

# Annual Financial Report

Sydney Theatre Company Ltd and its controlled entities

ABN 87 001 667 983

Year ended 31 December 2019

# Directors' report

For the year ended 31 December 2019

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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 2019 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 to 10 May 2019	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
Anita Belgiorno-Nettis Director since 6 December 2018	Company Director, Prisma Investment Pty Ltd BA- University of New England
Ann Johnson Director since 3 May 2013 Deputy Chair Member of Finance Committee	Director, W & A Johnson Family Foundation; Chairperson (until 31 July 2019), Sydney Theatre Company Foundation; Co Chair, Philanthropy Australia; Bachelor of Arts/Bachelor of Laws (UNSW); GAICD.
Mark Lazberger Director since 12 February 2014 Chairperson of Finance Committee	Chairman Omnia Capital Partners Member of Future of Finance Advisory Council (CFA Institute) Co-Chair of Zero Childhood Cancer Member of VisAsia Council
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)
Heather Mitchell Director since 20 February 2018	Australian actress, appearing in Australian productions of Stage, television and film. Graduate of NIDA.
Ian Narev Director since 18 July 2014 Appointed Chair 18 February 2016	COO, Seek Limited Non-executive Chairman, Tyme Global Member of advisory boards of Adamantem Capital, Gonski Institute of Education and Serendipity Capital Co-Founder and Chairman, Springboard Trust
Gretel Packer Director since 21 October 2014 Member of Finance Committee	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

## Directors' report

For the year ended 31 December 2019

Daniel Petre AO Director since 3 May 2013 to 10 May 2019 Member of Finance Committee	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)
Mark Scott AO Director since 16 <sup>th</sup> December 2019	Head of NSW Department of Education Bachelor of Arts, Diploma of Education and a Master of Arts from the University of Sydney; Master of Public Administration from Harvard University. Honorary doctorates from the University of Sydney, University of NSW and University of Technology Sydney. Chair, Sydney Writer's Festival; UNSW Business School Advisory Council.
Annette Shun Wah Director since 7 <sup>th</sup> December 2017	Executive Producer, Contemporary Asian Australian Performance Management Committee, Contemporary Asian Australian Performance External Advisory Board, Australia China Institute of Art and Culture, Western Sydney University
Michael Triguboff Director since 16 <sup>th</sup> May 2019	Investment Banker, Triguboff Investments B.A. (Syd.), L.L.B. (UNSW), M.B.A. (NYU), A.P.C. (NYU), M.B.Sys. (Monash), Grad.Dip.Comp. (Monash), M.C.S. (UIUC/Columbia), M.Crim. (Syd.), L.L.M. (Syd./ Melb)
Kip Williams Director since 3 November 2016	Artistic Director Director, NIDA Bachelor of Arts, Media and Communication (University of Sydney) Master of Dramatic Art in Directing (NIDA)

## 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	2	2	-	-
A Belgiorno-Nettis	4	5	-	-
A Johnson	5	5	6	6
M Lazberger	4	5	6	6
P McIntyre	5	5	6	6
H Mitchell	4	5	-	-
I Narev	5	5	5	6
G Packer	5	5	5	6
D Petre	2	2	1	1
M Scott	2	3	-	-
A Shun Wah	4	5	-	-
M Triguboff	3	3	3	3
K Williams	5	5	1	6

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

## Directors' report (continued)

For the year ended 31 December 2019

### 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 \$8,525,277 and fundraising from the Sydney Theatre Company Foundation (STCF) and Sydney Theatre Company Fund produced a surplus of \$2,667,208. The STC50 project produced a net positive impact on the consolidated statement of comprehensive income of \$1,087,178. The consolidated result for the Group reported a deficit of \$4,770,892.

#### Significant changes in the state of affairs

For its part in the Walsh Bay Arts Precinct Project, Sydney Theatre Company vacated its premises at the Wharf in June 2018 to allow for major capital works to be undertaken.

### 6. Going concern

The financial statements of the Sydney Theatre Company have been prepared on a going concern basis which contemplates the realisation of assets and the discharge of liabilities in the ordinary course of business.

The STC Group has a net asset position of \$16,591,722 as at 31 December 2019. The Group has positive net current assets as at 31 December 2019 of \$7,387,846.

As set out in Note 8 the COVID-19 outbreak was declared a global pandemic on 11 March 2020. On 13 March, the Federal Government issued a ban on outdoor mass gatherings over 500 people which was then followed by a ban on non-essential indoor event of over 100 people on 18 March. On March 29, the National Cabinet agreed to further limit most indoor and outdoor non-essential gathering to 2 people. In NSW, these regulations are enforced by a Public Health Order which is in place until 29 June 2020 and may be extended.

#### Cashflow Forecasts

In preparing the financial report, the Directors have made an assessment of the ability of the Group to continue as a going concern. The Group has prepared detailed cash flow forecasts for the next 12 months, which reflect both the expected impact of actions taken by the Group in the past [6] weeks as well as expected actions in the months ahead.

The Group uses its best estimate assumptions in the development of cash flow forecasts. The Directors note, however, that some of the key assumptions underpinning cash flow forecasts are inherently uncertain and subject to variation due to factors which are outside of the control of the Group.

As noted above the NSW Government regulations have already had a significant impact on the company. Since the regulations were imposed:

- Six productions have been cancelled;
- Staffing levels have been reviewed;
- Overhead expenditure has been significantly reduced; and
- Certain capital expenditure has been deferred.

## Directors' report (continued)

For the year ended 31 December 2019

In addition to the matters noted above the company has prepared cashflow forecasts that assume:

- The Company is eligible to participate in Government stimulus packages such as Jobkeeper;
- The 2020 season can recommence from September 2020 and the 2021 season will take place with subscription sales commencing in September 2020;
- A significant minority of existing ticketholders for the cancelled 2020 productions will elect to donate the value of their tickets rather than seek refunds;
- Existing fundraising initiatives will continue;
- The NSW Government will be favourably disposed to direct financial support measures including consideration of rental obligations; and
- Funds held for the completion of the Wharf rebuild project will be adequate for that purpose.

The directors note that certain of the above proposed actions and key assumptions underpinning projections are uncertain due to factors outside the control of the Group. These factors give rise to uncertainty, which may be material, as to whether the Group can continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The auditor's report includes a paragraph referencing a material uncertainty relating to going concern.

Notwithstanding the uncertainties set out above, taking into account the Board approved initiatives noted above, the Directors believe at the date of the signing of the financial report that there are reasonable grounds to consider the going concern basis of preparation is appropriate and that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2019. As a result, no adjustments have been made to the financial report relating to recoverability and classification of assets' carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

### 7. Dividends

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

### 8. Events subsequent to reporting date

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty.

For the Company's 31 December 2019 (consolidated) financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Company cannot reasonably estimate the impact these events will have on the Company's financial position, results of operations or cash flows in the future. Please refer to note 18 (c) on Going concern basis of accounting.

### 9. Likely developments

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. The project is jointly funded by Public and STC private funding. A capital raising effort has been conducted for the past three years to raise private funds to support the project. Sydney Theatre Company is expected to return to the Wharf late 2020.

## Directors' report (continued)

For the year ended 31 December 2019

### 10. 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.

### 11. Indemnification and insurance of directors, officers and auditor

#### Indemnification

The Company undertakes to indemnify current directors, officers and auditor against all liabilities to other persons (other than the Company or a related body corporate) that may arise from their engagement with 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.

### 12. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 33 and forms part of the Directors' report for financial year ended 31 December 2019.

This report is made with a resolution of the Directors:



Ian Narev  
Chairperson

Dated at Sydney this 30<sup>th</sup> day of April 2020.

## Sydney Theatre Company Ltd and its controlled entities

### Consolidated statement of comprehensive income

For the year ended 31 December 2019

	Note	2019 \$	2018 \$
Revenue			
Sydney Theatre Company		23,232,223	27,602,579
Roslyn Packer Theatre		1,191,678	1,426,815
<b>Total revenue from continuing operations</b>	1	<b>24,423,901</b>	<b>29,029,394</b>
Theatre and production expenses		(22,118,023)	(25,394,010)
Marketing and promotion expenses		(396,781)	(680,451)
Administrative expenses		(9,165,423)	(9,832,865)
Occupancy expenses		(1,479,364)	(3,286,426)
Building Project Expenditure		(400,755)	(1,038,865)
Building Project Expenditure - Depreciation		(638,929)	(638,929)
Depreciation/Amortisation/Loss on disposal of assets		(3,878,121)	(1,456,363)
Interest expense leases		(209,505)	-
<b>Deficit from operating activities</b>		<b>(13,863,001)</b>	<b>(13,298,515)</b>
Other income - Government Grants			
Core Funding		2,940,701	2,819,005
Project Funding		500,000	1,087,744
Rent In Kind		-	1,085,781
	1	<b>3,440,701</b>	<b>4,992,530</b>
<b>Deficit from continuing operations plus funding</b>		<b>(10,422,300)</b>	<b>(8,305,985)</b>
Total Fund and Foundation Fundraising Revenue	1	3,692,063	4,323,377
Fundraising Expenditure		(1,024,855)	(968,373)
<b>Net deficit from continuing operations plus fundraising income</b>		<b>(7,755,092)</b>	<b>(4,950,981)</b>
Restricted Capital Foundation Revenue	1	2,755,000	3,650,000
Interest on Capital Donations	1	229,200	-
<b>Deficit for the period</b>		<b>(4,770,892)</b>	<b>(1,300,981)</b>
Other comprehensive income		-	-
<b>Total comprehensive deficit for the period</b>		<b>(4,770,892)</b>	<b>(1,300,981)</b>

The consolidated statement of comprehensive income is to be read in conjunction with the notes of the financial statements set out on pages 11 to 31.

## Sydney Theatre Company Ltd and its controlled entities

### Consolidated statement of changes in equity

For the year ended 31 December 2019

	Sydney Theatre Company	Sydney Theatre Company Foundation	Total Equity
	\$	\$	\$
<b>Accumulated Funds- Capital Projects</b>			
Balance at 1 January 2018	15,815,020	1,709,761	17,524,781
Current Year	1,972,206	-	1,972,206
Transfers	-	-	-
Balance at 31 December 2018	17,787,226	1,709,761	19,496,987
<b>Accumulated Funds- Restricted</b>			
Balance at 1 January 2018	252,183	225,000	477,183
Current Year	(246,280)	1,612,499	1,366,219
Transfers	1,437,500	(1,437,500)	-
Balance at 31 December 2018	1,443,403	399,999	1,843,402
<b>Accumulated Funds- Unrestricted</b>			
Balance at 1 January 2018	4,847,943	(186,313)	4,661,630
Current Year	(4,186,411)	(452,995)	(4,639,406)
Transfers	757,500	(757,500)	-
Balance at 31 December 2018	1,419,032	(1,396,808)	22,224
<b>Balance as at 31 December 2018</b>	<b>20,649,661</b>	<b>712,952</b>	<b>21,362,613</b>
<b>Accumulated Funds- Capital Projects</b>			
Balance at 1 January 2019	17,787,226	1,709,761	19,496,987
Current Year	1,087,178	-	1,087,178
Transfers	-	-	-
Balance at 31 December 2019	18,874,404	1,709,761	20,584,165
<b>Accumulated Funds- Restricted</b>			
Balance at 1 January 2019	1,443,403	399,999	1,843,402
Current Year	(164,774)	(399,999)	(564,773)
Transfers	-	-	-
Balance at 31 December 2019	1,278,629	-	1,278,629
<b>Accumulated Funds- Unrestricted</b>			
Balance at 1 January 2019	1,419,032	(1,396,808)	22,224
Current Year	(6,901,003)	1,607,707	(5,293,296)
Transfers	-	-	-
Balance at 31 December 2019	(5,481,971)	210,899	(5,271,072)
<b>Balance as at 31 December 2019</b>	<b>14,671,061</b>	<b>1,920,660</b>	<b>16,591,722</b>

The consolidated statement of changes in equity is to be read in conjunction with the notes of the financial statements set out on pages 11 to 31.



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

As at 31 December 2019

	Note	2019 \$	2018 \$
<b>Assets</b>			
Cash and cash equivalents	4	18,504,358	22,586,414
Trade and other receivables	5	2,483,307	2,574,704
Inventories		263,577	271,570
Other assets	6	716,598	994,878
<b>Total current assets</b>		<b>21,967,840</b>	<b>26,427,566</b>
Plant and equipment	7	1,452,679	1,747,896
Leasehold Improvements	7	7,359,223	8,936,363
Intangible assets	8	62,102	79,184
Right-of-use assets	11	7,434,863	-
<b>Total non-current assets</b>		<b>16,308,868</b>	<b>10,763,443</b>
<b>Total assets</b>		<b>38,276,708</b>	<b>37,191,009</b>
<b>Liabilities</b>			
Trade and other payables		1,715,084	1,641,454
Employee benefits		1,108,993	1,180,057
Deferred revenue	9	10,848,275	12,682,033
Lease liability	11	907,643	-
<b>Total current liabilities</b>		<b>14,579,994</b>	<b>15,503,544</b>
Employee benefits		373,650	324,852
Lease liability	11	6,731,342	-
<b>Total non-current liabilities</b>		<b>7,104,992</b>	<b>324,852</b>
<b>Total liabilities</b>		<b>21,684,986</b>	<b>15,828,396</b>
<b>Net assets</b>		<b>16,591,722</b>	<b>21,362,613</b>
<b>Equity</b>			
Retained Earnings - Capital Projects		20,584,165	19,496,987
Retained Earnings - Restricted		1,278,629	1,843,402
Retained Earnings - Unrestricted		(5,271,072)	22,224
<b>Total equity</b>		<b>16,591,722</b>	<b>21,362,613</b>

The consolidated statement of financial position is to be read in conjunction with the notes of the financial statements set out on pages 11 to 31.

## Sydney Theatre Company Ltd and its controlled entities

### Consolidated statement of cash flows

For the year ended 31 December 2019

	<i>Note</i>	<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Cash receipts from customers and contributions		31,085,841	34,886,795
Cash paid to suppliers and employees		(35,944,996)	(42,466,643)
Interest received		103,358	236,922
<b>Net cash flows used in operating Activities</b>	<b>13</b>	<b>(4,755,797)</b>	<b>(7,342,926)</b>
<b>Cash flows from investing activities</b>			
Acquisition of plant equipment and software		(1,402,816)	(3,188,936)
Fund donations for capital purposes	<i>1</i>	2,755,000	3,650,000
Interest received from capital donations	<i>1</i>	229,200	229,023
<b>Net cash flows from investing Activities</b>		<b>1,581,384</b>	<b>690,087</b>
<b>Cash flows from financing activities</b>			
Payments of lease liability		(907,643)	-
<b>Net cashflow from financing Activities</b>		<b>(907,643)</b>	<b>-</b>
Net (decrease)/increase in cash and cash equivalents		(4,082,056)	(6,652,839)
Cash and cash equivalents at 1 January		22,586,414	29,239,253
<b>Cash and cash equivalents at 31 December</b>	<b>4</b>	<b>18,504,358</b>	<b>22,586,414</b>

The consolidated statement of cash flows is to be read in conjunction with the notes of the financial statements set out on pages 11 to 31.

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

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## Sydney Theatre Company Ltd and its controlled entities

### Notes to the consolidated financial statements

#### 1 Revenue

	2019	2018
	\$	\$
Production and related revenue	22,094,254	25,936,719
Royalty revenue	720,928	305,956
Sponsorship revenue	1,232,743	1,823,846
Restaurant rental	248,300	468,899
Interest Income	67,981	420,222
Other revenue	59,696	73,752
<b>Total revenue from continuing operations</b>	<b>24,423,901</b>	<b>29,029,394</b>
Government grants		
Australia Council MPAB Annual Grant	2,321,984	2,285,417
MPAB Project Grants	85,129	-
NSW Government through the Ministry of the Arts		
Core Grant	533,588	533,588
Multi Year Funding grant	500,000	1,000,000
Donation of rent in-kind	-	1,085,781
Commonwealth Govt	-	72,159
City of Sydney Project Grant	-	15,585
<b>Other income - Government Grants</b>	<b>3,440,701</b>	<b>4,992,530</b>
Donations	3,656,685	4,277,654
Donations, Interest	35,378	45,723
<b>Fund and Foundation Fundraising Revenue</b>	<b>3,692,063</b>	<b>4,323,377</b>
Restricted Capital Foundation Revenue	2,755,000	3,650,000
Capital, Interest	229,200	-
	<b>34,540,865</b>	<b>41,995,301</b>

#### 2 Surplus/(Deficit) by Segment

	2019	2018
	\$	\$
<b>Operating Segment: Sydney Theatre Company Ltd</b>		
Consolidated Deficit	(8,157,819)	(6,628,191)
Depreciation expense leases	(367,458)	-
Satisfaction of donor intent - revenue	-	2,195,000
Deficit before consolidation	(8,525,277)	(4,433,191)
<b>Fundraising Segment: Sydney Theatre Company Fund and Foundation</b>		
Consolidated Surplus	2,667,208	3,355,004
Satisfaction of donor intent - expense	-	(2,195,000)
Surplus before consolidation	2,667,208	1,160,004
<b>Project Segment: STC50</b>		
Consolidated Surplus	1,944,516	1,972,206
Depreciation expense leases	(857,338)	-
Satisfaction of donor intent - expense	-	-
Surplus before consolidation	1,087,178	1,972,206
	<b>(4,770,892)</b>	<b>(1,300,981)</b>

## Sydney Theatre Company Ltd and its controlled entities

### Notes to the consolidated financial statements

#### 3 Personnel expenses

	2019	2018
	\$	\$
Wages and salaries	16,482,943	18,668,937
Superannuation	1,642,796	1,812,046
Increase in employee benefits	285,517	371,431
	<u>18,411,256</u>	<u>20,852,414</u>

#### 4 Cash and cash equivalents

	2019	2018
	\$	\$
Bank balances	723,579	1,204,583
Cash deposits	17,780,779	21,381,831
Cash and cash equivalents in the statement of cash flows	<u>18,504,358</u>	<u>22,586,414</u>

#### 5 Trade and other receivables

	2019	2018
	\$	\$
Trade debtors	548,688	414,349
Less: Provision for doubtful debts	-	-
	<u>548,688</u>	<u>414,349</u>
Other debtors	1,919,392	1,901,952
Term deposit: Reserves Incentive bank account (i)	15,227	258,403
	<u>2,483,307</u>	<u>2,574,704</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.

#### 6 Other assets

	2019	2018
	\$	\$
Prepaid production and subscription season costs	636,869	597,948
Other	79,730	396,930
	<u>716,598</u>	<u>994,878</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 \$	Leasehold Improvements- STC50 \$	Furniture, fittings and equipment \$	Theatre and production equipment \$	Total \$
<b>Cost</b>						
Balance at 1 January 2019	599,964	2,959,511	7,318,997	893,126	3,147,451	14,919,049
Acquisitions	18,629	182,795	979,084	58,443	157,007	1,395,960
Disposals	(4,840)	(3,030,222)	-	(113,340)	(333,740)	(3,482,142)
Balance at 31 December 2019	613,753	112,084	8,298,081	838,230	2,970,719	12,832,867
<b>Depreciation</b>						
Balance at 1 January 2019	314,400	988,780	638,929	449,898	1,842,783	4,234,790
Depreciation charge for the year	69,063	197,306	638,929	170,736	339,931	1,415,966
Disposals	(4,840)	(1,177,872)	-	(113,340)	(333,740)	(1,629,792)
Balance at 31 December 2019	378,624	8,215	1,277,858	507,294	1,848,974	4,020,964
<b>Carrying amounts</b>						
At 1 January 2019	285,564	1,970,731	6,680,068	443,228	1,304,668	10,684,259
At 31 December 2019	235,129	103,869	7,020,223	330,936	1,121,745	8,811,903

The total Leasehold improvements carrying amount for 2019 is \$7,359,222 (2018: \$8,936,363) and is the sum of Leasehold Improvements, Leasehold improvement- Greening the Wharf and Leasehold improvements: STC50.

The total Plant and Equipment carrying amount for 2019 is \$1,452,681 (2018: \$1,747,896) and is the sum of Furniture, fittings and equipment and Theatre and Production equipment.

In 2019, STC disposed of assets relating to the Solar Panel array (installed on the roof of the Wharf). Their removal forms part of the Walsh Bay Arts Renewal Capital project. The panels are to be replaced with updated technology at a cost to the NSW Govt. The net value of disposal as at 31 December is \$1,852,350.

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

8 Intangible assets: Software

	2019
	\$
<b>Cost</b>	
Balance at 1 January 2019	397,564
Acquisitions	6,856
Disposals	(222,558)
Balance at 31 December 2019	<u>181,863</u>

**Amortisation**

Balance at 1 January 2019	318,380
Amortisation charge for the year	23,938
Amortisation on disposal	(222,558)
Balance at 31 December 2019	<u>119,761</u>

**Carrying amounts**

At 1 January 2019	79,184
At 31 December 2019	<u>62,102</u>

9 Deferred Income

	2019	2018
	\$	\$
<b>Current</b>		
Subscriptions and ticket sales	9,691,975	10,577,471
Grant Income	1,000,000	1,585,129
Other Income	156,300	519,433
	<u>10,848,275</u>	<u>12,682,033</u>

## Sydney Theatre Company Ltd and its controlled entities

### Notes to the consolidated financial statements

#### 10 Grant income

	Unexpended Grants at 31 December 2017 \$	2018 Grant Income \$	2018 Grant Expenditure \$	Deferred	Unexpended Grants at 31 December 2018 \$
Australia Council					
Core Grant	-	2,285,417	(2,285,417)	-	-
Project Grant	-	-	-	85,129	85,129
<b>Australia Council Total</b>	<b>-</b>	<b>2,285,417</b>	<b>(2,285,417)</b>	<b>85,129.00</b>	<b>85,129</b>
Arts NSW					
Core Grant	-	533,588	(533,588)	-	-
Multiyear Funding Grant	2,500,000	1,000,000*	(1,000,000)	(1,000,000)*	1,500,000
Non Cash Subsidy (rent)	-	1,085,781	(1,085,781)	-	-
<b>NSW Arts Total</b>	<b>2,500,000</b>	<b>2,619,369</b>	<b>(2,619,369)</b>	<b>(1,000,000)</b>	<b>1,500,000</b>
Commonwealth Govt					
Project Grant	-	72,159	(72,159)	-	-
<b>Commonwealth Total</b>	<b>-</b>	<b>72,159</b>	<b>(72,159)</b>	<b>-</b>	<b>-</b>
City of Sydney					
Project Grant	-	15,585	(15,585)	-	-
<b>City of Sydney Total</b>	<b>-</b>	<b>15,585</b>	<b>(15,585)</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>2,500,000</b>	<b>4,992,530</b>	<b>(4,992,530)</b>	<b>(914,871)</b>	<b>1,585,129</b>
	Unexpended Grants at 31 December 2018 \$	2019 Grant Income \$	2019 Grant Expenditure \$	Deferred	Unexpended Grants at 31 December 2019 \$
Australia Council					
Core Grant	-	2,321,984	(2,321,984)	-	-
Project Grant	85,129	85,129*	(170,258)	-	-
<b>Australia Council Total</b>	<b>85,129</b>	<b>2,407,113</b>	<b>(2,492,242)</b>	<b>-</b>	<b>-</b>
Arts NSW					
Core Grant	-	533,588	(533,588)	-	-
Mutiyear Funding Grant	1,500,000	500,000*	(500,000)	(500,000)*	1,000,000
Non Cash Subsidy (rent)	-	-	-	-	-
<b>NSW Arts Total</b>	<b>1,500,000</b>	<b>1,033,588</b>	<b>(1,033,588)</b>	<b>(500,000)</b>	<b>1,000,000</b>
Commonwealth Govt					
Project Grant	-	-	-	-	-
<b>Commonwealth Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
City of Sydney					
Project Grant	-	-	-	-	-
<b>City of Sydney Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1,585,129</b>	<b>3,440,701</b>	<b>(3,525,830)</b>	<b>(500,000)</b>	<b>1,000,000</b>

\* Recognition of grant received in prior year



## Sydney Theatre Company Ltd and its controlled entities

### Notes to the consolidated financial statements

#### 11. Leases

##### *Right-of-use assets*

	Property	Vehicles	Photocopiers	2019 \$
Balance at 1 January	7,520,780	193,024	545,762	8,259,566
Additions for the year	400,092	-	-	400,092
Depreciation charge of the year	(1,055,332)	(50,388)	(119,075)	(1,224,796)
Balance at 31 December	6,865,540	142,636	426,686	7,434,863

##### *Lease liabilities*

	2019 \$
Maturity Analysis - Contractual undiscounted cashflow	
Less than one year	1,475,112
Between one year and five years	1,272,662
More than five years	8,241,236
<b>Total undiscounted lease liabilities at 31 December</b>	<b>10,989,010</b>
Current	907,643
Non-Current	6,731,342
<b>Lease liabilities included in statement of financial position at 31 December</b>	<b>7,638,985</b>

##### *Amounts recognised in statement of comprehensive income*

	2019 \$
Interest on lease liabilities	(209,505)
Expenses related to short-term leases	(122,086)
Depreciation expense on leases	(1,224,795)
<b>Total recognised in statement of comprehensive income</b>	<b>(1,556,387)</b>

##### *Amounts recognised in Cash Flow*

Total cash outflow for leases	(1,029,729)
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Right-of-use asset and lease liabilities appears for the first time as a result of updating AASB 16. Refer to note 18 (q) for more information

#### 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 Limited and its controlled entities

### Notes to the consolidated financial statements

#### 13 Reconciliation of cash flows from operating activities

	2019 \$	2018 \$
Loss for the period	(4,770,892)	(1,300,981)
Adjusted for:		
Depreciation/Amortisation/Loss on disposal of asset	4,517,050	2,095,292
Interest expense leases	209,505	-
<b>Operating profit before changes in working capital and provisions</b>	<b>(44,337)</b>	<b>794,311</b>
<b>Add/ (less) items classified as investing/financing activities</b>		
Interest received from capital donations	(229,200)	(229,023)
Donations classified as investment	(2,755,000)	(3,650,000)
Decrease in receivables	91,397	447,419
Decrease in other current assets	(44,255)	1,057,619
(Increase) in inventories	7,993	(111,141)
(Decrease)/Increase in payables	73,630	(1,729,254)
Increase in provisions	(22,266)	24,987
(Decrease)/Increase in deferred revenue	(1,833,758)	(3,947,844)
<b>Net cash from operating activities</b>	<b>(4,755,797)</b>	<b>(7,342,926)</b>

#### 14 Key management personnel disclosures

##### Transactions with key management personnel

The key management personnel compensation included in "personnel expenses" (see note 3) was \$1,890,196 (2018: \$1,845,937) This figure represents both short and long term benefits for senior management roles in the organisation.

## 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 2019, the Sydney Theatre Company Foundation raised \$4,952,185 (2018: \$5,732,154) through fundraising events, projects and appeals and an additional \$1,494,878 in further funds (through the Sydney Theatre Company Fund, which is part of Sydney Theatre Company Limited) of which \$2,755,000 the company specifically allocated for future capital projects.

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 2019, Sydney Theatre Company Ltd had a receivable of \$1,497,579 (2018: \$2,672,905) 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
	2019	2018	
Sydney Theatre Company Foundation	100%	100%	Australia
STC USA Limited Liability Co.	100%	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. In 2016, 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 8<sup>th</sup> 2017 and ran to March 19<sup>th</sup> 2017. There have been no further productions after "The Present". STCUSA has 50% interest in the partnership. The financial results of STCUSA for the year ended 31<sup>st</sup> of December 2019 are as follows:

## Sydney Theatre Company Ltd and its controlled entities

### Notes to the consolidated financial statements

#### 15. Economic Entity (continued)

	2019	2018
	\$	\$
Operating Revenue	-	91,513
Operating Expenses	(64)	(8,035)
<b>Total comprehensive income</b>	<b>(64)</b>	<b>83,478</b>
<b>Financial position of STCUSA at year end</b>		
Current assets	-	-
Non-current assets	-	-
<b>Total assets</b>	<b>-</b>	<b>-</b>
Current liabilities	27,995	27,931
Non-current liabilities	-	-
<b>Total liabilities</b>	<b>27,995</b>	<b>27,931</b>
<b>Total equity of STCUSA:</b>		
Retained Earnings	(27,995)	(27,931)
<b>Total equity</b>	<b>(27,995)</b>	<b>(27,931)</b>

#### 16. Parent Entity Disclosures

The parent company of the Group, as at and throughout the financial year ended 31 December 2019, was Sydney Theatre Company Ltd.

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

	2019	2018
	\$	\$
<b>Results of the parent entity</b>		
Deficit for the year Sydney Theatre Company operations	(7,438,036)	(2,544,463)
Funds for the year from Sydney Theatre Company Fund	-	2,195,500
<b>Total comprehensive deficit</b>	<b>(7,438,036)</b>	<b>(348,963)</b>
<b>Financial position of the parent entity at year end</b>		
Current assets	20,047,179	25,714,612
Non-current assets	16,308,868	10,763,443
<b>Total assets</b>	<b>36,356,047</b>	<b>36,478,055</b>
Current liabilities	14,551,999	15,475,613
Non-current liabilities	7,104,992	324,852
<b>Total liabilities</b>	<b>21,656,991</b>	<b>15,800,465</b>
<b>Total equity of the parent entity comprising:</b>		
Retained Earnings	14,699,056	20,677,590
<b>Total equity</b>	<b>14,699,056</b>	<b>20,677,590</b>

## Sydney Theatre Company Ltd and its controlled entities

### Notes to the consolidated financial statements

#### 17. Subsequent Events

On 11 March 2020, the World Health Organization declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty.

For the Company's 31 December 2019 (consolidated) financial statements, the Coronavirus outbreak and the related impacts are considered non-adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the Company cannot reasonably estimate the impact these events will have on the Company's financial position, results of operations or cash flows in the future. Please refer to note 18 (c) on Going concern basis of accounting.

#### 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 Fox Studios, 38 Driver Ave, Moore Park, NSW 2021. 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 30<sup>th</sup> April 2020.

##### (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 noting that at 1 January 2019, AASB 15 & AASB 1058 were adopted in full with no material impact.

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

##### (c) Going Concern

The financial statements of the Sydney Theatre Company have been prepared on a going concern basis which contemplates the realisation of assets and the discharge of liabilities in the ordinary course of business.

The STC Group has a net asset position of \$16,591,722 as at 31 December 2019. The Group has positive net current assets as at 31 December 2019 of \$7,387,846.

## Sydney Theatre Company Ltd and its controlled entities

### Notes to the consolidated financial statements

#### 18. Significant Accounting policies (continued)

As set out in Note 8 the COVID-19 outbreak was declared a global pandemic on 11 March 2020. On 13 March, the Federal Government issued a ban on outdoor mass gatherings over 500 people which was then followed by a ban on non-essential indoor event of over 100 people on 18 March. On March 29, the National Cabinet agreed to further limit most indoor and outdoor non-essential gathering to 2 people. In NSW, these regulations are enforced by a Public Health Order which is in place until 29 June 2020 and may be extended.

##### *Cashflow Forecasts*

In preparing the financial report, the Directors have made an assessment of the ability of the Group to continue as a going concern. The Group has prepared detailed cash flow forecasts for the next 12 months, which reflect both the expected impact of actions taken by the Group in the past [6] weeks as well as expected actions in the months ahead.

The Group uses its best estimate assumptions in the development of cash flow forecasts. The Directors note, however, that some of the key assumptions underpinning cash flow forecasts are inherently uncertain and subject to variation due to factors which are outside of the control of the Group.

As noted above the NSW Government regulations have already had a significant impact on the company. Since the regulations were imposed:

- Six productions have been cancelled;
- Staffing levels have been reviewed;
- Overhead expenditure has been significantly reduced; and
- Certain capital expenditure has been deferred.

In addition to the matters noted above the company has prepared cashflow forecasts that assume:

- The Company is eligible to participate in Government stimulus packages such as Jobkeeper;
- The 2020 season can recommence from September 2020 and the 2021 season will take place with subscription sales commencing in September 2020;
- A significant minority of existing ticketholders for the cancelled 2020 productions will elect to donate the value of their tickets rather than seek refunds;
- Existing fundraising initiatives will continue;
- The NSW Government will be favourably disposed to direct financial support measures including consideration of rental obligations; and
- Funds held for the completion of the Wharf rebuild project will be adequate for that purpose

The directors note that certain of the above proposed actions and key assumptions underpinning projections are uncertain due to factors outside the control of the Group. These factors give rise to uncertainty, which may be material, as to whether the Group can continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The auditor's report includes a paragraph referencing a material uncertainty relating to going concern.

Notwithstanding the uncertainties set out above, taking into account the [Board approved] initiatives noted above, the Directors believe at the date of the signing of the financial report that there are reasonable grounds to consider the going concern basis of preparation is appropriate and that no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 31 December 2019. As a result, no adjustments have been made to the financial report relating to recoverability and classification of assets' carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

#### (d) 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)

##### (e) 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.

##### (f) 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.

##### (g) 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 I).

###### (ii) Greening the Wharf assets

Greening the Wharf assets are stated separately to highlight the enormity of the project. These assets relate to the Photovoltaic Array. 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. As at 31 December 2019, the photovoltaic array asset was retired in conjunction with its physical removal from the Wharf (as part of the Walsh Bay Arts Renewal project). Its final written down value was \$1,852,350. The solar panels will be replaced with new technology in the future at a cost to the NSW State government.

###### (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.

##### (h) 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
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## Sydney Theatre Company Ltd and its controlled entities

### Notes to the consolidated financial statements

#### 18. Significant Accounting policies (continued)

(i) Trade and other receivables

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

(j) Inventories

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

(k) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits.

(l) Impairment

The carrying amounts of the Group's assets, other than inventories (see accounting policy j), 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 m).

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.

The Company recognises loss allowance for expected credit losses (ECL) on financial assets measured at amortised cost. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

(m) 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. Impairment testing is performed by placing 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)

##### (n) 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.

##### (o) Trade and other payables

Trade and other payables are stated at amortised cost.

##### (p) 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.

###### (iv) Restaurant Rental

Revenue derived from commissions received from catering partners concerning the venue at Roslyn Packer Theatre.

## Sydney Theatre Company Limited and its controlled entities

### Notes to the consolidated financial statements

#### 18. Significant accounting policies (continued)

(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) **Capital projects**

Revenue derived from philanthropic activity that has been committed to fund the Wharf Renewal Project. Expenditure on the Wharf Renewal Project is recognised as an expense directly through the Consolidated statement of comprehensive income or capitalised in Plant and equipment (see accounting policy g).

The result from funds raised and expenditure incurred are recognised in Accumulated Funds - Capital Projects in the Consolidated statement of changes in equity.

(viii) **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.

(q) **Leases accounting policy**

The Group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and AASB Interpretation 4. The details of accounting policies under AASB 117 and AASB Interpretation 4 are disclosed separately if they are different from those under AASB 16 and the impact of changes is disclosed in this note.

#### A. Significant accounting policy

##### *Policy applicable from 1 January 2019*

At the inception of a contract, the Group assesses whether a contract is, or contains, a lease. 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. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

## Sydney Theatre Company Limited and its controlled entities

### Notes to the consolidated financial statements

#### 18. Significant accounting policies (continued)

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

##### As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain changes to the measurement of the lease liability. The Group has adopted relief under AASB 2018-8 **Amendments to Australia Accounting Standards - Right-of-Use Assets of Not-for-profit Entities**, to measure the right-of-use asset at cost, rather than, fair value.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is measured again when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is measured again in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

## Sydney Theatre Company Limited and its controlled entities

### Notes to the consolidated financial statements

#### 18. Significant accounting policies (continued)

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

##### *Short-term leases and leases of low-value assets*

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and lease of low-value assets. The Group recognizes the lease payments associated with the leases as an expense on a straight-line basis over the lease term.

##### *Policy applicable before 1 January 2019*

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfillment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

##### *Under AASB 117*

In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating lease and were not recognized in the Group's statements of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

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.

## Sydney Theatre Company Limited and it controlled entities

### Notes to the consolidated financial statements

#### 18. Significant accounting policies (continued)

(r) 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.

(s) Income tax

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

(t) 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.

(u) Fundraising appeals

The Group holds an authority to fundraise for charitable purposes under the provisions of Section 16 of 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.

(v) 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 2019 the Company had 20 members (2018: 19 members)

(w) New accounting standards adopted during the period

- AASB 16 Leases:

Except for the changes below the Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

## Sydney Theatre Company Limited and it controlled entities

### Notes to the consolidated financial statements

#### 18. Significant accounting policies (continued)

The Group applied AASB 16 with a date of initial application of 1 January 2019. As a result, the Group has changed its accounting policy for lease contracts as detailed below.

The Group applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The details of the changes in accounting policies are disclosed below.

##### A- Definition of a lease

Previously the Group determined at contract inception whether an arrangement is or contains a lease under AASB Interpretation 4. Under AASB 16, the Group assesses whether a contract is or contains a lease based on the definition of a lease.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as lease. Contracts that were not identified as leases under AASB 117 and AASB Interpretation 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under AASB16 was applied only to contracts entered into or changed on or after 1 January 2019.

##### B- As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are on-balance sheet.

The Group decided to apply recognition exemptions to short-term leases of machinery, premises and equipment (see table below). For leases of other assets, which were classified as operating under AASB 117, the Group recognised right-of-use assets and lease liabilities.

##### *Leases classified as operating leases under AASB 117*

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments - the Group applied this approach to all other leases.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of AASB 137 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use assets at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

## Sydney Theatre Company Limited and it controlled entities

### Notes to the consolidated financial statements

#### 18. Significant accounting policies (continued)

##### C- Impacts on financial statements

On transition to AASB 16, the Group recognised an additional \$7,434,863 of right-of-use assets and \$7,638,985 of lease liabilities, recognising the difference in retained earnings.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The rate used range from 2.5% to 4.0%.

##### - AASB 15 Revenue from Contracts with Customers

The Group applied AASB 15 **Revenue from Contracts with Customers** with a date of initial application of 1 January 2019. As a result, the Group has changed its accounting policy for revenue recognised as detailed below.

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. This includes identifying the performance obligations within the contracts with customers, determining transaction prices and allocating them appropriately to each obligation. The Group shall recognise revenue when it transfers control over a product or service to a customer.

Upon assessment of the Group's revenue stream and the nature of goods and services provided, AASB 15 has an immaterial impact on the Group's financial statements as at 31 December 2019, and revenue recognition as outlined in Note 18 (p) remain appropriate. As the Group is considered a not-for-profit entity, appropriateness of AASB 1058 will be assessed, as detailed below

AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programs*. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2019.

##### - AASB 1058 Income for Not-for-Profit Entities

The Group applied AASB 1058 **Income of Non-for-Profit Entities** with a date of initial application of 1 January 2019. As a result, the Group changed its accounting policy for revenue recognised as detailed below.

AASB 1058 introduces new income recognition requirements for non-for-profit (NFP) entities, and will be considered in conjunction with AASB 15 as mentioned above. When a transaction does not meet the requirements to be accounted for under AASB 15 as it is either not an enforceable contract or the performance obligations are not sufficient specific, a NFP entity needs to assess whether the transaction should be accounted for under AASB 1058.

An NFP entity applies AASB 1058 to transactions where the consideration paid to acquire an asset is significantly less than fair value of that asset principally to enable the entity to further its objectives, or it is a receipt of volunteering services. Upon assessment of the Group's revenue stream and the nature of the goods and services provided, AASB 1058 has no impact of the Group's financial statements as at 31 December 2019, and revenue recognition as outlined in Note 18 (p) remain appropriate.

Impact on adoption was not material and did not require any changes to the financial statements.

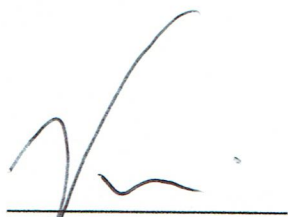
## 19. Directors' declaration

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 31 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 2019 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 30<sup>th</sup> day of April 2020



Ian Marev  
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 2019 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

30 April 2020



# 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 Company is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

- i. giving a true and fair view of the Group's financial position as at 31 December 2019, 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 Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The **Financial Report** comprises:

- i. Consolidated statement of financial position as at 31 December 2019;
- ii. Consolidated statement of 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; and
- iv. Directors' declaration.

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 Group 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 (including Independence Standards)* (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.



## Material uncertainty related to going concern

We draw attention to Note 18(c), "Going Concern" in the financial report. The conditions disclosed in Note 18(c), indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

## 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. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' report.

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 - Reduced Disclosures Requirements 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; and
- iii. assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. 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 and Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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



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

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- i. identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- ii. obtain an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the registered Group's internal control;
- iii. evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- iv. conclude on the appropriateness of the Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the registered Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the registered Group and Company to cease to continue as a going concern; and
- v. evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG

Duncan McLennan

*Partner*

Sydney

30 April 2020