OPERA QUEENSLAND LIMITED
ACN 010 258 750

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their report together with the financial report of Opera Queensland Ltd ("the Company") for the year ended 31 December 2016 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

Teresa Dyson *LL.B (Hons), BA, MTax, MAppFin*
Member, Audit and Risk Committee
Director since August 2016

Jane Edwards, AM *ONM(Fr), BA, FAICD, FAIM*
Director since 1992
(Retired 30 May 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

Robert Hubbard *BA (Hons), FCA*
Chair, April 2012 to August 2016
Member, Audit and Risk Committee
Director since April 2006
(Retired 24 August 2016)

David Janetzki *BEcon, LLB (Hons), A.Mus.A (piano)*
Member, Audit and Risk Committee
Director since September 2014
(Retired 17 May 2016)

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		Nominations Committee	
	Attended	Held*	Attended	Held*	Attended	Held*
K Challenor	7	7	7	7		
T Dyson	1	3	3	3		
J Edwards	2	3				
C Furnival	5	7			2	2
R Hubbard	3	4	4	4		
I Hyde	5	7				
D Janetzki	2	2	1	2		
S Pitkin	6	7			2	2
D Siddle	6	7	6	7		

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

Our vision

A boundless landscape of opera experiences.

Our mission

To reflect, celebrate and enrich life in our communities.

Our five core goals

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

Our strategy

To respond to the continually evolving demands of audiences and the artform in order to stay relevant to the communities we serve.

To develop a new business model characterised by a flexible cost structure and collaborative partnerships.

To develop a diverse portfolio of bold, high-quality opera and music theatre experiences for a broader, more engaged audience.

To increase our relevance to the community, increasing non-government revenues and developing a reputation for artistic independence and adventure.

To connect the artistic program to our broader community and business aspiration through three equally valued activity streams:

- metropolitan Brisbane
- regional Queensland
- education and community engagement

Principal activities

The principal activities of the Company in 2016 were:

- The presentation of two main stage operas, Puccini's *Madama Butterfly,* and a new Opera Queensland (OperaQ) production of Rossini's *The Barber of Seville* in collaboration with Seattle Opera and New Zealand Opera, at the Queensland Performing Arts Centre (QPAC).
- *Project Rossini,* the involvement of 231 local chorus participants in a 6-month long engagement and rehearsal process to enable their participation in the touring production of *The Barber of Seville* in 8 regional Queensland communities.
- The creation and presentation of a new re-telling of *Snow White*, in collaboration with La Boite Theatre Company and Brisbane Festival, presented at the Roundhouse Theatre.
- The presentation of a semi-staged concert of Cole Porter's multi-award winning musical *Kiss Me, Kate*, in the Concert Hall at QPAC.
- The presentation of the final year of primary schools touring production *Fizz!*, based on Donizetti's *Elixir of Love*, to 4,062 primary school students in metropolitan, regional and remote Queensland.
- In-schools programs and residencies, and community workshops attended by 951 participants.
- Audience development and fundraising events and initiatives.

The difference in income and expenditure between 2016 and 2015 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 Chairman's Message and Artistic Director's Message in the Annual Report.

The result of the Company for the year was a surplus of $32,443. This surplus includes the write-off of certain costume and creative design associated with a production that has been deferred until the Company considers the production within its funding ability. As the timing of this production is currently unknown, the Company has decided to expense $79,638 that had previously been recorded as an asset. The Surplus excluding this non-cash write off was $112,081. (The Surplus in 2015 was $420,037).

The Company is exempt from income tax.

National Opera Review

The Final Report of the National Opera Review (NOR) was delivered to the Federal Arts Minister on 24 October 2016, providing an integrated package of 118 recommendations that the NOR Panel considered will significantly enhance financial viability, artistic vibrancy and accessibility of Australia's Major Opera Companies, namely Opera Australia, Opera Queensland, State Opera of South Australia and West Australian Opera.

The NOR Report recommendations are under review by the Federal Arts Minister and will require endorsement of both the Federal and State Governments to enable implementation. As at the signing of this Directors' Report, the Company has not received advice of the formal response from the Federal Government regarding these recommendations.

Performance measure

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 through the actions and activities as articulated in our *Strategic Plan 2012-2017*. Performances measures and benchmarks are reviewed, and new measures set on an annual basis.

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 2016 is $4,450 (2015: $3,950).

Events subsequent to balance date

On 21 April 2017, 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 to be extended to 31 December 2018.

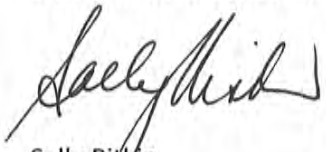
Arts Queensland has agreed to provide forward payments if necessary in 2017 and 2018. Forward payments may be subject to Queensland Treasury approval and depend on the final outcomes of the NOR and its impact on the delivery of opera in Queensland.

Apart from the matter[s] 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, the results of those operations, 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 2016.

Signed in accordance with a resolution of the Directors:



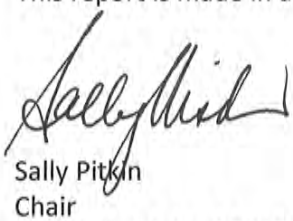
Sally Pitkin
Chair
Brisbane, 24 April 2017

DIRECTORS' DECLARATION

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

(a) The financial statements and notes set out on pages 7 to 23 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 2016 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, 24 April 2017

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 2016 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

KPMG

Tracey Barker
Partner

Brisbane
24 April 2017

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Liability limited by a scheme approved under Professional Standards Legislation.

OPERA QUEENSLAND LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 $	2015 $
INCOME			
Event Income		1,839,820	1,142,214
Sponsorships & Donations	8	677,952	486,236
Other Income		376,414	266,179
Government Income			
Queensland government			
Operational grant		2,531,873	2,492,001
Project funding		391,707	213,983
Arts Leverage Fund		-	157,229
Other grants		100,000	100,000
Opera Conference funding	6	54,371	53,515
Federal government			
Operational grant		422,909	416,249
Project funding		-	39,791
Opera Conference funding	6	227,461	223,879
Local government		40,000	40,000
TOTAL INCOME		**6,662,507**	**5,631,275**
EXPENDITURE			
Productions & Touring	9	4,623,260	3,241,432
Community Programs & Education		152,384	167,650
Marketing & Business Development		818,025	740,204
Infrastructure & Administration		1,036,395	1,061,952
TOTAL EXPENDITURE	10	**6,630,064**	**5,211,239**
Net surplus/(deficit)		**32,443**	**420,037**
Other comprehensive income attributable to members of the company		-	-
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF THE COMPANY		**32,443**	**420,037**

The Statement of Comprehensive Income is to be read in conjunction with the Notes to the Financial Statements set out on pages 11 to 23.

OPERA QUEENSLAND LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Accumulated Surplus/(Deficit)	Subordinated Loan	Total Accumulated Funds
	$	$	$
Total accumulated funds at 1 January 2015	(294,873)	200,000	(94,873)
Surplus for the year	420,037	-	420,037
Other comprehensive income	-	-	-
Total accumulated funds attributable to members at 31 December 2015	**125,164**	**200,000**	**325,164**
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**

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 23.

OPERA QUEENSLAND LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2016

	Notes	2016	2015
		$	$
CURRENT ASSETS			
Cash and cash equivalents	11	691,219	76,831
Term deposit		-	400,000
Trade receivables and other assets	12	134,583	359,012
Total Current Assets		825,802	835,843
NON-CURRENT ASSETS			
Property, plant and equipment	13	671,890	697,121
Other non-current assets	14	63,164	-
Total Non-Current Assets		735,054	697,121
TOTAL ASSETS		1,560,856	1,532,964
CURRENT LIABILITIES			
Trade and other payables	15	139,002	89,936
Employee benefits	16	228,667	205,693
Other current liabilities	17	835,580	912,171
Total Current Liabilities		1,203,249	1,207,800
TOTAL LIABILITIES		1,203,249	1,207,800
NET ASSETS		**357,607**	**325,164**
Represented by:			
ACCUMULATED FUNDS			
Subordinated loan	18	200,000	200,000
Accumulated surplus/(deficit)	19	157,607	125,164
TOTAL ACCUMULATED FUNDS		**357,607**	**325,164**

The Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 11 to 23.

OPERA QUEENSLAND LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016	2015
		$	$
Cash flow from operating activities			
Cash receipts from customers and grantors		6,250,607	4,836,680
Cash paid to suppliers and employees		(6,045,294)	(5,075,774)
Interest Received		12,626	14,870
Net cash from operating activities	21	217,939	(224,224)
Cash flow from investing activities			
Disposal / (acquisition) of term deposit		400,000	(400,000)
Disposal / (acquisition) of plant and equipment		(3,551)	-
Net cash from investing activities		396,449	(400,000)
Net increase/(decrease) in cash & cash equivalents		614,388	(624,224)
Cash and cash equivalents at 1st January		76,831	701,055
Cash and cash equivalents at 31st December	11	691,219	76,831

The Statement of Cash Flows is to be read in conjunction with the Notes to the Financial Statements set out on pages 11 to 23.

1. Reporting entity

Opera Queensland Ltd (the "Company") is a not-for-profit company limited by guarantee and incorporated under the Australian Charities and Not-for-profit Commission. 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 24 April 2017.

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 Corporations Act 2001.

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 $32,443 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 2017 guaranteed funding from Arts Queensland to meet its 2016 cash flow requirements.

The Funding Agencies have agreed that they will continue to fund the Company's operations in 2017 and 2018 subject to the Company meeting its funding and reporting obligations under the special conditions in the Tripartite Funding Agreement for 2016-2017. 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 25.

As disclosed in Note 22, 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 pays its debts as and when they fall due in this period. The forecasts

include the Company drawing a partial instalment from Arts Queensland in 2017 from the four instalments available in 2018.

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 its Tripartite Funding Agreement.

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

Box Office
Revenue from ticket sales is recognised on presentation of the final performance for each production. Advance sales monies received prior to the date of performance are recognised as a liability, 'Ticket sales in advance' (Note 17). Revenue is recognised at the fair value of the consideration received or receivable.

Grants
The annual grants from the Queensland (Arts Queensland) and Federal (Australia Council) Governments are received in instalments as scheduled under a Tripartite Funding Agreement (Note 25). 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 17). Grant revenue is subject to fulfilment of conditions as stipulated in the Tripartite Funding Agreement. In 2016, the Company satisfied all conditions of the Agreement with the exception of reserves held (Note 19).

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 are recognised at the time the obligation is fulfilled. All grant funding provided in 2016 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 12) for productions programmed within 12 months, or in 'Other non-current assets' (Note 14) for productions programmed further than 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 2017 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* becomes 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 Company does not plan to adopt this Standard early and the extent of the impact has not been determined.

AASB 15 *Revenue from Contracts with Customers* becomes 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 2016 to Opera Conference was $281,832 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 2016	2015
Life Membership	9	7
Annual Membership	89	79
	98	86

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.

	2016 $	2015 $
Annual funding amount contributed to Opera Conference by Opera Queensland from:		
State Government funding	54,371	53,515
Federal Government funding	227,461	223,879
	281,832	277,394

7. Auditors Remuneration

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

8. Sponsorships & Donations

Sponsorships - cash	20,000	55,000
Sponsorships – in kind	309,888	140,350
Philanthropic Trusts and Foundations	145,000	145,000
General Donations	203,064	145,886
	677,952	486,236

9. Deferred production expenses

Production & Touring expenditure includes the write-off of certain costume and creative design associated with a production that has been deferred until the Company considers the production within its funding ability. As the timing of this production is currently unknown, the Company has decided to expense $79,638 that had previously been recorded as an asset.

	2016 $	2015 $
10. Employee expenses		
Productions & touring	2,131,382	1,640,973
Community programs & education	102,620	116,170
Marketing & business development	309,883	233,120
Infrastructure & administration	612,456	617,605
	3,156,341	2,607,868
11. Cash and cash equivalents		
Cash balances	800	800
Bank balances	690,419	76,031
	691,219	76,831
12. Trade receivables and other assets		
Trade receivables	85,921	73,126
Prepayments	48,662	285,886
	134,583	359,012
13. Property, plant & equipment and motor vehicles		
Lease premium and leasehold improvements at deemed cost	797,102	797,102
Accumulated amortisation	(165,170)	(157,284)
	631,932	639,818

The Company has a long term lease of its premises at an insignificant rent of $1 per annum

Plant and Equipment at cost	407,755	404,204
Accumulated Depreciation	(367,797)	(346,901)
	39,958	57,303
Net book value property, leases, plant and equipment.	671,890	697,121

At 31 December 2016, $326,678 of assets has been fully written down.

Reconciliations

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

	2016	2015
	$	$
Lease and leasehold improvements		
Carrying amount at the beginning of the year	639,818	647,703
Amortisation charge for the year	(7,886)	(7,885)
Carrying amount at the end of the year	631,932	639,818
Plant and equipment		
Carrying amount at the beginning of the year	57,303	77,855
Acquisitions during the year	3,551	-
Depreciation charge for the year	(20,896)	(20,552)
Carrying amount at the end of the year	39,958	57,303

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

14. Other non-current assets

Production costs for use in 2018 production	63,164	-

15. Trade and other payables

Trade payables	59,604	19,496
Other payables and accrued expenses	79,398	70,439
	139,002	89,936

16. Employee benefits

Current

Liability for long service leave		
Carrying amount at the beginning of the year	54,781	47,850
Leave accrued/ (expensed) during the year	1,154	6,931
Carrying amount at the end of the year	55,935	54,781
Liability for annual leave		
Carrying amount at the beginning of the year	150,913	151,561
Leave accrued/ (expensed) during the year	21,819	(648)
Carrying amount at the end of the year	172,732	150,913
Total Current Leave Liabilities	228,667	205,693

		2016	2015
		$	$
	Non-Current		
	Liability for long service leave		
	Carrying amount at the beginning of the year	-	10,709
	Leave accrued/ (expensed) during the year	-	(10,709)
	Carrying amount at the end of the year	-	-
17.	**Other Current Liabilities**		
	Queensland government 2017 (2016) operational grant *(refer to Note 23 Tripartite Funding)*	655,613	646,561
	Other income received in advance	5,040	8,920
	Ticket sales in advance	174,927	256,690
		835,580	912,171
18.	**Subordinated Deferred Loan**	200,000	200,000

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.

19. 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 2016 remain below 20%, however, the Company intends to build reserves to the required level of 20% through recurring annual operating surpluses. Reserves in excess of 20% can be applied to fund future deficit budgets where the deficit is supporting expenditure or investment on a non-recurrent special project.

20. 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 2017. 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.

	2016 $	2015 $
Payable within one year		
Artists' fees	395,711	540,864
Venue hire & production	228,178	221,812
Other	32,388	32,388
	656,277	795,064

21. Reconciliation of cash flows from operating activities

Cash flows from operating activities		
Net surplus/(deficit) for the year	32,443	420,037
Depreciation	20,896	20,552
Amortisation	7,886	7,885
Write-off of production costs	79,638	-
Operating profit before changes in working capital and provisions	140,863	448,474
Changes in:		
Trade receivables & other assets	81,627	(49,904)
Trade & other payables	49,066	(27,553)
Employee benefits	22,974	(4,427)
Other current liabilities	(76,591)	(590,814)
Net cash from operating activities	217,939	(224,224)

22. 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.

23. 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.

	Notes	2016 $ 6 Months or less	2015 $ 6 Months or less
Financial Assets			
Cash and cash equivalents:			
floating interest rate - 0 .6% (2015: 1.3%)	11	323,233	60,361
non-interest bearing		367,986	16,470
Term deposits:			
fixed interest rate (2015: 2.85%)		-	400,000
Trade receivables:			
non-interest bearing	12	85,921	73,126
		777,140	549,957

24. Related party disclosures

The following were key management personnel during the year:

Directors

Ms Kim Challenor

Ms Teresa Dyson *(from 29 August 2016)*

Lady Jane Edwards *(retired 30 May 2016)*

Dr Colin Furnival

Mr Robert Hubbard *(retired 24 August 2016)*

Mr Ieuan Hyde

Mr David Janetzki *(retired 17 May 2016)*

Dr Sally Pitkin

Prof David Siddle

External Committee Members

Mr William Fellowes *(from 13 September 2016)*

Executives

Ms Lindy Hume

Mr Russell Mitchell

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 $43,863 (2015: $28,945).

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

	2016	2015
	$	$
Short term employee benefits	286,581	287,169
Post- employment benefits	26,107	26,163
	312,688	313,332

25. 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).

A Tripartite Funding Agreement for 2016 to 2017 was signed on 13 April 2016, acknowledging that the Company's change and transformation process as anticipated in the 2012 to 2014 Tripartite Funding Agreement was still underway and expected to continue during the term of the new Agreement. Arts Queensland agreed to provide forward payments if necessary for each year of this agreement. Forward payments are subject to Queensland Treasury approval and depend on the final outcomes of the National Opera Review and its impact on the delivery of opera in Queensland.

In 2016, the Company brought forward $655,613 from its 2017 agreed funding to meet its 2016 cash flow requirements. The Government funding received for 2016 is shown in the Statement of Comprehensive Income, and the amount brought forward from 2017 is shown in the Balance Sheet.

On 11 November 2016, the Funding Agencies agreed to continue to extend funding to the Company to 31 December 2018, subject to the Company continuing to meet its reporting obligations, the condition of a surplus result in both 2017 and 2018 forecast, ongoing close monitoring of 2018 budgets and programs, and provision of an updated operational plan to cover 2017 and 2018.

The approved funding for the year 2017, including the amount brought forward in 2016 is:

	$
Australia Council	650,370
Arts Queensland	2,586,244
	3,236,614

26. Subsequent Events

On 21 April 2017, 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 to be extended to 31 December 2018.

Arts Queensland has agreed to provide forward payments if necessary in 2017 and 2018. Forward payments may be subject to Queensland Treasury approval and depend on the final outcomes of the National Opera Review and its impact on the delivery of opera in Queensland.