
Annual Financial Report

Sydney Theatre Company Ltd and its controlled entities

ABN 87 001 667 983

Year ended 31 December 2017

Directors' report

For the year ended 31 December 2017

The directors present their report together with the consolidated financial statements of the Group comprising of Sydney Theatre Company Ltd ("the Company"), and the entities it controls for the financial year ended 31 December 2017 and the auditor's report thereon.

1. Directors

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

Name and qualifications	Experience, special responsibilities and other directorships
Bruce Baird AM Director since 30 May 2013	Chairman, National Heavy Vehicle Regulator Member of the Board, Garvan Foundation Member, Cubic International Advisory Board Deputy Chair, National Sorry Day Committee Bachelor of Arts (Sydney Uni), MBA (Melb Uni), Hon PHD (Newcastle) & Hon PHD (UTS) Member of the Order of Australia
Toni Cody Director since 1 July 2011 Member of Finance Committee	Management Consultant Director, National Film and Sound Archive Australia Director, Pierpat Pty Ltd Director, Academy of Music and Performing Arts (AMPA) Deputy Chair, Chris O'Brien Lifehouse at RPA (to July 2014) Member, Australian Institute of Company Directors Bachelor of Economics (Monash University)
John Connolly Director since 10 February 2009 Member of Finance Committee	Consultant Director, John Connolly and Partners Pty Ltd
Ann Johnson Director since 3 May 2013 Member of Finance Committee	Director of W & A Johnson Family Foundation Chairperson, Sydney Theatre Company Foundation Vice President, Philanthropy Australia Bachelor of Arts/Bachelor of Laws (UNSW)
Mark Lazberger Director since 12 February 2014 Chairperson of Finance Committee	Company Executive CEO, Colonial First State Global Asset Management (Aust) Ltd Director, First State Investments International Ltd Board Governor, CFA Institute Bachelor of Commerce (UWA); Chartered Financial Analyst (CFA)
Patrick McIntyre Executive Director since 1 January 2013	Executive Director Live Performance Australia Executive Committee Member, ArtsReady Advisory Committee Member Bachelor of Arts (University of Technology, Sydney)

Directors' report

For the year ended 31 December 2017

<p>Ian Narev Director since 18 July 2014 Appointed Chair 18 February 2016</p>	<p>Managing Director and Chief Executive Officer of the Commonwealth Bank Group Chairman CommFoundation Pty Ltd, Financial Markets Foundation for Children and Springboard Trust Trustee of the Louise Perkins Foundation Co-Chair of the Juvenile Diabetes Research Foundation Advisory Board BA LLB (Hons) (Auckland); LLM (Cantab); LLM (NYU)</p>
<p>Gretel Packer Director since 21 October 2014 Member of Finance Committee</p>	<p>Chair of the Packer Family Foundation Chair of the Crown Resorts Foundation Advisory Board Founding Governor of the Taronga Zoo Foundation Founding Patron of the Taronga Zoo Conservation Science Initiative Director, Sydney Theatre Company Foundation Trustee, Art Gallery of NSW</p>
<p>Daniel Petre AO Director since 3 May 2013 Member of Finance Committee</p>	<p>Investor/Philanthropist Co Founder and Partner, AirTree Ventures Director, McGraths; Oneview Healthcare; Smart Sparrow Pty Ltd Advisory Board Centre for Social Impact; UNSW Business School. Bachelor of Science (UNSW), MBA (Syd), Hon.DBus (UNSW)</p>
<p>Kip Williams Director since 3 November 2016</p>	<p>Artistic Director Director, NIDA Bachelor of Arts, Media and Communication (University of Sydney) Master of Dramatic Art in Directing (NIDA)</p>
<p>Peter Young AM Director since 30 May 2013 Term Expired 19th April 2018</p>	<p>Non Executive Director Chairman, Standard Life Investments Australia Director, Fairfax Media Ltd Governor, The Taronga Foundation Member, Standard Life PLC Asia Advisory Board, Barangaroo Delivery Authority Board Chairman's Panel, Great Barrier Reef Research Foundation Bachelor of Science (Uni of Qld), Master of Business Administration (Uni of NSW)</p>

Directors' report (continued)

For the year ended 31 December 2017

2. Directors' meetings

The number of Directors' meetings (including meetings of Committees of Directors), and number of meetings attended by each of the Directors of the Company during the financial year are:

<u>Director</u>	<u>Directors' meetings</u>		<u>Finance Committee meetings</u>	
	No. of meetings attended	No. of meetings held*	No. of meetings attended	No. of meetings held*
B Baird	5	5	-	-
T Cody	5	5	3	4
J Connolly	2	5	1	4
A Johnson	5	5	4	4
M Lazberger	5	5	4	4
P McIntyre	5	5	2	4
I Narev	5	5	-	-
G Packer	3	5	2	4
D Petre	2	5	2	4
K Williams	5	5	2	4
P Young	2	2	-	-

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

Directors' report (continued)

For the year ended 31 December 2017

3. Company secretary

Francisca Peña, Director of Finance and Administration, holds the position of Company Secretary. Francisca is a finance professional who has worked in both for-profit and not-for-profit organisations. Francisca is a Certified Practising Accountant with the Certified Practising Accountants Australia (CPA).

4. Principal activities

The principal activities of the Group during the course of the financial year was the production and presentation of theatrical works as well as fundraising activities to support the principal activities.

There were no significant changes in the nature of the activities of the Group during the year.

5. Operating and financial review

Overview of the Group

Sydney Theatre Company operations produced a deficit of \$3,628,141 and fundraising from the Sydney Theatre Company Foundation (STCF) (and Sydney Theatre Company Fund) produced a surplus of \$9,454,913. The consolidated result for the Group reported a surplus of \$5,826,772 (2016: surplus of \$2,312,604).

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review.

6. Dividends

No dividends were paid or proposed by the Company during the financial year.

7. Events subsequent to reporting 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 of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

8. Likely developments

For its part in the Walsh Bay Arts Precinct Renewal Project, Sydney Theatre Company will be vacating its premises at the Wharf in 2018 to allow for major capital works to be undertaken. Sydney Theatre Company's capital project (named "STC50") will involve upgrades to its theatres, workshop and administration spaces, as well as creating a new space for multi-purpose events. A capital raising effort has been conducted for the past two years to raise private funds to support the project.

Directors' report (continued)

For the year ended 31 December 2017

9. **Environmental regulation**
The Group is not subject to any significant environmental regulation under either Commonwealth or State legislation. However, the Board believes that the Group has adequate systems in place for the management of its environmental requirements and is compliant with any environmental requirements as they apply to the Group.
10. **Indemnification and insurance of officers and auditors**
Indemnification
The Company undertakes to indemnify current Directors and Executive Officers against all liabilities to other persons (other than the Company or a related body corporate) that may arise from their positions as Directors of the Company, except where the liability arises out of conduct involving a lack of good faith.
Insurance premiums
The Company has paid insurance premiums under contracts insuring Directors and officers of the Company against liability incurred in that capacity.
11. **Lead auditor's independence declaration**
The lead auditor's independence declaration is set out on page 27 and forms part of the Directors' report for financial year ended 31 December 2017.

This report is made with a resolution of the Directors:



Ian Narev
Chairperson

Dated at Sydney this 12th day of April 2018.

Sydney Theatre Company Ltd and its controlled entities
Consolidated statement of comprehensive income

For the year ended 31 December 2017

	Note	2017 \$	2016 \$
Revenue			
Sydney Theatre Company		35,181,424	29,267,529
Roslyn Packer Theatre		1,808,322	1,977,253
Total revenue from continuing operations	<i>f</i>	36,989,746	31,244,782
Theatre and production expenses		(32,182,465)	(22,547,909)
Marketing and promotion expenses		(776,325)	(1,093,046)
Administrative expenses		(9,611,718)	(8,893,295)
Occupancy expenses		(4,964,969)	(4,803,741)
Depreciation/Amortisation/Loss on disposal of assets		(1,182,115)	(1,467,052)
Deficit from operating activities		(11,727,846)	(7,560,261)
Other income - Government Grants			
Core Funding		2,801,572	2,746,898
Project Funding		1,026,200	525,445
Rent In Kind		2,076,933	2,024,197
	<i>f</i>	5,904,705	5,296,540
Deficit from continuing operations plus funding		(5,823,141)	(2,263,721)
Total Fund and Foundation Fundraising Revenue	<i>f</i>	2,438,808	3,345,937
Fundraising Expenditure		(838,895)	(819,612)
Net surplus/(deficit) from continuing operations plus fundraising income		(4,223,228)	262,604
Restricted Capital Foundation Revenue	<i>f</i>	10,050,000	2,050,000
Surplus for the period		5,826,772	2,312,604
Other comprehensive income		-	-
Total comprehensive income for the period		5,826,772	2,312,604

The consolidated statement of comprehensive income is to be read in conjunction with the notes of the financial statements set out on pages 12 to 26

Sydney Theatre Company Ltd and its controlled entities
Consolidated statement of changes in equity

For the year ended 31 December 2017

	Sydney Theatre Company	Sydney Theatre Company Foundation	Total Equity
	\$	\$	\$
General Reserves			
Balance at 1 January 2016	-	-	-
Current Year	-	-	-
Transfers	-	-	-
Balance at 31 December 2016	-	-	-
Accumulated Funds- Capital Projects			
Balance at 1 January 2016	4,100,000	1,709,761	5,809,761
Current Year	1,852,640	-	1,852,640
Transfers	-	-	-
Balance at 31 December 2016	5,952,640	1,709,761	7,662,401
Accumulated Funds- Restricted			
Balance at 1 January 2016	245,029	243,137	488,166
Current Year	(788,991)	825,000	36,009
Transfers	793,137	(793,137)	-
Balance at 31 December 2016	249,175	275,000	524,175
Accumulated Funds- Unrestricted			
Balance at 1 January 2016	6,204,116	2,022,175	8,226,291
Current Year	(208,028)	631,983	423,955
Transfers	1,401,863	(1,401,863)	-
Balance at 31 December 2016	7,397,951	1,252,295	8,650,246
Balance as at 31 December 2016	13,599,766	3,237,056	16,836,822
General Reserves			
Balance at 1 January 2017	-	-	-
Current Year	-	-	-
Transfers	-	-	-
Balance at 31 December 2017	-	-	-
Accumulated Funds- Capital Projects			
Balance at 1 January 2017	5,952,640	1,709,761	7,662,401
Current Year	9,862,380	-	9,862,380
Transfers	-	-	-
Balance at 31 December 2017	15,815,020	1,709,761	17,524,781
Accumulated Funds- Restricted			
Balance at 1 January 2017	249,175	275,000	524,175
Current Year	(1,104,042)	1,057,050	(46,992)
Transfers	1,107,050	(1,107,050)	-
Balance at 31 December 2017	252,183	225,000	477,183
Accumulated Funds- Unrestricted			
Balance at 1 January 2017	7,397,951	1,252,295	8,650,246
Current Year	(3,637,958)	(350,658)	(3,988,616)
Transfers	1,087,950	(1,087,950)	-
Balance at 31 December 2017	4,847,943	(186,313)	4,661,630
Balance as at 31 December 2017	20,915,146	1,748,448	22,663,594

The consolidated statement of changes in equity is to be read in conjunction with the notes of the financial statements set out on pages 12 to 26

Sydney Theatre Company Ltd and its controlled entities
Consolidated statement of financial position

As at 31 December 2017

	Note	2017 \$	2016 \$
Assets			
Cash and cash equivalents	4	29,239,253	20,642,804
Trade and other receivables	5	3,022,123	2,691,319
Inventories		160,429	158,646
Other assets	6	2,052,497	3,885,496
Total current assets		34,474,302	27,378,265
Plant and equipment	7	1,909,032	2,117,528
Leasehold Improvements	7	7,626,245	5,666,470
Intangible assets	8	134,522	264,815
Total non-current assets		9,669,799	8,048,813
Total assets		44,144,101	35,427,078
Liabilities			
Trade and other payables		3,370,708	2,535,825
Employee benefits		1,164,075	1,024,753
Deferred revenue	9	16,629,877	14,754,322
Total current liabilities		21,164,660	18,314,900
Employee benefits		315,847	275,356
Total non-current liabilities		315,847	275,356
Total liabilities		21,480,507	18,590,256
Net assets		22,663,594	16,836,822
Equity			
Reserves - Sydney Theatre Company		-	-
Retained Earnings- Capital Projects		17,524,781	7,662,401
Retained Earnings - Restricted		477,183	524,175
Retained Earnings - Unrestricted		4,661,630	8,650,246
Total equity		22,663,594	16,836,822

The consolidated statement of financial position is to be read in conjunction with the notes of the financial statements set out on pages 12 to 26

Sydney Theatre Company Ltd and its controlled entities

Consolidated statement of cash flows

For the year ended 31 December 2017

	<i>Note</i>	2017	2016
		\$	\$
Cash flows from operating activities			
Cash receipts from customers and contributions		45,986,034	36,716,828
Cash paid to suppliers and employees		(45,045,173)	(39,823,506)
Interest received		291,709	368,168
Net cash from operating activities	13	1,232,570	(2,738,510)
Cash flows from investing activities			
Acquisition of plant equipment and software		(2,803,101)	(2,669,105)
Fund donations for capital purposes		10,050,000	2,050,000
Interest received from capital donations		116,980	116,982
Net cash from investing activities		7,363,879	(502,123)
Net Increase in cash and cash equivalents		8,596,449	(3,240,633)
Cash and cash equivalents at 1 January		20,642,804	23,883,437
Cash and cash equivalents at 31 December	4	29,239,253	20,642,804

The consolidated statement of cash flows is to be read in conjunction with the notes of the financial statements set out on pages 12 to 26

Sydney Theatre Company Ltd and its controlled entities
Notes to the consolidated financial statements

	Page
1. Revenue	12
2. Surplus/(deficit) by entity	12
3. Personnel expenses	13
4. Cash and cash equivalents	13
5. Trade and other receivables	13
6. Other assets	13
7. Plant and equipment	14
8. Intangible assets	15
9. Deferred income	15
10. Grant income	16
11. Operating leases	17
12. Contingencies	17
13. Reconciliation of cash flows from operating activities	18
14. Key management personnel disclosures	18
15. Economic Entity	19
16. Parent Entity Disclosures	20
17. Subsequent Events	21
18. Significant Accounting Policies	21
Director's declaration	27

Sydney Theatre Company Ltd and its controlled entities Notes to the consolidated financial statements

1 Revenue

	2017	2016
	\$	\$
Production and related revenue	33,264,175	26,746,713
Royalty revenue	345,437	612,971
Sponsorship revenue	2,152,667	2,486,599
Restaurant rental	843,282	905,003
Interest Income	363,597	433,184
Other revenue	20,588	60,312
Total revenue from continuing operations	36,989,746	31,244,782
Government grants		
Australia Council MPAB Annual Grant	2,277,419	2,222,745
MPAB Project Grants	16,200	25,445
NSW Government through the Ministry of the Arts		
Core Grant	524,153	524,153
Project Grant	-	-
Multi Year Funding grant	1,000,000	500,000
Donation of rent in-kind	2,076,933	2,024,197
City of Sydney Project Grant	10,000	-
Other income - Government Grants	5,904,705	5,296,540
Donations	2,393,716	3,293,972
Donations, Interest	45,092	51,965
Fund and Foundation Fundraising Revenue	2,438,808	3,345,937
Restricted Capital Foundation Revenue	10,050,000	2,050,000
	55,383,259	41,937,259

2 Surplus/(Deficit) by Segment

	2017	2016
	\$	\$
Operating Segment :Sydney Theatre Company Ltd		
Consolidated (Deficit)	(5,823,141)	(2,263,721)
Satisfaction of donor intent - revenue	2,195,000	2,195,000
(Deficit)/Surplus before consolidation	(3,628,141)	(68,721)
Fundraising Segment: Sydney Theatre Company Fund and Foundation		
Consolidated Surplus	11,649,913	4,576,325
Satisfaction of donor intent - expense	(2,195,000)	(2,195,000)
Surplus before consolidation	9,454,913	2,381,325
	5,826,772	2,312,604

Sydney Theatre Company Ltd and its controlled entities

Notes to the consolidated financial statements

3 Personnel expenses

	2017	2016
	\$	\$
Wages and salaries	19,999,656	16,413,454
Superannuation	1,795,024	1,617,190
Increase in employee benefits	365,322	305,608
	<u>22,160,002</u>	<u>18,336,252</u>

4 Cash and cash equivalents

	2017	2016
	\$	\$
Bank balances	5,057,941	1,548,503
Cash deposits	23,929,129	18,845,126
Reserves Incentive bank account (i)	252,183	249,175
Cash and cash equivalents in the statement of cash flows	<u>29,239,253</u>	<u>20,642,804</u>

(i)The Reserve Incentive bank account relates to funds of \$94,000 received in 2003 through the Reserves Incentives Scheme of the Australia Council and the NSW Government through the Ministry of the Arts. It also includes \$47,000 transferred in 2003 from the general reserves of the Company. The funds and any interest earned on those funds are held in escrow for fifteen years and cannot be accessed without the express agreement of the Funding bodies under prescribed circumstances. These funds have not been used to secure any liabilities of the Company. Refer to consolidated statement of changes in equity.

5 Trade and other receivables

	2017	2016
	\$	\$
Trade debtors	558,387	616,148
Less: Provision for doubtful debts	-	-
	<u>558,387</u>	<u>616,148</u>
Other debtors	2,463,736	2,075,171
	<u>3,022,123</u>	<u>2,691,319</u>

6 Other assets

	2017	2016
	\$	\$
Prepaid production and subscription season costs	1,533,572	3,763,474
Other	518,925	122,022
	<u>2,052,497</u>	<u>3,885,496</u>

Sydney Theatre Company Ltd and its controlled entities
Notes to the consolidated financial statements

7 Plant and equipment

	Leasehold Improvements \$	Leasehold Improvements- Greening the Wharf	Furniture, fittings and equipment \$	Theatre and production equipment \$	Total \$
Cost					
Balance at 1 January 2017	4,145,501	3,892,059	1,069,728	3,162,709	12,269,997
Acquisitions	2,416,053		65,985	297,824	2,779,862
Disposals	(640,827)		(206,518)	(501,560)	(1,348,905)
Balance at 31 December 2017	5,920,727	3,892,059	929,195	2,958,973	13,700,954
Depreciation					
Balance at 1 January 2017	1,126,373	1,244,717	373,065	1,741,844	4,485,999
Depreciation charge for the year	268,658	187,620	188,835	383,470	1,028,583
Disposals	(640,827)		(206,518)	(501,560)	(1,348,905)
Balance at 31 December 2017	754,204	1,432,337	355,382	1,623,754	4,165,677
Carrying amounts					
At 1 January 2017	3,019,128	2,647,342	696,663	1,420,865	7,783,998
At 31 December 2017	5,166,523	2,459,722	573,813	1,335,219	9,535,277

The total Leasehold improvements carrying amount for 2017 is \$7,626,245 (2016: \$5,666,470) and is the sum of Leasehold Improvements and Leasehold improvements: Greening the Wharf.

The total Plant and Equipment carrying amount for 2017 is \$1,909,032 (2016: \$2,117,528) and is the sum of Furniture, fittings and equipment and Theatre and Production equipment.

Sydney Theatre Company Ltd and its controlled entities
Notes to the consolidated financial statements

8 Intangible assets: Software

	2017 \$
Cost	
Balance at 1 January 2017	1,938,750
Acquisitions	23,239
Disposals	(1,514,413)
Balance at 31 December 2017	<u>447,576</u>
Amortisation	
Balance at 1 January 2017	1,673,935
Amortisation charge for the year	153,532
Amortisation on disposal	(1,514,413)
Balance at 31 December 2017	<u>313,054</u>
Carrying amounts	
At 1 January 2017	264,815
At 31 December 2017	<u>134,522</u>

9 Deferred Income

	2017 \$	2016 \$
Current		
Subscriptions and ticket sales	13,785,907	10,940,140
Grant Income	2,500,000	3,523,555
Other Income	343,970	290,627
	<u>16,629,877</u>	<u>14,754,322</u>

Sydney Theatre Company Ltd and its controlled entities
Notes to the consolidated financial statements

10 Grant income

	Unexpended Grants at 31 December 2015 \$	2016 Grant Income \$	2016 Grant expenditure \$	Deferred \$	Unexpended Grants at 31 December 2016 \$
Australia Council					
Core Grant	-	2,222,745	(2,222,745)	-	-
Australia Council Total	-	2,222,745	(2,222,745)	-	-
Arts NSW					
Core Grant	-	524,153	(524,153)	-	-
Multiyear Funding Grant	4,000,000	500,000	(500,000)	(500,000)	3,500,000
Non Cash Subsidy (rent)	-	2,024,197	(2,024,197)	-	-
NSW Arts Total	4,000,000	3,048,350	(3,048,350)	(500,000)	3,500,000
Commonwealth Govt					
Project Grant	-	25,445	(25,445)	23,555	23,555
Commonwealth Total	-	25,445	(25,445)	23,555	23,555
Total	4,000,000	5,296,540	(5,296,540)	(476,445)	3,523,555
	Unexpended Grants at 31 December 2016 \$	2017 Grant Income \$	2017 Grant expenditure \$	Deferred	Unexpended Grants at 31 December 2017 \$
Australia Council					
Core Grant	-	2,277,419	(2,277,419)	-	-
Australia Council Total	-	2,277,419	(2,277,419)	-	-
Arts NSW					
Core Grant	-	524,153	(524,153)	-	-
Mutiyear Funding Grant	3,500,000	1,000,000	(1,000,000)	(1,000,000)	2,500,000
Non Cash Subsidy (rent)	-	2,076,933	(2,076,933)	-	-
NSW Arts Total	3,500,000	3,601,086	(3,601,086)	(1,000,000)	2,500,000
Commonwealth Govt					
Project Grant	23,555	16,200	(39,755)	-	-
Commonwealth Total	23,555	16,200	(39,755)	-	-
City of Sydney					
Project Grant	-	10,000	(10,000)	-	-
Commonwealth Total	-	10,000	(10,000)	-	-
Total	3,523,555	5,904,705	(5,928,260)	(1,000,000)	2,500,000

Sydney Theatre Company Ltd and its controlled entities

Notes to the consolidated financial statements

11. Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2017	2016
	\$	\$
Less than one year	879,788	863,258
Between one and five years	4,724,845	4,683,111
More than five years	53,037,367	59,109,671
	<u>58,642,000</u>	<u>64,656,040</u>

The Company leases its Wharf premises from the Arts NSW. The operating lease commitments detailed above include the contractual value of rent payable for the Wharf and Roslyn Packer Theatre, but not the commercial value of rent in-kind donated by the lessor. Lease rentals comprise a base amount plus an adjustment, which is based on movements in the Consumer Price Index. After extensive negotiations with Arts NSW, The Company secured a long term lease of 45 years. The lease contract was renewed for both the Wharf and Roslyn Packer Theatre on 1st May 2013 and expires 30th April 2058.

During the year ended 31 December 2017, \$2,936,199 was recognised as an expense in the income statement in respect of operating leases (2016: \$2,863,309), including the fair value of in-kind rent of \$2,076,933 (2016: \$2,024,197).

12. Contingencies

The Directors are not aware of any contingent liability or contingent asset where the probability of future payments/receipts is not considered remote.

Sydney Theatre Company Ltd and its controlled entities
Consolidated statement of comprehensive income

13 Reconciliation of cash flows from operating activities

	2017 \$	2016 \$
Profit/(Loss) for the period	5,826,772	2,312,604
Adjusted for:		
Depreciation/Amortisation/Loss on disposal of asset	1,182,115	1,467,054
Operating profit before changes in working capital and provisions	7,008,887	3,779,658
Add/ (less) items classified as investing/financing activities		
Interest received from capital donations	(116,980)	(116,982)
Donations classified as investment	(10,050,000)	(2,050,000)
(Increase)/Decrease in receivables	(330,804)	149,020
Decrease/(Increase) in other current assets	1,832,999	(2,706,615)
(Increase)/Decrease in inventories	(1,783)	4,614
Increase/(Decrease) in payables	834,883	565,307
Increase in provisions	179,813	40,236
Increase /(Decrease)in deferred revenue	1,875,555	(2,403,748)
Net cash from operating activities	1,232,570	(2,738,510)

14 Key management personnel disclosures

Transactions with key management personnel

The key management personnel compensation included in "personnel expenses" (see note 3) was \$2,011,191 (2016: \$1,819,151) This figure represents both short and long term benefits for senior management roles

Sydney Theatre Company Ltd and its controlled entities

Notes to the consolidated financial statements

14. Key management personnel disclosures (continued)

Other key management personnel transactions with the Group

During the year a number of Directors were employed by or associated with organisations that provided sponsorships to the Group in the ordinary course of business. These organisations received the normal benefits flowing from such sponsorships.

No Directors received Directors fees from the Group during the current or prior year.

Other transactions/relationships

In 2017, the Sydney Theatre Company Foundation raised \$11,550,197 (2016: \$2,224,630) through fundraising events, projects and appeals and an additional \$893,520 in further funds (through the Sydney Theatre Company Fund, which is part of Sydney Theatre Company Limited) of which \$10,050,000 the company specifically allocated for future capital projects. An amount of \$2,195,000 was donated from Sydney Theatre Company Foundation to Sydney Theatre Company Ltd (2016: \$2,195,000).

The appeals conducted by the Sydney Theatre Company Foundation include: Private Dinner, The Residents, Chairman's Council, Major Gifts, Business Transformation, Capital Projects, STC Annual Giving, Production Patronage and Education Projects.

As at 31 December 2017, Sydney Theatre Company Ltd had a receivable of \$1,586,672 (2016: receivable \$53,027) due from Sydney Theatre Company Foundation.

15. Economic Entity

The parent entity is Sydney Theatre Company Ltd, which controls the following entities:

Controlled Entity	Ownership %		Country
	2017	2016	
Sydney Theatre Company Foundation	100%	100%	Australia
STC USA Limited Liability Co.	100%	-	U.S.A

STC USA Limited Liability Co. (STC USA Llc) was set up on June 1 2016 as a US limited liability company in the state of New York. STC USA Llc's sole member is Sydney Theatre Company and the purpose of the company is to facilitate the development and promotion of Sydney Theatre Company's artistic slate in the U.S.A and around the world. During the year, STCUSA entered into a partnership, "The Present Broadway Limited Partnership" registered in the USA for the purpose of one season of the production of "The Present". The season of "The Present" opened on January 8th 2017 and ran to March 19th 2017. STCUSA has 50% interest in the partnership. The financial results of STCUSA for the year ended 31st of December 2017 are as follows:

Sydney Theatre Company Ltd and its controlled entities

Notes to the consolidated financial statements

15. Economic Entity (continued)

	2017	2016
	\$	\$
Operating Revenue	6,761,446	-
Operating Expenses	(6,872,855)	-
Total comprehensive income	(111,409)	-
Financial position of STCUSA at year end		
Current assets	30,000	-
Non-current assets	-	-
Total assets	30,000	-
Current liabilities	141,409	-
Non-current liabilities	-	-
Total liabilities	141,409	-
Total equity of STCUSA:		
Retained Earnings	(111,409)	-
Total equity	(111,409)	-

16. Parent Entity Disclosures

The parent company of the Group, as at and throughout the financial year ended 31 December 2017, was Sydney Theatre Company Ltd.

The individual financial statements for the parent entity show the following aggregate amounts:

	2017	2016
	\$	\$
Results of the parent entity		
Surplus/(deficit) for the year Sydney Theatre Company operations	(3,516,730)	(68,722)
Surplus for the year Sydney Theatre Company Fund	893,520	3,119,342
Total comprehensive income	(2,623,210)	3,050,620
Financial position of the parent entity at year end		
Current assets	31,133,974	24,141,210
Non-current assets	9,669,799	8,048,813
Total assets	40,803,773	32,190,023
Current liabilities	19,572,776	18,314,898
Non-current liabilities	315,848	275,356
Total liabilities	19,888,624	18,590,254
Total equity of the parent entity comprising:		
Reserves	-	-
Retained Earnings	20,915,149	13,599,769
Total equity	20,915,149	13,599,769

Sydney Theatre Company Ltd and its controlled entities

Notes to the consolidated financial statements

17. Subsequent Events

Other than set out elsewhere in this report, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in the future financial years.

18. Significant Accounting policies

Sydney Theatre Company Ltd (the "Company") is an Australian Public Company, limited by guarantee incorporated and domiciled in Australia. The Company's registered address and place of business is Pier 4, Hickson Rd, Walsh Bay, NSW 2000. These consolidated financial statements comprise the Company and its controlled entity, together referred to as the "Group". The Group is a not for profit entity.

(a) Statement of compliance

The consolidated financial statements are Tier 2 general purpose consolidated financial statements which have been prepared in accordance with Australian Accounting Standards- Reduced Disclosure Requirements ("AASBs") including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board ("AASB") and the Australian Charities and Not for Profits Commission Act 2012. These consolidated financial statements comply with Australian Accounting Standards- Reduced Disclosure Requirements.

The financial report was approved by the Board of Directors on 12th April 2018.

(b) Basis of preparation

These consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

The consolidated financial statements are prepared on the historical cost basis.

In preparing these consolidated financial statements management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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

All financial information presented in Australian dollars has been rounded to the nearest dollar unless otherwise stated.

(c) Controlled Entity

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statement of the controlled entity is included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The accounting policies of the controlled entity have been changed when necessary to align them with the policies adopted by the Group.

Sydney Theatre Company Ltd and its controlled entities

Notes to the consolidated financial statements

18. Significant Accounting policies (continued)

(d) Transaction eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(e) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(f) Plant and equipment

(i) Owned assets

Items of plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy k).

(ii) Greening the Wharf assets

Greening the Wharf assets are stated separately to highlight the enormity of the project. These assets include the roof Photovoltaic Array, Public bathroom refurbishment, Office refurbishments, and Theatre Lighting. All these assets have been purchased to provide investment in the latest sustainability infrastructure; new green theatre technology and up to date energy efficiencies that will ultimately save the Company money and reduce our carbon footprint.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives in the current and comparative period are as follows:

Theatre and production equipment	4 - 10 years
Furniture, fittings and equipment	4 - 10 years
Leasehold improvements	6 - 25 years

The depreciation method and useful lives, as well as residual values, are reviewed at each reporting date.

(g) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of intangible assets. The estimated useful lives on the current and comparative period are as follows:

Software	4 years
----------	---------

Sydney Theatre Company Ltd and its controlled entities

Notes to the consolidated financial statements

18. Significant Accounting policies (continued)

(h) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses (see accounting policy k).

(i) Inventories

Inventories are valued at the lower of cost and net realisable value.

(j) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits.

(k) Impairment

The carrying amounts of the Group's assets, other than inventories (see accounting policy i), are 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 (see accounting policy l).

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

(l) Calculation of recoverable amount

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each balance date.

The recoverable amount of other assets is calculated as the depreciated replacement cost of the asset.

Sydney Theatre Company Limited and its controlled entities

Notes to the consolidated financial statements

18. Significant accounting policies (continued)

(m) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(ii) Long-term service benefits

The Group's net obligation in respect of long-term service benefits, other than defined benefit plans, 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 rates attached to high quality corporate bonds at the balance sheet date which have maturity dates approximating to the terms of the Group's obligations.

(iii) Wages, salaries, annual leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be 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 Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance.

(n) Trade and other payables

Trade and other payables are stated at amortised cost.

(o) Revenue

(i) Production and related revenue

Revenue from production and other service related revenues is recognised in the period in which the service is provided.

(ii) Royalty Revenue

Rights related revenue from contracts that site Sydney Theatre Company as a producing partner.

(iii) Sponsorship revenue

Revenue receivable from sponsors may be cash or in-kind. Where a sponsorship constitutes a reciprocal transfer (i.e. where there is an obligation to return unspent funds or the Group is obliged to give approximately equal value in return for funds) the Group defers the unearned portion of these funds at year end. Where a sponsorship does not constitute a reciprocal transfer, the amount is recognised as revenue when it is reliably measurable and controlled by the Group.

Sydney Theatre Company Limited and it controlled entities Notes to the consolidated financial statements

18. Significant accounting policies (continued)

- (iv) **Restaurant Rental**
Revenue derived from commissions received from catering partners concerning venues at the Wharf and Roslyn Packer Theatre.
- (v) **Interest Income**
Income from interest on cash reserves.
- (vi) **Donations**
Income from philanthropic activity payable to both Sydney Theatre Company and Sydney Theatre Company Foundation.
- (vii) **Government grants**
Grant funds are recognised as revenue when the Group gains control of the contribution or when services and obligations are rendered under the terms of the funding agreement. Where the grant has been received but the revenue recognition criteria has not yet been met, the revenue is deferred until such time as revenue recognition conditions have been met.

- (p) **Operating lease payments**

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense and spread over the lease term.

Where the Group is required to make-good any leased premises at the end of the lease, provision for the estimated costs is made and the expense is spread over the lease term.

- (q) **Finance income and expenses**

Interest income is recognised in the income statement as it accrues, using the effective interest method.

Finance expenses comprise loss on disposal of held-to-maturity investments and impairment losses recognised on financial assets.

- (r) **Income tax**

The Group is exempt from paying income tax in accordance with Div50 of the *Income Tax Assessment Act 1997*

- (s) **Goods and services tax**

Revenue, 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 taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the 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 statement of financial position.

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.

Sydney Theatre Company Limited and it controlled entities Notes to the consolidated financial statements

18. Significant accounting policies (continued)

(t) Fundraising appeals

The Group conducted its fundraising activities in accordance with the NSW Charitable Fundraising Act, 1991.

Fundraising income and expenditure flow through either Sydney Theatre Company Fund (which forms part of Sydney Theatre Company Limited) or Sydney Theatre Company Foundation Trust.

(u) Capital

The Company is limited by guarantee and has no paid up capital.

The amount of capital which is capable of being called up only in the event of and for the purpose of the winding up of the Company is not to exceed \$20 per member by virtue of the Company's Memorandum and Articles of Association.

A person may become a member of the Company upon subscription to the Company's current theatre season and upon payment of an annual membership fee. Members are entitled to attend and vote at general meetings of the Company and to elect 50% of the non-executive Directors of the Company. As at 31 December 2017 the Company had 20 members (2016: 24 members)

Directors' declaration

In the opinion of the directors of Sydney Theatre Company Ltd (the Company):

- (a) the consolidated financial statements and notes that are set out on pages 7 to 26 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
 - i. giving a true and fair view of the consolidated Group's financial position as at 31 December 2017 and of its performance, for the financial year ended on that date; and
 - ii. complying with Australian Accounting Standards-Reduced Disclosure Regime 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.
- (c) the Company is not publicly accountable.

Signed in accordance with a resolution of the directors:

Dated at Sydney 12th day of April 2018



Ian Narev
Chairperson



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 Sydney Theatre Company Limited

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

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

KPMG

Duncan McLennan
Partner

Sydney

12 April 2018



Independent Auditor's Report

To the members of Sydney Theatre Company Limited

Opinion

We have audited the **Financial Report**, of the Sydney Theatre Company Limited (the Company).

In our opinion, the accompanying **Financial Report** of the Group 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 Group's financial position as at 31 December 2017 and of its financial performance and its cash flows for the year ended on that date; and
- ii. complying with *Australian Accounting Standards – Reduced Disclosure Requirements* and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises:

- i. Consolidated Statement of financial position as at 31 December 2017;
- ii. Consolidated Statement of profit or loss and other comprehensive income, Consolidated Statement of changes in equity, and Consolidated Statement of cash flows for the year then ended;
- iii. Notes including a summary of significant accounting policies;
- iv. Directors' declaration of the Group; and
- v. The Group consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

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 Sydney Theatre Company Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes Directors' Report. The Directors are responsible for the Other Information.

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 Group'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 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 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 judgment 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.
- ii. 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
- iii. 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.
- iv. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- v. 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.
- vi. 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.
- vii. Obtaining 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.

KPMG

Duncan McLennan
Partner

Sydney
12 April 2018