australia Council and Arts Queensland confirming core funding at the current levels as set out in the 2016-2017 Tripartite Funding Agreement (and associated Deed of Variation) to be extended to 31 December 2019.



Independent Auditor's Report

To the members of Opera Queensland Limited

Opinion

We have audited the **Financial Report** of the Opera Queensland Limited (the Company).

In our opinion, the accompanying **Financial Report** of the Company is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

- i. giving a true and fair view of the Company's financial position as at 31 December 2017, and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with *Australian Accounting Standards* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises:

- i. Statement of financial position as at 31 December 2017.
- ii. Statement of comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.
- iii. Notes including a summary of significant accounting policies.
- iv. Directors' declaration of the Company.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other information

Other Information is financial and non-financial information in Opera Queensland Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes



the Directors' Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report for the year ended 31 December 2017.

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. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the ACNC.
- ii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- iii. Assessing the Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- ii. to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 *Australian Auditing Standards*, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- i. 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.
- ii. 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 registered Company's internal control.
 - iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
 - iv. 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 registered Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the registered Company to cease to continue as a going concern.
 - v. Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors' of the registered Company 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.

KPMG

Tracey Barker

Partner

Brisbane

23 April 2018