



**OPERA QUEENSLAND LIMITED
ACN 010 258 750**

FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present their report together with the financial report of Opera Queensland Limited ("the Company") for the year ended 31 December 2018 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:

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

Appointed Chair October 2018

Deputy Chair August 2016 – September 2018

Member, Audit and Risk Committee

Chair of the Nominations Committee

Director since September 2014

Kim Challenor *BComm, BA, CA*

Appointed Deputy Chair October 2018

Treasurer June 2012 – May 2018

Director since June 2012

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

Appointed Treasurer June 2018

Chair, Audit and Risk Committee

Director since August 2016

Anne Cross AM *BSW, MSW, FAIM, FAICD*

Member, Audit and Risk Committee

Director since April 2017

Colin Furnival *PhD, FRCS, FRACS, GAICD*

Chair, Opera Queensland Foundation

Member, Nominations Committee

Director since December 2009

David Gow *BCom, LLB, FAICD*

Member, Audit and Risk Committee

Director since April 2018

Daniel Tobin *BA Visual Arts, DipDramArt (Design)*

Director since August 2018

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

Chair August 2016 – September 2018

Director since April 2012

(Retired October 2018)

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	3	3
A Cross	8	9	-	-
T Dyson	8	9	5	6
W Fellowes**	-	-	6	6
C Furnival	4	9	-	-
D Gow	7	7	6	6
S Pitkin	6	7	3	5
D Siddle	7	9	5	6
D Tobin	2	3	-	-

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

** External Committee Member

Purpose

To make Opera an integral part of Queensland life.

Vision

To enrich the lives of our diverse audience by creating thrilling opera, with exceptional artists and partners, courageously supporting and advancing the art form.

Our strategy

Over the next three years, Opera Queensland will invest in a third major production each year, build upon the success of our highly regarded regional and schools programs, work with Indigenous and culturally and linguistically diverse artists to tell their stories through music, implement a dynamic long term sponsorship and development strategy, and create bold new works collaborating with local, national and international artists.

Artistic productions will reflect:

- Main stage performances of traditional and modern large scale opera, revealing the works as relevant to our time
- Deeper connection with regional and remote Queensland through performances and other activities born of local stories
- Collaborations with local, national and international artists to create new works that develop the art form, artists and audiences

Successfully increasing income and support from private and corporate donors and sponsors is vital to the future of Opera Queensland and will be the focus of a revitalised philanthropy strategy.

Opera Queensland is ready to launch into a triennium of strong and diverse works, inspired by the unique energy of Queensland with a view to celebrating our 40th birthday in 2021 as one of Queensland and Australia's most successful and dynamic arts organisations.

Principal activities

The principal activities of the Company in 2018 were:

- Presentation of two mainstage operas; a new Opera Conference production of Franz Lehár's *The Merry Widow* and Mozart's *Don Giovanni* at the Queensland Performing Arts Centre (QPAC).
- A presentation of a semi-staged concert of Benjamin's Britten's *Peter Grimes* as part of Brisbane Festival, presented by Brisbane Festival, Opera Queensland, Philip Bacon AM, Queensland Performing Arts Centre and Queensland Symphony Orchestra.
- The touring production of Gilbert & Sullivan's *Ruddigore, or the Witch's Curse* presented in 6 regional Queensland communities.
- Partnering with the Queensland Art Gallery & Gallery of Modern Art (QAGOMA) to present the art-meets-music production of *Reprise* at QAGOMA.
- Presentation of a concert featuring the Opera Queensland community chorus on the set of *The Merry Widow* called *Opera Romance* featuring Antoinette Halloran and Rosario La Spina.
- The presentation of a new re-telling of Humperdinck's *Hansel & Gretel* in collaboration with shake & stir theatre company as a primary schools touring production. *Hansel & Gretel* was delivered to 9,242 primary school students in metropolitan, regional and remote Queensland, including Winton, Longreach and Augathella.
- A new initiative, *Composed in Queensland*, was piloted across the five shires of Longreach, Winton, Barcaldine, Blackall and Barcoo, working with 108 students from 11 schools. These students' personal stories about living in the Outback were shared and used as the basis for five new compositions celebrating local stories from students across the Central West.
- *Songs of Belonging* at Yeronga State School allowed 17 students from refugee background to share their personal stories and thoughts around the concept of belonging, which formed the basis of a new song titled *I Belong*. This was written collaboratively by the Opera Queensland team and Yeronga Students over seven weeks.
- In-school programs and residencies, and community workshops were attended by participants as part of our Learning Regional & Community activities.
- Audience development and fundraising events and initiatives.

Review and Result of Operations

The result of the Company for the year was a surplus of \$209,506 (2017: \$91,297).

The difference in income and expenditure between 2018 and 2017 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 Chair's Message and Artistic Director's Message in the Annual Report.

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 aligned directly to the achievement of our four core goals listed below through the actions and activities as articulated in our *Strategic Plan 2019-2021*. Performance measures and benchmarks are reviewed, and new measures set on an annual basis.

- To lead change in opera
- To nurture and grow audiences

- To create new pathways for artists and arts workers
- To ensure financial and operational sustainability

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 2018 is \$1,600 (2017: \$2,250).

Events subsequent to balance date

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, to affect significantly 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 2018.

Signed in accordance with a resolution of the Directors:



David Siddle
Chair
Brisbane, 23 April 2019

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 2018 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.



David Siddle
Chair
Brisbane, 23 April 2019



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 2018 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 2019

OPERA QUEENSLAND LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

		2018	2017
		\$	\$
INCOME	Notes		
Event Income	8	2,253,455	1,378,928
Sponsorships & Donations	9	778,663	520,279
Other Income		180,414	181,404
Grant Income			
Queensland government			
Operational grant		2,855,220	2,567,320
Project funding		368,531	142,829
Other grants		100,000	100,000
Opera Conference funding	6	55,904	55,132
Federal government			
Operational grant		434,833	428,831
Opera Conference funding	6	233,874	230,645
Local government		30,000	30,000
TOTAL INCOME		<u>7,290,894</u>	<u>5,635,368</u>
 EXPENDITURE			
Production & Touring	10	4,669,445	3,343,996
Community Programs & Education		207,085	218,546
Marketing & Business Development		984,369	776,602
Infrastructure & Administration		1,220,489	1,204,927
TOTAL EXPENDITURE	11	<u>7,081,388</u>	<u>5,544,071</u>
 Net surplus		209,506	91,297
 Other comprehensive income attributable to members of the company		-	-
 TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF THE COMPANY		<u>209,506</u>	<u>91,297</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 2018

	Accumulated Surplus	Subordinated Loan	Total Accumulated Funds
	\$	\$	\$
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
Total accumulated funds at 1 January 2018	248,904	200,000	448,904
Surplus for the year	209,506	-	209,506
Other comprehensive income	-	-	-
Total accumulated funds attributable to members at 31 December 2018	458,410	200,000	658,410

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 2018

	Notes	2018	2017
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	12	723,011	196,535
Trade receivables and other assets	13	373,171	282,803
Total Current Assets		<u>1,096,182</u>	<u>479,338</u>
NON-CURRENT ASSETS			
Property, plant and equipment	14	650,738	645,828
Total Non-Current Assets		<u>650,738</u>	<u>645,828</u>
TOTAL ASSETS		<u>1,746,920</u>	<u>1,125,166</u>
CURRENT LIABILITIES			
Trade and other payables	15	228,560	153,014
Employee benefits	16	114,948	190,772
Other	17	745,002	332,476
Total Current Liabilities		<u>1,088,510</u>	<u>676,262</u>
TOTAL LIABILITIES		<u>1,088,510</u>	<u>676,262</u>
NET ASSETS		<u>658,410</u>	<u>448,904</u>
<i>Represented by:</i>			
ACCUMULATED FUNDS			
Subordinated loan	18	200,000	200,000
Accumulated surplus	19	458,410	248,904
TOTAL ACCUMULATED FUNDS		<u>658,410</u>	<u>448,904</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 2018

	Notes	2018 \$	2017 \$
Cash flow from operating activities			
Cash receipts from customers and grantors		7,196,993	5,009,008
Cash paid to suppliers and employees		(6,661,892)	(5,509,708)
Interest Received		<u>12,657</u>	<u>8,399</u>
Net cash from / (used in) operating activities	21	<u>547,758</u>	<u>(492,301)</u>
Cash flow from investing activities			
Acquisition of plant and equipment		<u>(21,282)</u>	<u>(2,383)</u>
Net cash used in investing activities		<u>(21,282)</u>	<u>(2,383)</u>
Net increase / (decrease) in cash & cash equivalents		526,476	(494,684)
Cash and cash equivalents at 1st January		196,535	691,219
Cash and cash equivalents at 31st December	12	<u><u>723,011</u></u>	<u><u>196,535</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 2018**

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 2019.

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 \$209,506 continuing to build on its accumulated funds. The Company’s operations are funded by the Queensland and Federal Governments (the Funding Agencies), subject to the company meeting its funding and reporting obligations under the special conditions in the *2019-2021 Multi-partite Funding Agreement*. The Company continues to be subject to the Fair Notice Protocols of the Multi-partite Funding Agreement. The terms of the Multi-partite Funding Agreement are set out in Note 25.

The Company also receives additional funding from the Funding Agencies under the *2018-2021 Tri-partite Structural Adjustment and Temporary Funding Uplift Agreement*.

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 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 Multi-partite 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

Event Income

Event income from performance ticket sales are recognised when performances, for which the tickets were sold takes place.

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 25). Grant revenue is brought to account when controlled, at the fair value of the consideration received. Grant revenue is subject to fulfilment of conditions as stipulated in the Tripartite Funding Agreements. In 2018, 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).

Annual grants from the Queensland (Arts Queensland) and Federal (Australia Council) Governments for the *2018-2021 Tri-partite Structural Adjustment and Temporary Funding Uplift Agreement* are received in instalments and recognised at the time the obligation is fulfilled. In 2018, the Company carried forward a portion of its 2018 Temporary Funding Uplift to 2019, to match the related strategic activity expenditure not yet completed. The amount carried forward into 2019 is shown in the Balance Sheet as an Other Current Liability (Note 17).

Other special purpose reciprocal grants, including local government grants and other State grants awarded are recognised at the time the obligation is fulfilled. All such grant funding provided in 2018 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 when the Company controls the funding, 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 measured at an amount equal to lifetime expected credit losses. 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

AASB 9 *Financial Instruments* became effective for the annual reporting periods beginning 1 January 2018 and sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaced AASB 139 *Financial Instruments: Recognition and Measurement*. There was no material impact of applying AASB 9 to financial assets and liabilities and no adjustment were made on transition for the results for the year ended 31 December 2018.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 and early application is permitted. However, the Company has not applied the following new or amended standards in preparing 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.

AASB 1058 *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. The extent of the impact has not been determined.

(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 2018 to Opera Conference was \$289,778 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 to \$50 for each member. 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	
	2018	2017
Life Membership	8	8
Annual Membership	32	45
	<u>40</u>	<u>53</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 opera company's Funding Agreement. Funding identified for this purpose is redirected by each opera company to the Opera Conference partnership to fund the collaborative initiatives undertaken.

	2018	2017
	\$	\$
Annual funding amount contributed to Opera Conference by Opera Queensland from:		
State Government funding	55,904	55,132
Federal Government funding	233,874	230,645
	<u>289,778</u>	<u>285,777</u>

7. Auditors' Remuneration

KPMG provide their audit services on an honorary basis and receive Corporate Partner status	35,000	25,000
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8. Event Income

As noted within the Director's Report, differences in income and expenditure between 2018 and 2017 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 *Ruddigore, Or the Witch's Curse!*

presented in 2018 being of a materially larger scale to *A Night With Opera Queensland* touring production in 2017.

	2018	2017
	\$	\$
9. Sponsorships & Donations		
Sponsorships - cash	96,550	23,950
Sponsorships – in kind	259,169	162,630
Philanthropic Trusts and Foundations	208,153	145,000
General Donations	214,791	188,699
	<u>778,663</u>	<u>520,279</u>

10. Production & Touring

Production & Touring expenditure includes \$76,803 for certain costume and creative design expenses associated with the *Ruddigore, Or the Witch's Curse!* production that was recognised as an asset through prepayments in 2017 was fully utilised in the 2018 regional tour.

	2018	2017
	\$	\$
11. Employee expenses included within total expenditure		
Productions & touring	2,533,221	1,871,598
Community programs & education	78,401	128,391
Marketing & business development	261,393	246,196
Infrastructure & administration	622,681	660,319
	<u>3,495,696</u>	<u>2,906,504</u>

12. Cash and cash equivalents

Cash balances	800	800
Bank balances	722,211	195,735
	<u>723,011</u>	<u>196,535</u>

13. Trade receivables and other assets

Trade receivables	272,752	38,148
Prepayments	100,419	244,655
	<u>373,171</u>	<u>282,803</u>

Production & Touring expenditure of \$76,803 for certain costume and creative design expenses associated with the *Ruddigore, Or the Witch's Curse!* production that was recognised as an asset through prepayments in 2017 was fully utilised in 2018.

The 2018 prepayments balance includes 2019 production expenditure for *A Flowering Tree* and *Tosca*, as well as prepaid Insurance and Workcover premiums.

	2018	2017
	\$	\$
14. Property, plant & equipment		
Lease premium and leasehold improvements at deemed cost	797,102	797,102
Accumulated amortisation	<u>(180,941)</u>	<u>(173,055)</u>
	616,161	624,047
The Company has a long term lease of its premises at a rent of \$1 per annum.		
Plant and Equipment at cost	431,420	410,138
Accumulated depreciation	<u>(396,843)</u>	<u>(388,357)</u>
	<u>34,577</u>	<u>21,781</u>
Net book value property, leases, plant and equipment.	<u>650,738</u>	<u>645,828</u>

At 31 December 2018, \$407,200 of assets has been fully written down (2017: \$315,991).

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	624,047	631,932
Amortisation charge for the year	<u>(7,886)</u>	<u>(7,885)</u>
Carrying amount at the end of the year	<u>616,161</u>	<u>624,047</u>

Plant and equipment

Carrying amount at the beginning of the year	21,781	39,958
Acquisitions during the year	21,282	2,383
Depreciation charge for the year	<u>(8,486)</u>	<u>(20,560)</u>
Carrying amount at the end of the year	<u>34,577</u>	<u>21,781</u>

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

15. Trade and other payables		
Trade payables	71,071	35,277
Other payables and accrued expenses	<u>157,489</u>	<u>117,737</u>
	<u>228,560</u>	<u>153,014</u>

16. Employee benefits	2018	2017
	\$	\$
Current		
<i>Liability for long service leave</i>		
Carrying amount at the beginning of the year	60,621	55,935
Leave (expensed)/accrued during the year	(25,773)	4,686
Carrying amount at the end of the year	<u>34,848</u>	<u>60,621</u>
<i>Liability for annual leave</i>		
Carrying amount at the beginning of the year	130,151	172,732
Leave expensed during the year	(50,051)	(42,581)
Carrying amount at the end of the year	<u>80,100</u>	<u>130,151</u>
<i>Total Current Employee Benefits</i>	<u>114,948</u>	<u>190,772</u>
17. Other Current Liabilities		
Government Grants in advance	286,078	332,396
Other income received in advance	182,865	80
Ticket sales in advance	276,059	-
	<u>745,002</u>	<u>332,476</u>

Grants in advance includes \$238,042 of the 2018 Arts Queensland Temporary Funding Uplift due to activity being carried forward to 2019. Other income received in advance relates to the 2019 *Bleach* Festival* production. Revenue received for subscription tickets to 2019 productions are recognised as Ticket Sales in advance.

18. Subordinated Deferred Loan	<u>200,000</u>	<u>200,000</u>
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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 2018 remain below 20%, however, the Company intends to build reserves to the required level of 20% through recurring annual operating surpluses.

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 2019. Total amounts payable under these contracts are set out below. The company also has various operating lease commitments in respect of equipment rental agreements, the lease payments of which are charged to expenses. 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.

	2018	2017
	\$	\$
Payable within one year		
Artists' fees	341,696	341,648
Venue hire & production	341,349	260,921
Other	35,934	30,371
	<u>718,979</u>	<u>632,940</u>
Payable within 2 – 5 years		
Other	140,742	171,112
	<u>859,721</u>	<u>804,052</u>

21. Reconciliation of cash flows from operating activities

Cash flows from operating activities

Net surplus for the year	209,506	91,297
Depreciation	8,486	20,560
Amortisation	7,886	7,885
<i>Operating profit before changes in working capital and provisions</i>	<u>225,878</u>	<u>119,742</u>
<i>Changes in:</i>		
Trade receivables & other assets	(90,368)	(148,220)
Other Non-Current Assets	-	63,164
Trade & other payables	75,546	14,012
Employee benefits	(75,824)	(37,895)
Other current liabilities	412,526	(503,104)
<i>Net cash from / (used in) operating activities</i>	<u>547,758</u>	<u>(492,301)</u>

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.

		2018	2017
		\$	\$
	Notes	6 Months or less	6 Months or less
Financial Assets			
Cash and cash equivalents:	12		
<i>floating interest rate - 0.4% (2017: 0.5%)</i>		404,393	188,826
<i>non-interest bearing</i>		17,320	7,709
Term deposits		301,298	-
Trade receivables:			
<i>non-interest bearing</i>	13	272,752	38,148
		<u>995,763</u>	<u>234,683</u>

24. Related party disclosures

The following were key management personnel during the year:

Directors

Ms Kim Challenor

Ms Anne Cross

Ms Teresa Dyson

Dr Colin Furnival

Dr Sally Pitkin (*retired 30 September 2018*)

Prof David Siddle

Mr David Gow (*from 1 April 2018*)

Mr Daniel Tobin (*from 1 August 2018*)

Executives

Mr Patrick Nolan

Ms Sandra Willis

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 \$11,000 (2017: \$33,750).

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

	2018	2017
	\$	\$
Short term employee benefits	345,036	344,192
Post-employment benefits	30,400	28,853
	<u>375,436</u>	<u>373,045</u>

25. Tripartite and Multi-partite 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).

Grant funding for 2018 was received subject to the conditions of the *2018 Deed of Variation to 2016 to 2017 Tripartite Funding Agreement*.

A Multi-partite Funding Agreement for 2019 to 2021 was signed on 20 December 2018 with the funding detailed therein being subject to the Company complying with various conditions which are in general that the Company continues to meet the designation criteria of a Major Performing Arts Company and achieve Outcomes and Performance Indicators as agreed and reviewed annually. These conditions include to the Company continuing to meet its reporting obligations, the condition of a surplus result, and ongoing close monitoring of budgets and programs.

The approved funding for the year 2019 is:

	\$
Australia Council	679,407
Arts Queensland	<u>2,696,394</u>
	<u>3,375,801</u>

26. Subsequent Events

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, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.



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 2018, 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 2018.
- 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 2018.

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 2019