

**OPERA AUSTRALIA
AND ITS CONTROLLED ENTITIES**

Financial Report

**FOR THE YEAR ENDED 31 DECEMBER 2019
A.C.N. 000 755 153**

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OPERA AUSTRALIA DIRECTORS' REPORT

The Board of Directors of Opera Australia has pleasure in submitting its report in respect of the financial year ended 31 December 2019.

DIRECTORS

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

Names	Qualifications, experience and special responsibilities
David Mortimer AO (Chairman from April 2013)	Mr Mortimer has over 40 years of corporate finance and commercial experience both as a Chief Financial Officer and Chief Executive Officer of TNT Limited the worldwide transport and logistics group. He was a founding Shareholder and Chairman of private equity group Crescent Capital Partners until his retirement in December 2017. He is a Director of public and private companies and has interests in property, agriculture and portfolio investments. Mr Mortimer was a Fellow of the Senate of the University of Sydney until November 2017. He continues as Chairman of the investment committee of the University. He has chaired several publicly listed companies and government businesses in addition to his current directorships; he continues to serve as Chairman and Director of not for profit organisations and foundations. Mr Mortimer has a Bachelor of Economics (First Class Honours) from the University of Sydney. He was appointed as an Officer of the Order of Australia in 2005 for "Service to business and commerce through innovation and visionary leadership, as an advisor to government and to the community." He joined the Board of Opera Australia in January 2013 and was elected Chairman in April 2013. Mr Mortimer is Chair of the People Remuneration and Nominations Committee and a member of the Property Advisory Committee and Audit and Risk Committee.
Philip Bacon AM	Mr Bacon is Director, Philip Bacon Galleries Pty Ltd, Deputy Chairman, Brisbane Festival, Deputy Chairman, Council for the Order of Australia, Chairman of Opera Australia Capital Fund, Trustee, Gordon Darling Foundation, Trustee Margaret Olley Art Trust, and Member of the Board of the Foundation of the National Gallery of Australia. From 1996 to 2003 he was a Council Member, National Gallery of Australia. From 1994 to 2011 he was a Director of Opera Australia, and since 2001 he has been a Director of the Opera Australia Capital Fund. Mr Bacon was made a Member, Order of Australia in 1999 receiving in the same year a Doctor of Philosophy (honoris causa) from the University of Queensland. In 2002 Mr Bacon received a Doctor of the University from Griffith University, and Doctor of the University from Queensland University of Technology in 2005. Mr Bacon was re-appointed to the Board of Opera Australia in March 2014.
Brian Benjamin	Mr Benjamin, BEc MBA, has worked in corporate finance for over 30 years including 14 years with Macquarie Corporate Finance and the balance in his own advisory business. He specialised in mergers, acquisitions and advisory roles in telecoms, mining and infrastructure. He was instrumental in the establishment and success of Melbourne Chamber Orchestra where he was Executive Chairman for five years. In that role, he initiated and guided the group's transition to the Melbourne Recital Centre and the appearance there in the year of its opening of the legendary Sir Neville Marriner. He is an active supporter of classical music and musicians in Melbourne. Mr Benjamin was appointed to the Board of Opera Australia in February 2017 and is a member of the Property Advisory Committee and the People Remuneration and Nominations Committee.

David Epstein	<p>Mr Epstein is a non-executive Director and consultant public affairs adviser, specialising in political risk management, transaction advice, corporate communications, and regulatory strategy. He is Principal of Vigot & Co, Chair of Communications Compliance Limited, the independent consumer compliance monitoring body for the Australian telecommunications industry, and an Adjunct Professor within the Deakin Business School of Deakin University. Mr Epstein has held senior executive roles at Qantas Airways, BHP Billiton and Optus (Singtel), and been a senior adviser to three Australian Prime Ministers, culminating as Chief of Staff to the Prime Minister. Educated at The ANU and Wharton, Mr Epstein is a non-executive Director of Communications Compliance Ltd, The Asia Society-Australia, the European Australian Business Council and Can Too Foundation. He also sits on advisory boards for IoTStream Limited, the Advisory Board Centre and the Headon Photo-festival Foundation. Mr Epstein joined the Board of Opera Australia in June 2010 and was a member of the People Remuneration and Nominations Committee and finished with the Board in May 2019.</p>
Jonathan Feder	<p>Mr Feder, LLB (Hons)/BSc is a Partner and leader of the Intellectual Property team at K&L Gates in Australia. He is a current Board member of Melbourne Theatre Company, a role he has held since 2010 as well as a member of the Advisory Board to the Department of Fine Arts and Music at the University of Melbourne. Mr Feder has also raised investment funds for numerous theatrical productions which have been presented throughout the world including shows in New York, London and Australia. Mr Feder joined the Opera Australia Board in February 2017 and is a member of the Audit and Risk Committee.</p>
Jane Hansen AO	<p>Ms Hansen joined the Board of the Melbourne Theatre Company in February 2015, founded the theatre company's Foundation and is now Chair of the management company. She is Deputy Chancellor and Member of the Council of the University of Melbourne, Deputy Chair of the Believe Campaign and sits on the Melbourne University Humanities Foundation. Ms Hansen also sits on the Board of the Lord Mayor's Charitable Foundation and is a Fellow of the University of Melbourne. Previous directorships include the MCG Trust, the State Sport Centres Trust, the federal body of Athletics Australia and the Foundation of the State Library of Victoria. Ms Hansen holds a Bachelors Degree in Economics from Monash University, a Masters Degree in Finance and Business Administration from Columbia University in New York, and an Arts Degree majoring in History from Melbourne University.</p>
Tim McFarlane AM	<p>Mr McFarlane, BEc, is the Executive Chairman of Trafalgar Entertainment Group since 2018 and a Director of Entertainment Assist, a national health promotion charity. He is a former President and Life Member of Live Performance Australia. From 1996 to 2005 he was a Trustee of the Sydney Opera House, from 1986 to 1994 he was General Manager of the Adelaide Festival Centre Trust and the Adelaide Festival, from 1994 to 2013, he was the Managing Director of The Really Useful Company Asia Pacific and from 2013 to 2017 he was the CEO of the Ambassador Theatre Group Asia Pacific. Mr McFarlane was made a Member of the Order of Australia in 2016. He joined the Board of Opera Australia in August 2006 and is a member of the Audit and Risk Committee, the Property Advisory Committee and the People, Remuneration and Nominations Committee.</p>

Alison Pert

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

Deena Shiff

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

Andrew Sisson AO

Mr Sisson has over 40 years investment management experience and in 1988 founded Balanced Equity Management to manage portfolios of Australian shares. In 2011, Balanced Equity Management was acquired by Franklin Resources Inc, a funds management company listed on the New York Stock Exchange. Prior to establishing Balanced Equity Management, Andrew worked at National Mutual Life Association as a Portfolio Manager, progressing through various roles. Andrew also completed a secondment to the UK merchant bank Samuel Montagu as a Corporate Finance Manager. Andrew holds a Bachelor of Science (Mathematics & Statistics) from The University of Melbourne and is a Fellow of the Australian Institute of Company Directors (FAICD). Andrew joined the Board of Opera Australia in February 2017 and was appointed Chairman of the Audit and Risk Committee in November 2017. He is a member of the Council of the University of Melbourne and has recently been a Trustee of the National Gallery of Victoria and a Director of Save the Children Australia.

Josephine Sukkar AM

Ms Sukkar, BSc (Hons), Grad Dip Ed, is a co-owner and Principal of construction company Buildcorp and chair of the Buildcorp Foundation. Ms Sukkar is a professional company Director who works across a range of industries, including property, construction, finance, sport, the arts, medical

DIRECTORS' REPORT (Continued)

research and social services. Ms Sukkar serves on a number of private, public, government and not-for-profit boards, including Growthpoint Properties Australia, Parramatta Park Trust, the Australian Museum, Centenary Institute of Medical Research, Melbourne University Infrastructure Committee and the Australian Rugby Foundation. She is President of Australian Women's Rugby and through Buildcorp has been a major sponsor of rugby in Australia for nearly 30 years. She has previously served as a Director of The Trust Company, and was Co-President of the YWCA NSW. In 2017 she was made a Member of the Order of Australia for her services to the community, the arts and sports. Ms Sukkar joined the Board of Opera Australia in 2011 and is Chair of the Property Advisory Committee.

DIRECTORS' INTERESTS

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

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of Board Committees) and number of meetings attended by each Director in their capacity as a Director or member of a Board Committee during 2019 are set out in the table below:

	2019 Board & Committee							
	Board of Directors		Audit and Risk Committee		People Remuneration and Nomination Committee		Property Advisory Committee	
	A	B	A	B	A	B	A	B
Mr David Mortimer AO	6	6	6	6	2	2	2	2
Mr Philip Bacon AM	6	6	-	-	-	-	-	-
Mr Brian Benjamin	6	6	-	-	2	2	2	1
Mr Jonathan Feder	6	4	6	3	-	-	-	-
Ms Jane Hansen AO	6	4	-	-	-	-	-	-
Mr Tim McFarlane AM	6	4	6	6	2	2	2	2
Ms Alison Pert	6	6	-	-	2	2	2	1
Ms Deena Shiff	6	6	6	4	2	1	-	-
Mr Andrew Sisson AO	6	6	6	6	-	-	-	-
Ms Josephine Sukkar AM	6	5	-	-	-	-	2	2
Mr David Epstein	3	3	-	-	1	1	-	-

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

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

The Property Advisory Committee did not meet during the year.

DIRECTORS' REPORT (Continued)

PRINCIPAL ACTIVITIES

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

OPERATING AND FINANCIAL REVIEW

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

	2019	2018
	\$	\$
Opera Australia – Trading Result	198,534	161,728
Opera Australia – Bequests received in the year	3,198,884	4,663,466
Opera Australia net surplus / (deficit) for the year	3,397,418	4,825,194
Opera Australia Capital Fund and controlled entities after distribution to Opera Australia of \$1,745,173 (2018: \$788,769)	2,915,808	765,325
Consolidated Surplus for the year	6,313,226	5,590,519

Opera Australia (the parent entity) returned a profit from trading activities during the 2019 year of \$198,534. The final reported surplus of \$3,397,418 (2018: surplus \$4,825,194) as reported in Note 27, was significantly enhanced by \$3,198,884 of bequest related funds received during the year as reported in Note 22. The Opera Australia Capital Fund and controlled entities' result reflected strong philanthropic support and investment income. The result also benefited significantly from unrealised gains on financial assets driven by strong share market conditions in 2019.

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER YEAR END

Subsequent to 31 December 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020.

The pandemic has resulted in the cancellation of Opera Australia performances from the 16th of March 2020 with the NSW and Victorian Government Public Health COVID-19 Restrictions Orders preventing any resumption of performances until further notice. The Directors acknowledge that due to the evolving nature of the pandemic there is currently a material uncertainty as to when performances will be able to recommence and under what Government-imposed conditions. The cancellation of performances has to date and will result in a reduction in revenue and operating cashflows which is expected to reduce the operating result for the year ended 31 December 2020. Management is currently in the final stages of securing bank financing and has a number of non-current assets which may be marketed for sale should the need arise. Management have also put in place a number of initiatives to reduce costs where possible, while protecting the integrity of the Group.

To the extent the duration of the COVID-19 pandemic and its impact on the Group is significantly greater than anticipated by the Directors and that the bank financing referred to above is not forthcoming, significant uncertainty would exist surrounding the Group's ability to continue as a going concern. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

The Group expects to maintain the current nature of operations and its overall principal activities will remain unchanged although changes are anticipated to future programming as a result of the current external environment. The operating result for the 2020 year will be severely disrupted by the COVID-19 pandemic.

DIVIDENDS

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

DIRECTORS' REMUNERATION

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

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

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Insurance and indemnity arrangements established in previous years concerning officers of the Group were renewed and continued during 2019. Opera Australia paid the premium on a contract insuring each of the Directors of the Group, named earlier in this report, and each of the full-time executive officers of the Group, against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law.

INDEMNIFICATION OF AUDITORS

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

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration is set out on Page 40 and forms part of the Directors' Report for the financial year 2019.



A.R.N. SISSON AO
Director



D. MORTIMER AO
Director

Date: 25th May 2020

**OPERA AUSTRALIA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Note	Consolidated 2019 \$	2018 \$
Current Assets			
Cash and cash equivalents	8	17,222,190	19,281,573
Trade and other receivables	9	5,103,841	4,172,903
Financial assets	10	26,836,965	21,217,744
Prepayments	11	2,006,443	1,853,254
Total Current Assets		51,169,439	46,525,474
Non-Current Assets			
Other financial assets	12	139,525	275,332
Right-of-use asset	13	3,873,393	-
Property, plant and equipment	14	29,202,355	26,354,594
Intangible assets	15	1,107,849	260,742
Total Non-Current Assets		34,323,122	26,890,668
Total Assets		85,492,561	73,416,142
Current Liabilities			
Trade and other payables	16	7,871,037	12,969,922
Lease liabilities	13	869,064	-
Provisions	18	6,053,060	5,445,122
Government grants received in advance	19	677,089	547,531
Contract liabilities	20	5,306,297	2,282,352
Advance bookings	21	17,980,579	15,184,441
Total Current Liabilities		38,757,126	36,429,368
Non-Current Liabilities			
Provisions	18	1,408,147	1,054,407
Lease liabilities	13	2,753,350	-
Government grants received in advance	19	541,197	132,799
Total Non-Current Liabilities		4,702,694	1,187,206
Total Liabilities		43,459,820	37,616,574
Net Assets		42,032,741	35,799,568
Equity			
Other reserves	22	10,887,266	4,853,800
Retained earnings		31,145,475	30,945,768
Total Equity		42,032,741	35,799,568

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

**OPERA AUSTRALIA
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	Consolidated 2019 \$	2018 \$
INCOME			
Sales revenue	4	81,494,281	67,004,710
Government grants	5	26,553,780	26,269,238
Other revenue and income	4	22,605,695	22,882,832
Total revenue and income		130,653,756	116,156,780
EXPENDITURE			
Staff and employment expenses	7	63,349,307	55,524,983
Travel and transport expenses		8,191,432	7,526,119
Venue expenses		11,868,176	11,261,466
Marketing and promotion expenses		17,627,276	13,599,368
Depreciation, amortization and impairment expense	7	3,092,445	1,629,470
Finance costs	7	63,889	83,796
Share of (gain) / loss of an associate		814,966	285,689
Other expenses	7	22,359,496	18,633,815
Total expenditure		127,366,987	108,544,706
Net gain/(loss) on financial assets	28	3,012,623	(2,028,540)
Surplus for the year		<u>6,299,392</u>	<u>5,583,534</u>
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation gain	22	13,834	6,985
Total other comprehensive income for the year		<u>13,834</u>	<u>6,985</u>
Total comprehensive income for the year		<u>6,313,226</u>	<u>5,590,519</u>

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

OPERA AUSTRALIA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 \$	Consolidated 2018 \$
Operating activities			
Receipts from operations		139,234,896	119,019,046
Payments to suppliers and employees		(135,145,640)	(109,029,382)
Interest received		305,285	390,865
Franking credits received		219,622	150,943
Dividends received		257,838	146,116
Interest paid		(31)	(546)
Interest on leases		(49,454)	-
Net cash flows from operating activities		4,822,516	10,677,042
Investing activities			
Purchase of property, plant and equipment, intangibles and capital work-in-progress assets		(5,986,263)	(3,186,139)
Purchase of units held in managed funds		(705,002)	(7,441,708)
Proceeds from sale of property, plant and equipment		17,500	-
Proceeds from disposal of units held in managed funds		1,252,156	6,436,869
Contribution to equity accounted associate		(679,159)	(748,576)
Net cash flows used in investing activities		(6,100,768)	(4,939,554)
Financing activities			
Repayment of lease liabilities		(794,965)	-
Net cash flows used in financing activities		(794,965)	-
Net (decrease)/increase in cash and cash equivalents		(2,073,217)	5,737,488
Net foreign exchange differences		13,834	6,985
Cash and cash equivalents at 1 January		19,281,573	13,537,100
Cash and cash equivalents at 31 December	8	17,222,190	19,281,573

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

**OPERA AUSTRALIA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019**

	Note	Other Reserves \$	Retained Earnings \$	Total \$
Consolidated				
Balance as at 31 Dec 2017		2,980,491	27,228,558	30,209,049
Net surplus for the year		-	5,583,534	5,583,534
Other comprehensive income		6,985	-	6,985
Transfer to/(from) Investment Revaluation Reserve		(2,616,194)	2,616,194	-
Transfer to Bequests Reserve		4,482,518	(4,482,518)	-
At 31 December 2018		<u>4,853,800</u>	<u>30,945,768</u>	<u>35,799,568</u>
AASB 15 implementation	2	-	(80,053)	(80,053)
1 January 2019		4,853,800	30,865,715	35,719,515
Net surplus for the year		-	6,299,392	6,299,392
Other comprehensive income		13,834	-	13,834
Transfer to/(from) Investment Revaluation Reserve		2,050,913	(2,050,913)	-
Transfer to Bequests Reserve		<u>3,968,719</u>	<u>(3,968,719)</u>	-
At 31 December 2019		<u><u>10,887,266</u></u>	<u><u>31,145,475</u></u>	<u><u>42,032,741</u></u>

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

OPERA AUSTRALIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. CORPORATE INFORMATION

The financial report of Opera Australia (OA) and its controlled entities (collectively, the Group) for the year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on the 22nd of May 2020.

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

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

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

The financial report has also been prepared on a historical cost basis and does not take account of changes in either the general purchasing power of the Australian dollar or in the price of specific assets, except for land and buildings stated at net book value (Note 14) and financial assets measured at fair value (Note 10).

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

STATEMENT OF COMPLIANCE

The Group has elected to present Tier 2 General Purpose Financial Statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB-RDRs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB), and the Australian Charities and Not-for-Profits Commissions Act 2012.

The accounting policies are consistent with those of the previous financial year except the first-time application of AASB 15 Revenue from Contract with Customer, AASB 1058 Income of Not-for-profit Entities and AASB 16 Leases, which are described below.

Financial risk management objectives and policies

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

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

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies, new and amended standards and interpretations

The Group has adopted the below new Australian Accounting Standards which became effective as at 1 January 2019:

AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from Contracts with Customers establishes a comprehensive framework for recognising revenue. AASB 15 is applied where an entity has an enforceable, sufficiently specific obligation to provide goods or services. Under AASB 15, income is recognised as the performance obligations under the contract are satisfied. If no contract exists or the obligations under the contract are not sufficiently enforceable or specific, then the revenue will be recognised immediately under AASB 1058 (refer to section below).

The Group has elected to apply AASB 15 with the modified retrospective approach. Under this approach, the cumulative effect of initial application is recognised as an adjustment to the opening balance of retained earnings at 1 January 2019 and comparatives are not restated.

Opening retained earnings as at 1 January 2019 has been decreased by \$80,053 as a result of the implementation of AASB 15. This consists a \$218,750 deferral of corporate sponsorship income from 2018 to 2019 partially offset by a \$138,697 deferral of 2018 merchant charges relating to 2019 customer contracts.

There is no requirement to restate completed contracts or transactions as at the date of initial application. Hence the Group has not reviewed any contracts that were completed prior to 1 January 2019 with revenue having been previously recognised under AASB 118.

The following table summarises the impact of AASB 15 on the Consolidated Statement of Profit or Loss and Comprehensive Income and the Consolidated Statement of Financial Position as at 31 December 2019. The adoption of AASB 15 did not have a material impact on the Group's Statement of Cash Flows as at 31 December 2019.

Extract from Consolidated Statement of Profit or Loss and Comprehensive Income
31 December 2019

	Result without adoption of AASB 15	Adjustment	As reported
Revenue	\$132,031,756	(\$1,378,000)	\$130,653,756
Expenses	(\$127,354,745)	(\$12,242)	(\$127,366,987)
Net gain/(loss) on financial assets	\$3,012,623	-	\$3,012,623
Other Comprehensive Income	\$13,834	-	\$13,834
Total comprehensive income	\$7,703,468	(\$1,390,242)	\$6,313,226

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Extract from Consolidated Statement of Financial Position
31 December 2019

	Result without adoption of AASB 15	Adjustment	As reported
Prepayments	\$2,018,685	(\$12,242)	\$2,006,443
Contract Liabilities	(\$3,928,297)	(\$1,378,000)	(\$5,306,297)
NET ASSETS	\$43,422,983	(\$1,390,242)	\$42,032,741
EQUITY	\$43,422,983	(\$1,390,242)	\$42,032,741

AASB 1058 Income of Not-for-Profit Entities

AASB 1058 Income of Not-for-Profit Entities simplifies the income recognition requirements that apply to not-for-profit entities. Under AASB 1058, where a not-for-profit entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives, the excess of the asset recognised over any “related amounts” is recognised as income immediately. There is also the option to recognise an inflow of resources in the form of volunteer services as an asset (or an expense, when the definition of an asset is not met) if the fair value of those services can be measured reliably and the services would have been purchased if they had not been donated.

The Group has not entered into any transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the Group to further its objectives. In addition, the Group is opting not to recognise volunteer services (as an asset or expense) as the fair value of such services cannot be reliably measured. As such there is no measurable impact to the Group from the implementation of AASB 1058.

AASB 16 Leases

AASB 16 Leases removes the current operating and finance lease distinction and requires entities to recognise all material leases on the Statement of Financial Position. AASB 16 requires the recognition of a right-of-use (ROU) asset and a corresponding lease liability as at the commencement date of all leases, with the exception of short-term and low value leases.

The Group has elected to apply the modified retrospective approach with practical expedients. As at 1 January 2019, the Group elected to measure the right-of-use asset as an amount equal to the lease liability. The adoption of AASB 16 has resulted in an opening balance adjustment as at 1 January 2019 for ROU assets of \$1.99m and lease liabilities of \$1.99m.

OPERA AUSTRALIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the parent entity, Opera Australia, and its controlled entities as at 31 December each year. Note 25 (a) provides details of the entities comprising the Group.

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

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

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

The financial statements of the controlled entities are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring in line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

GOING CONCERN AND MATERIAL UNCERTAINTY

The financial report has been prepared on a going concern basis which assumes the Group will be able to pay its debts as and when they become payable for a period of at least 12 months from the date of the financial report. The Group generated a surplus for the year of \$6,299,392 (2018: \$5,583,534); at year end Opera Australia's current liabilities exceeded current assets by \$9,409,660 (2018: \$8,810,058). The Group's current assets exceeded current liabilities by \$12,412,313 (2018: \$10,096,106). The Group generated net cash inflows from operating activities of \$4,822,516 (2018: \$10,677,042). The Group does not have any bank or other external debt at reporting date.

The ability of the Group to maintain its operations is dependent inter alia on the continuing support of various Governments by way of grants. The Multipartite Agreement is current for the period 2019-2021 with the Australia Council for the Arts, Create Victoria and Create NSW, subject to the Group continuing to meet the requirements of the Multipartite Agreement.

The Group's Directors have undertaken a thorough assessment of going concern. This review considered the operating budgets, projected balance sheet position and detailed cash flow for the Group for the period 12 months from the date of these financial statements. This assessment includes consideration of the significant matter described in note 29 of the financial report.

Note 29 Events occurring after the reporting period refers to the COVID-19 outbreak being declared a pandemic by the World Health Organisation subsequent to 31 December 2019. The pandemic has resulted in the cancellation of Opera Australia performances from the 16th of March 2020 with the NSW and Victorian Government Public Health COVID-19 Restrictions Orders preventing any resumption of performances until further notice. The Directors acknowledge that due to the evolving nature of the pandemic there is currently a material uncertainty as to when performances will be able to recommence and under what Government-imposed conditions. The cancellation of performances has to date and will result in a reduction in revenue and operating cashflows which is expected to reduce the operating result for the year ended 31 December 2020. Management is currently in the final stages of securing bank financing and has a number of non-current assets which may be marketed for sale should the need arise. Management have also put in place a number of initiatives to reduce costs where possible, while protecting the integrity of the Group.

To the extent the duration of the COVID-19 pandemic and its impact on the Group is significantly greater than anticipated by the Directors and that the bank financing referred to above is not forthcoming, significant uncertainty would exist surrounding the Group's ability to continue as a going concern. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

OPERA AUSTRALIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

REVENUE

The Group's revenue policy has been adapted in-line with the adoption of AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not-for-Profit Entities which became effective as at 1 January 2019. The Group has elected to apply these standards with the modified retrospective approach. Under this approach, 2018 comparatives have not been restated. As such, policies relating to 2019 and 2018 have been disclosed.

Revenue (Policy as at 2019)

Revenues are recognised when the following steps have been satisfied:

1. Identify contract with the customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to each performance obligation;
5. Recognise revenue when (or as) performance obligations are satisfied.

Box Office

Revenue from ticket sales is recognised in the Statement of Profit or Loss and Comprehensive Income upon presentation of the performance. Cash received from ticket sales in respect of productions not yet performed is included in the Statement of Financial Position as under the heading "Advance bookings".

Commercial Activities

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

Contributions

Sponsorship

Sponsorship commitments are brought to account as income in the year that the performance obligations in the contract are satisfied. If sponsorship contracts are terminated prior to the end of the term of the contract, the Group would refund the proportion of any pre-paid sponsorship fee to the sponsor having regard to the proportion of benefits not provided.

Donations

Donations are generally recognised as revenue when the Group obtains control of the contribution and its amount can be measured reliably. Where donations are linked to a contract with distinct performance obligations, revenue is recognised consistent with the satisfaction of those performance obligations.

Bequests

Bequests are generally recognised as revenue when the Group obtains control of the contribution and its amount can be measured reliably. Where bequests are linked to a contract with distinct performance obligations, revenue is recognised consistent with the satisfaction of those performance obligations.

When the transaction price is received before the performance obligations are fulfilled, the Group recognises the received contribution as a contract liability at the end of the reporting period.

Government Grants

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

Interest

Interest income is recognised as the interest accrues.

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Disaggregation of revenue

2019 (\$)	Revenue from contracts with customers	Other revenue	Total Revenue
Box Office	73,622,285	-	73,622,285
Commercial Activities	7,871,996	-	7,871,996
Government Contributions	26,553,780	-	26,553,780
Donations and Bequests	-	8,658,384	8,658,384
Corporate Sponsorship	9,741,144	-	9,741,144
Other income	3,623,755	582,412	4,206,167
TOTAL	121,412,960	9,240,796	130,653,756

Revenue (Policy as at 2018)

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

Box Office

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

Commercial Activities

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

Contributions

Sponsorship

Sponsorship commitments are brought to account as income in the year rights to benefits are granted.

Donations

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

Government Grants

Opera Australia

The annual grants from the Australian Government through the Major Performing Arts Board of the Australia Council, the New South Wales Government through Create NSW and the Victorian Government through Creative Victoria are received on a calendar basis. Grants are phased evenly across the reporting period. Project-specific grants are brought to account based on timing of the project.

Interest

Interest income is recognised as the interest accrues.

OPERA AUSTRALIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the consolidated Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

PROPERTY, PLANT AND EQUIPMENT

Land and buildings are carried at net book value.

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

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

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

INTANGIBLE ASSETS

Intangible assets are valued at cost less accumulated amortisation and any impairment in value.

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

Software	3-5 years
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IMPAIRMENT AND RECOVERABLE AMOUNT OF NON-CURRENT ASSETS

Impairment

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

Recoverable Amount

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

TRADE AND OTHER RECEIVABLES

Trade receivables, which generally have 30 day terms, are recognised at fair value less an allowance for any expected credit loss which is raised pursuant to AASB 9 Financial Instruments.

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

INVESTMENT IN ASSOCIATES AND JOINT VENTURES

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

OPERA AUSTRALIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

TRADE AND OTHER PAYABLES

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

INTEREST BEARING LOANS AND BORROWINGS

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

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

BORROWING COSTS

Borrowing costs are recognised as an expense when incurred.

LEASES

A lease is a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The lease term is determined as being the non-cancellable period of a lease, together with periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. Where the lease contract includes non-consecutive periods, the lease term is the aggregate of the non-consecutive periods.

At the commencement date of the lease, a right-of-use (ROU) asset and lease liability are recognised.

ROU assets are initially measured at cost with the cost comprising:

- a) the amount of the initial measurement of the lease liability;
- b) any lease payments made at or before the commencement date, less any lease incentives received;
- c) any initial direct costs;

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The obligation for those costs are incurred either at the commencement date or as a consequence of having used the underlying asset during a particular period.

Subsequent to the commencement date, right-of-use assets are measured at cost less any accumulated depreciation and accumulated impairment losses and adjusted for any remeasurement of the lease liability.

The lease liability as at the date of initial application (1 January 2019) has been calculated as the present value of the remaining lease payments as at the date of initial application, based on an incremental borrowing rate (average rate of 3%) over the remaining lease term. The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

Any lease payments that were prepaid as at 1 January 2019 have been capitalised on transition as part of the ROU asset.

Where there are variable lease payments that depend on an index or rate – such as CPI – these payments are measured, as at the date of initial application, using the index (or rate) at the commencement date of the lease (or date of initial application as applicable). Future changes in the index or rate are not estimated.

The Group has not recognised short-term leases where the non-consecutive period of use in the lease is less than 12 months. Such leases are expensed in the *Statement of Profit or Loss and Comprehensive Income* either on a straight-line basis over the lease term or consistent with usage or benefits received. In 2020, these short-term leases, as well as any low value leases, are expected to be of a similar amount and nature to the current year expense.

The Group's ROU asset are depreciated over the respective lease terms on a straight-line basis and recognised in the *Consolidated Statement of Profit or Loss and Comprehensive Income* under "Depreciation and Amortisation". The interest calculated on the lease liability is recognised under "Finance Costs".

Subsequent to the commencement date, lease liabilities are measured by:

- a) increasing the carrying amount to reflect interest on the lease liability;
- b) reducing the carrying amount to reflect the lease payments made; and
- c) remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

PROVISIONS AND EMPLOYEE LEAVE BENEFITS

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

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

Employee Leave Benefits

Wages, salaries and annual leave

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

Long service leave

The liability for long service leave is recognised and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national corporate

OPERA AUSTRALIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

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

INCOME TAX

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

ACCOUNTING FOR GOODS & SERVICES TAX

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

COMPARATIVE INFORMATION

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

NOTE 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Impairment of non-financial assets

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

Estimated useful lives

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

Incremental borrowing rate (Leases)

As the Group has no external borrowings, an incremental borrowing rate has been calculated by taking the average Australian Financial Markets Association (AFMA) Bank Bill Swap rate over the Group's leases with a margin applied pursuant to the line fee attached to Opera Australia's most recent bill facility with the Commonwealth Bank.

Extension and termination options (Leases)

There is judgment involved in assessing whether it is reasonably certain that a renewal clause will be exercised.

Allocation of transaction price to performance obligations (Revenue from contracts with customers)

Management applies judgment to allocate transaction prices to the performance obligations contained specifically in corporate sponsorship contracts where such allocations are not explicit in the contract.

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 4. REVENUE AND INCOME

Surplus from operations is after crediting the following revenues:

	Consolidated	
	2019	2018
	\$	\$
<i>Sales revenue</i>		
Box office	73,622,285	61,396,258
Commercial activities	7,871,996	5,608,452
Total sales revenue	<u>81,494,281</u>	<u>67,004,710</u>
<i>Other revenue and income</i>		
Contributions (donations and sponsorship)	15,078,438	12,948,401
Bequest revenue (a)	3,321,090	5,364,372
Gain on disposal of fixed assets	17,500	-
Other revenue (b)	2,657,518	3,008,390
Interest income (c)	305,285	390,865
Investment income (c)	1,225,864	1,170,804
Total other revenue and income	<u>22,605,695</u>	<u>22,882,832</u>

- a) Bequest revenue includes \$3,198,884 attributable to Opera Australia as the parent entity (2018: \$4,663,466).
- b) Includes investment from government destination organisations and equity accounting contributions.
- c) Interest and investment income includes \$936,210 (2018: \$968,935) attributable to Opera Australia Capital Fund entities.

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)

NOTE 5. GOVERNMENT GRANTS

	Consolidated	
	2019	2018
	\$	\$
<i>Australia Council</i>		
Base Funding Major Performing Arts Board	21,508,880	21,170,160
Playing Australia	547,390	444,913
Total Australia Council	22,056,270	21,615,073
<i>Create NSW</i>		
Base Funding	3,429,622	3,429,622
Primary Schools Touring	66,625	66,625
Total Create NSW	3,496,247	3,496,247
<i>Creative Victoria</i>		
Base Funding	1,001,263	1,001,263
Touring Victoria	-	156,655
Total Creative Victoria	1,001,263	1,157,918
Total government grants	<u>26,553,780</u>	<u>26,269,238</u>

NOTE 6. OPERA AUSTRALIA CAPITAL FUND INCOME RECEIVED FROM TRUSTEE

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

The Reserve Incentive Scheme Funds of \$4,657,000 were held in escrow in the Opera Australia Capital Fund Limited (OACF Limited).

The Reserves Incentive Funding Scheme Agreement terminated in accordance with its terms on 7 August 2018, bringing an end to OACF Limited's 15 year escrow obligation in relation to the funds held under that agreement.

Upon termination, the funds have become part of the corpus of OACF to be held in accordance with its trust deed to be applied for the benefit of Opera Australia.

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 7. EXPENDITURE

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

	Consolidated	
	2019	2018
	\$	\$
Staff and employment expenses	63,349,307	55,524,983
	<u>63,349,307</u>	<u>55,524,983</u>
<i>Depreciation, amortisation and impairments:</i>		
Depreciation of:		
- Buildings	155,033	152,121
- Leasehold improvements	31,667	-
- Property, plant and equipment	747,344	550,292
- Right-of-use asset	801,049	-
- Costumes, scenery sets and props	1,314,343	897,410
Amortisation of:		
- Software	43,009	29,647
	<u>3,092,445</u>	<u>1,629,470</u>
<i>Finance Costs:</i>		
Line/overdraft fees	14,404	83,250
Interest paid or payable to other unrelated parties	31	546
Interest on lease liability	49,454	-
	<u>63,889</u>	<u>83,796</u>
<i>Other Expenses:</i>		
Production expenses	6,751,646	6,754,687
Premises	1,647,901	1,421,496
Scores, royalties & instruments	8,986,084	6,718,491
Insurance	521,509	425,741
IT	1,287,286	1,014,488
Recording and surtitles	71,188	184,682
Professional fees	1,188,867	1,059,226
Administration expenses	1,905,015	1,055,004
	<u>22,359,496</u>	<u>18,633,815</u>

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 8. CASH AND CASH EQUIVALENTS

	Consolidated	
	2019	2018
	\$	\$
Cash at bank and on hand	17,222,190	19,281,573
Total cash and cash equivalents	<u>17,222,190</u>	<u>19,281,573</u>

NOTE 9. TRADE AND OTHER RECEIVABLES (CURRENT)

Trade and other receivables	5,648,410	4,268,845
Allowance for expected credit losses	(544,569)	(95,942)
Total trade and other receivables (Current)	<u>5,103,841</u>	<u>4,172,903</u>

NOTE 10. FINANCIAL ASSETS (CURRENT)

Managed funds (a)	20,800,095	17,882,671
Listed equity investments	6,036,870	3,335,073
Total financial assets (Current)	<u>26,836,965</u>	<u>21,217,744</u>

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

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

NOTE 11. PREPAYMENTS (CURRENT)

Deferred production costs	1,127,781	1,307,168
Prepaid expenditure	873,494	540,881
Materials to be utilised in future productions	5,168	5,205
Total prepayments (Current)	<u>2,006,443</u>	<u>1,853,254</u>

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 12. OTHER FINANCIAL ASSETS (NON-CURRENT)

	Consolidated	
	2019	2018
	\$	\$
The following shares and investments are carried at fair value:		
Shares in controlled companies (unlisted)	2	2
Equity Investment (unlisted)	139,523	275,330
Total other financial assets (Non-Current)	<u>139,525</u>	<u>275,332</u>

Opera Australia has a 40% interest in The Opera Conference Partnership, involved in the production of opera performances in Australia. The Group's interest in The Opera Conference Partnership is accounted for using the equity method in the consolidated financial statements. The Partnership cannot distribute its profits without majority consent of the four partners.

NOTE 13. LEASES

Opera Australia leases several assets across the underlying asset categories of venue hire, storage and office space.

	2019	2018
a) Right-of-use asset		
Non-current		
Right-of-use asset	<u>3,873,393</u>	-

Reconciliation of Right-of-use asset

2019	Venue hire	Storage	Office space	Total
At 1 January 2019	1,243,708	642,314	105,459	1,991,481
Additions	-	144,469	2,538,492	2,682,961
Depreciation	(426,414)	(295,541)	(79,094)	(801,049)
Right-of-use asset	<u>817,294</u>	<u>491,242</u>	<u>2,564,857</u>	<u>3,873,393</u>

b) Lease Liabilities

Current				
Lease Liabilities			869,064	-
Non-current				
Lease Liabilities			2,753,350	-
			<u>3,622,414</u>	<u>-</u>

Reconciliation of Lease Liabilities

2019	Venue hire	Storage	Office space	Total
At 1 January 2019	1,243,708	642,314	105,459	1,991,481
Additions	-	144,470	2,268,065	2,412,535
Interest expense	29,380	18,035	15,402	62,817
Variable lease payments	(457,888)	(202,145)	(80,746)	(740,779)
Fixed lease payments	-	(103,640)	-	(103,640)
Lease Liabilities	<u>815,200</u>	<u>499,034</u>	<u>2,308,180</u>	<u>3,622,414</u>

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 (CONTINUED)

NOTE 13. LEASES (CONTINUED)

The below table reconciles the closing 2018 “lease commitments” balance against the 2019 opening lease liabilities balance:

Lease Commitments

	2018
	\$
Operating leases	
Within one year	4,392,586
After one year but not more than five years	1,145,482
More than five years	2,001,914
Closing balance as at 31 December 2018*	7,539,982

Reconciliation of lease liabilities at 1 January 2019

	Venue hire*	Storage	Office space	Total
	\$	\$	\$	\$
Lease commitments as at 31 December 2018	4,020,147	517,580	3,002,255	7,539,982
Commitments included in note 21(B) but lease had not started on transition date	-	-	(2,777,177)	(2,777,177)
Extension options reasonably certain to be exercised	-	191,136	-	191,136
Short term leases	(2,456,115)	-	-	(2,456,115)
Other	(266,845)	(61,206)	(118,352)	(446,403)
Gross Liabilities as at 31 December 2018	1,297,187	647,510	106,726	2,051,423
<i>less Discounting</i>	(53,479)	(5,196)	(1,267)	(59,942)
Lease liabilities as a result of the initial application of AASB 16 as at 1 January 2019	1,243,708	642,314	105,459	1,991,481

* \$4.020m Venue Hire Commitments was included in note 21(A) in the 2018 financial report

Extension and termination options

The Group has used hindsight in determining the lease term where contracts have contained options to extend or terminate the lease.

The ROU asset for the new Melbourne Opera Centre at City Rd Melbourne has been measured based on the initial lease term of 10 years. The 10 year extension option has not been factored into the ROU asset as it cannot be reasonably certain at this point that this option will be taken.

No extension has been applied to the leases for the Sydney Opera House and Arts Centre Melbourne. These leases are 3 year agreements with no extension options included.

No termination options are expected to be exercised.

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 14. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings (a)	Leasehold Improvements	Plant and Equipment (b)	Costumes, Scenery, Sets and Props	Capital work-in-progress	Total Property Plant and Equipment
At 1 January 2019 Deemed cost	20,421,965	37,857	8,741,365	37,444,108	395,282	67,040,577
Additions		35,000	1,736,205	2,380,428	944,515	5,096,148
Transfer			280,317		(280,317)	-
Disposals	-	-	-	(4,040,923)	-	(4,040,923)
Cost at 31 December 2019	20,421,965	72,857	10,757,887	35,783,613	1,059,480	68,095,802
At 1 January 2019 Accumulated depreciation and impairment	(2,746,049)	(37,857)	(5,205,088)	(32,696,989)	-	(40,685,983)
Depreciation/ Amortisation charge for the year	(155,033)	(31,667)	(747,344)	(1,314,344)	-	(2,248,388)
Disposals	-	-	-	4,040,924	-	4,040,924
Accumulated depreciation and impairment at 31 December 2019	(2,901,082)	(69,524)	(5,952,432)	(29,970,409)	-	(38,893,447)
Net carrying amount						
At 1 January 2019	17,675,916	-	3,536,277	4,747,119	395,282	26,354,594
At 31 December 2019	17,520,883	3,333	4,805,455	5,813,204	1,059,480	29,202,355

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

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

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 15. INTANGIBLE ASSETS

	Computer Software	Capital work-in-progress (Computer Software)	Total Intangible assets
At 1 January 2019 Deemed cost	909,421	81,775	991,196
Additions	11,792	878,324	890,116
Disposals	-	-	-
Cost at 31 December 2019	921,213	960,099	1,881,312
At 1 January 2019 Accumulated depreciation and impairment	(730,454)	-	(730,454)
Depreciation/ Amortisation charge for the year	(43,009)	-	(43,009)
Disposals	-	-	-
Accumulated depreciation and impairment at 31 December 2019	(773,463)	-	(773,463)
Net carrying amount			
At 1 January 2019	178,967	81,775	260,742
At 31 December 2019	147,750	960,099	1,107,849

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 16. TRADE AND OTHER PAYABLES (CURRENT)

	Consolidated	
	2019	2018
	\$	\$
Trade payables	2,290,731	3,122,411
Other payables	1,813,978	2,268,847
Accruals	3,766,328	7,578,664
	<u>7,871,037</u>	<u>12,969,922</u>
Total trade and other payables (Current)	<u>7,871,037</u>	<u>12,969,922</u>

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

NOTE 17. INTEREST BEARING LOANS AND BORROWINGS

Financing facilities available

At the reporting date the Group had no financing facilities in place.

Until their expiry in March 2019, the Group held with the Commonwealth Bank, a bank overdraft facility of \$3,000,000 and a bill drawdown facility of \$3,000,000, secured by a charge over freehold land and buildings.

There were no borrowings as at the end of 2019.

NOTE 18. PROVISIONS

	Consolidated	
	2019	2018
	\$	\$
Annual leave	2,160,170	1,824,245
Long service leave	3,857,890	3,620,877
Leasehold make good provision	35,000	-
	<u>6,053,060</u>	<u>5,445,122</u>
Total provisions (Current)	<u>6,053,060</u>	<u>5,445,122</u>
Long service leave	1,151,083	1,054,407
Leasehold make good provision	257,064	-
	<u>1,408,147</u>	<u>1,054,407</u>
Total provisions (Non-Current)	<u>1,408,147</u>	<u>1,054,407</u>

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 19. GOVERNMENT GRANTS RECEIVED IN ADVANCE

	Consolidated	
	2019	2018
	\$	\$
Grants received in advance:		
Federal	677,089	547,531
Total grants received in advance (Current)	<u>677,089</u>	<u>547,531</u>
Grants received in advance:		
Federal	541,197	132,799
Total grants received in advance (Non-Current)	<u>541,197</u>	<u>132,799</u>

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

NOTE 20. Contract liabilities (CURRENT)

Deferred Food and Beverage Income	4,615	123,609
Customer/ Sponsor Advances	5,266,000	2,088,300
Other contract liabilities	35,682	70,443
Total contract liabilities	<u>5,306,297</u>	<u>2,282,352</u>

Reconciliation of contract liabilities

2019	
Opening balance	2,282,352
2018 contract liabilities recognised in 2019	(2,282,352)
2019 contract liabilities to be recognised in 2020	5,306,297
TOTAL	<u>5,306,297</u>

Contract liabilities have been separated out from Advance bookings for the first time in 2019 in-line with AASB15.

NOTE 21. Advance bookings (CURRENT)

Advance bookings	17,980,579	15,184,441
Total advance bookings	<u>17,980,579</u>	<u>15,184,441</u>

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 22. OTHER RESERVES

	Consolidated	
	2019	2018
	\$	\$
Foreign Exchange Translation Reserve:		
Opening balance	30,478	23,493
Exchange differences on translation of foreign operations	13,834	6,985
Closing balance	<u>44,312</u>	<u>30,478</u>

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

Net Investment Revaluation Reserve:

Opening balance	(659,196)	1,956,998
Net unrealised gains / (losses) on financial assets	2,050,913	(2,616,194)
Closing balance	<u>1,391,717</u>	<u>(659,196)</u>

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

New Works and Touring Reserve:

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

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

Bequest Reserve:

Opening balance	4,482,518	-
Bequests received	3,198,884	4,663,466

Transfer from retained earnings

Net income earned	315,012	108,492
Net unrealised gains /(losses) on financial assets	920,759	(289,440)
Expenditure against bequests	(465,936)	-
Closing Balance	<u>8,451,237</u>	<u>4,482,518</u>

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

	Consolidated	
	2019	2018
	\$	\$
Total Other Reserves	<u>10,887,266</u>	<u>4,853,800</u>

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 23. COMMITMENTS AND CONTINGENCIES

	Consolidated	
	2019	2018
	\$	\$
(A) ARTISTS AND CO-PRODUCTION CONTRACTS		
Committed expenditure is payable as follows:		
Within one year	8,787,476	19,839,765
After one year but not more than five years	2,363,300	1,980,850
	11,150,776	21,820,615

The Group, by the nature of its operations, has entered into contracts for performances scheduled to take place during 2020 and subsequent years. These amounts include the maximum expenditure required to satisfy the contracts with artists, creatives and co-production partners. The terms and conditions of the contracts place a liability on the Group under certain circumstances to pay specified sums should artists not be engaged or the performances not take place.

The Group also enters into contracts for the hire of theatres and performance venues. As at 31 December 2019, such contracts for use of the Arts Centre Melbourne, the Sydney Opera House, the Sydney Festival and Royal Botanic Gardens (including water access via Roads and Maritime Services) have been classified as leases under AASB16 Leases and are disclosed under note 13 which includes a reconciliation of the 2018 commitment balance (\$4,020,147) to the opening lease liability balance as at 1 January 2019 (\$1,243,708). The 2018 comparative figures above have not been restated.

(B) CONTINGENT LIABILITIES

The Group has three bank guarantees in place with the Commonwealth Bank of Australia as at 31 December 2019. These relate to the Melbourne office premises lease, storage premises at White Bay and a bond in favour of Australian Business Chamber related to a carnet shipment of wardrobe hired to Des Moines Metro Opera USA.

Within one year	59,083	59,083
	59,083	59,083

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 24. KEY MANAGEMENT PERSONNEL COMPENSATION

The following compensation was made to the 11 employees (2018: 12) on the executive team for their contributions as employees for the Group and for conducting and directing services:

	Consolidated	
	2019	2018
	\$	\$
Employee benefits (a)	2,700,459	2,575,666
Total compensation	2,700,459	2,575,666

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

NOTE 25. RELATED PARTY DISCLOSURE

(A) CONTROLLED ENTITIES:

The entities listed in the summary below were controlled entities at 31 December 2019. Opera Australia Capital Fund, Opera Australia Capital Fund UK and Opera Australia Capital Fund Limited have the same reporting date as that of the parent entity and have been included in the consolidated financial statements.

Name of controlled entity	Reporting date	Place of Incorporation	Ownership Interest	
			2019	2018
Opera Australia Capital Fund *	31 December	Australia	0%	0%
Opera Australia Capital Fund UK *	31 December	United Kingdom	0%	0%
Opera Australia Capital Fund Limited *	31 December	Australia	0%	0%

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

Although included in the consolidated result of Opera Australia Group, the Opera Australia Capital Fund reserves of \$21,821,974 are only accessible to Opera Australia through the provisions of the Opera Australia Capital Fund's Trust Deed.

OPERA AUSTRALIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(CONTINUED)

NOTE 25. RELATED PARTY DISCLOSURE (CONTINUED)

(B) TRANSACTIONS WITH RELATED PARTIES IN THE GROUP

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

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

These transactions were undertaken on commercial terms and conditions.

(C) TRANSACTIONS WITH DIRECTORS

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

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

NOTE 26. GUARANTEE

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

OPERA AUSTRALIA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)

NOTE 27. PARENT ENTITY INFORMATION

Information relating to Opera Australia

	2019	2018
	\$	\$
Current Assets	29,160,052	27,457,872
Total Assets	63,483,174	54,348,540
Current Liabilities	38,569,712	36,267,930
Total Liabilities	43,272,406	37,455,138
Other reserves	9,337,664	5,482,518
Retained earnings	10,873,104	11,410,884
Total Equity	<u>20,210,768</u>	<u>16,893,402</u>
Total net surplus for the year	<u>3,397,418</u>	<u>4,825,194</u>

NOTE 28. NET GAIN / (LOSS) ON FINANCIAL ASSETS DISTRIBUTED TO RESERVES

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

	Consolidated	
	2019	2018
	\$	\$
Net Investment Revaluation Reserve		
Unrealised gains/(losses) on financial assets	2,050,913	(2,616,194)
Bequest Reserve		
Unrealised gains/(losses) on financial assets	920,759	(289,440)
Retained Earnings		
Realised gains on financial assets	<u>40,951</u>	<u>877,094</u>
Net gain/(loss) on financial assets	<u>3,012,623</u>	<u>(2,028,540)</u>

NOTE 29. EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent to 31 December 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organisation in March 2020. Note 2 sets out the impact of this matter on the Group. No adjustments have been made to the financial statements as at 31 December 2019 for the impacts of COVID-19.

As at 31 December 2019, the market value of the Group's financial assets was \$26,836,965. As at the 18th of May 2020 the market value has decreased to \$24,226,918 (9.7%). The investment is measured at fair values through profit and loss.

OPERA AUSTRALIA

DIRECTORS' DECLARATION

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

- (a) The financial statements and notes of the Company and its controlled entities (collectively "the Group") are in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:
 - (i) giving a true and fair view of the Group's financial position as at and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards-Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013*; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



A.R.N. SISSON AO

Director



D.MORTIMER AO

Director

Date: 25th May 2020



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Independent Auditor's Report to the Members of Opera Australia

Opinion

We have audited the financial report of Opera Australia (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which describes the impact of the Covid19 pandemic on the Group. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

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

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



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- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Lisa Nijssen-Smith
Partner
Sydney
25 May 2020



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Auditor's Independence Declaration to the Directors of Opera Australia

In relation to our audit of the financial report of Opera Australia for the financial year ended 31 December 2019, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.

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

A handwritten signature in black ink that reads "Ernst & Young".

Ernst & Young

A handwritten signature in black ink that reads "Lisa Nijssen-Smith".

Lisa Nijssen-Smith
Partner
Sydney
25 May 2020