

Annual Financial Report
Sydney Theatre Company Ltd and its controlled entities
ABN 87 001 667 983
Year ended 31 December 2018

Directors' report

For the year ended 31 December 2018

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 2018 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
Anita Belgiorno-Nettis Director since 6 December 2018	Company Director, Prisma Investment Pty Ltd BA- University of New England
Toni Cody Director since 1 July 2011 Member of Finance Committee Term Expired 15 April 2018	Management Consultant Director, National Film and Sound Archive Australia Director, Pierpat Pty Ltd Director, Academy of Music and Performing Arts (AMPA) Member, Australian Institute of Company Directors Bachelor of Economics (Monash University)
John Connolly Director since 10 February 2009 Member of Finance Committee Term Expired 15 April 2018	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 Director, First State Investments International Ltd Board Governor, CFA Institute Bachelor of Commerce (UWA); Chartered Financial Analyst (CFA)

Directors' report

For the year ended 31 December 2018

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	Trustee of the Louise Perkins Foundation Co-Chair of the Juvenile Diabetes Research Foundation Advisory Board BA LLB (Hons) (Auckland); LLM (Cantab); LLM (NYU)
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
Daniel Petre AO Director since 3 May 2013 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)
Annette Shun Wah Director since 7 th 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
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)

Directors' report (continued)

For the year ended 31 December 2018

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	4	5	-	-
T Cody	2	5	1	2
J Connolly	1	1	-	2
A Johnson	4	5	2	2
M Lazberger	5	5	2	2
P McIntyre	5	5	2	2
H Mitchell	3	5	-	-
I Narev	5	5	-	-
G Packer	3	5	1	2
D Petre	3	5	-	2
A Shun Wah	4	5	-	-
K Williams	5	5	2	2

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

Directors' report (continued)

For the year ended 31 December 2018

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 \$4,433,191 and fundraising from the Sydney Theatre Company Foundation (STCF) and Sydney Theatre Company Fund produced a surplus of \$1,160,004. The STC50 project produced a surplus of \$1,972,206. The consolidated result for the Group reported a deficit of \$1,300,981.

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

As at December 2018, the company reported a deficit of \$1,300,981 (2017: surplus of \$5,826,772). The company will be financially impacted during the period that it is decanted from the Wharf. It is expected that this impact will cease once the company returns and resumes usual operations. The deficit will be funded from existing reserves (2018 reserves: \$21,362,613). The directors consider it appropriate that the Group will continue to fulfil all obligations as and when they fall due for the foreseeable future, being at least twelve months from the date of signing these financial statements, and the Group's financial statements shall be prepared on a going concern basis.

7. Dividends

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

8. Events subsequent to reporting date

In February 2019, STC signed a development agreement with the NSW Department of Planning and Environment for the renewal of its premises at Wharf 4/5 as part of the Walsh Bay Arts Precinct Project.

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 two years to raise private funds to support the project. Sydney Theatre Company is expected to return to the Wharf in mid-2020.

Directors' report (continued)

For the year ended 31 December 2018

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 29 and forms part of the Directors' report for financial year ended 31 December 2018.

This report is made with a resolution of the Directors:



Ian Narev
Chairperson

Dated at Sydney this 11th day of April 2019.

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

For the year ended 31 December 2018

	Note	2018 \$	2017 \$
Revenue			
Sydney Theatre Company		27,602,579	35,181,424
Roslyn Packer Theatre		1,426,815	1,808,322
Total revenue from continuing operations	1	29,029,394	36,989,746
Theatre and production expenses		(25,394,010)	(32,182,465)
Marketing and promotion expenses		(680,451)	(776,325)
Administrative expenses		(9,832,865)	(9,611,718)
Occupancy expenses		(3,286,426)	(4,964,969)
Building Project Expenditure		(1,038,865)	-
Building Project Expenditure- Depreciation		(638,929)	-
Depreciation/Amortisation/Loss on disposal of assets		(1,456,363)	(1,182,115)
Deficit from operating activities		(13,298,515)	(11,727,846)
Other income - Government Grants			
Core Funding		2,819,005	2,801,572
Project Funding		1,087,744	1,026,200
Rent In Kind		1,085,781	2,076,933
	1	4,992,530	5,904,705
Deficit from continuing operations plus funding		(8,305,985)	(5,823,141)
Total Fund and Foundation Fundraising Revenue	1	4,323,377	2,438,808
Fundraising Expenditure		(968,373)	(838,895)
Net deficit from continuing operations plus fundraising income		(4,950,981)	(4,223,228)
Restricted Capital Foundation Revenue	1	3,650,000	10,050,000
(Deficit)/Surplus for the period		(1,300,981)	5,826,772
Other comprehensive income		-	-
Total comprehensive (deficit)/income for the period		(1,300,981)	5,826,772

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 27.

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

For the year ended 31 December 2018

	Sydney Theatre Company	Sydney Theatre Company Foundation	Total Equity
	\$	\$	\$
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
Accumulated Funds- Capital Projects			
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
Accumulated Funds- Restricted			
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
Accumulated Funds- Unrestricted			
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
Balance as at 31 December 2018	20,649,661	712,952	21,362,613

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 27.

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

As at 31 December 2018

	Note	2018 \$	2017 \$
Assets			
Cash and cash equivalents	4	22,586,414	29,239,253
Trade and other receivables	5	2,574,704	3,022,123
Inventories		271,570	160,429
Other assets	6	994,878	2,052,497
Total current assets		26,427,566	34,474,302
Plant and equipment	7	1,747,896	1,909,032
Leasehold Improvements	7	8,936,363	7,626,245
Intangible assets	8	79,184	134,522
Total non-current assets		10,763,443	9,669,799
Total assets		37,191,009	44,144,101
Liabilities			
Trade and other payables		1,641,454	3,370,708
Employee benefits		1,180,057	1,164,075
Deferred revenue	9	12,682,033	16,629,877
Total current liabilities		15,503,544	21,164,660
Employee benefits		324,852	315,847
Total non-current liabilities		324,852	315,847
Total liabilities		15,828,396	21,480,507
Net assets		21,362,613	22,663,594
Equity			
Retained Earnings- Capital Projects		19,496,987	17,524,781
Retained Earnings - Restricted		1,843,402	477,183
Retained Earnings - Unrestricted		22,224	4,661,630
Total equity		21,362,613	22,663,594

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 27.

Sydney Theatre Company Ltd and its controlled entities
Consolidated statement of cash flows

For the year ended 31 December 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Cash receipts from customers and contributions		34,886,795	45,986,034
Cash paid to suppliers and employees		(42,466,643)	(45,045,173)
Interest received		236,922	291,709
Net cash flows (used in)/from operating Activities	13	<u>(7,342,926)</u>	<u>1,232,570</u>
Cash flows from investing activities			
Acquisition of plant equipment and software		(3,188,936)	(2,803,101)
Fund donations for capital purposes		3,650,000	10,050,000
Interest received from capital donations		229,023	116,980
Net cash flows from investing Activities		<u>690,087</u>	<u>7,363,879</u>
Net (decrease)/increase in cash and cash equivalents		(6,652,839)	8,596,449
Cash and cash equivalents at 1 January		29,239,253	20,642,804
Cash and cash equivalents at 31 December	4	<u>22,586,414</u>	<u>29,239,253</u>

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 27.

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

	2018	2017
	\$	\$
Production and related revenue	25,936,719	33,264,175
Royalty revenue	305,956	345,437
Sponsorship revenue	1,823,846	2,152,667
Restaurant rental	468,899	843,282
Interest Income	420,222	363,597
Other revenue	73,752	20,588
Total revenue from continuing operations	29,029,394	36,989,746
Government grants		
Australia Council MPAB Annual Grant	2,285,417	2,277,419
MPAB Project Grants	-	16,200
NSW Government through the Ministry of the Arts		
Core Grant	533,588	524,153
Multi Year Funding grant	1,000,000	1,000,000
Donation of rent in-kind	1,085,781	2,076,933
Commonwealth Govt	72,159	-
City of Sydney Project Grant	15,585	10,000
Other income - Government Grants	4,992,530	5,904,705
Donations	4,277,654	2,393,716
Donations, Interest	45,723	45,092
Fund and Foundation Fundraising Revenue	4,323,377	2,438,808
Restricted Capital Foundation Revenue	3,650,000	10,050,000
	41,995,301	55,383,259

2 Surplus/(Deficit) by Segment

	2018	2017
	\$	\$
Operating Segment: Sydney Theatre Company Ltd		
Consolidated (Deficit)	(6,628,191)	(5,823,141)
Satisfaction of donor intent - revenue	2,195,000	2,195,000
(Deficit) before consolidation	(4,433,191)	(3,628,141)
Fundraising Segment: Sydney Theatre Company Fund and Foundation		
Consolidated Surplus	3,355,004	1,599,913
Satisfaction of donor intent - expense	(2,195,000)	(2,195,000)
Surplus before consolidation	1,160,004	(595,087)
Project Segment: STC50		
Consolidated Surplus	1,972,206	10,050,000
Satisfaction of donor intent - expense	-	-
Surplus before consolidation	1,972,206	10,050,000
	(1,300,981)	5,826,772

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

3 Personnel expenses

	2018	2017
	\$	\$
Wages and salaries	18,668,937	19,999,656
Superannuation	1,812,046	1,795,024
Increase in employee benefits	371,431	365,322
	<u>20,852,414</u>	<u>22,160,002</u>

4 Cash and cash equivalents

	2018	2017
	\$	\$
Bank balances	1,204,583	5,057,941
Cash deposits	21,381,831	23,929,129
Reserves Incentive bank account	-	252,183
Cash and cash equivalents in the statement of cash flows	<u>22,586,414</u>	<u>29,239,253</u>

5 Trade and other receivables

	2018	2017
	\$	\$
Trade debtors	414,349	558,387
Less: Provision for doubtful debts	-	-
	<u>414,349</u>	<u>558,387</u>
Other debtors	1,901,952	2,463,736
Term deposit: Reserves Incentive bank account (i)	258,403	-
	<u>2,574,704</u>	<u>3,022,123</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. In 2017, these funds were held in an on-call account in cash and cash equivalents. Refer to consolidated statement of changes in equity.

6 Other assets

	2018	2017
	\$	\$
Prepaid production and subscription season costs	597,948	1,533,572
Other	396,930	518,925
	<u>994,878</u>	<u>2,052,497</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 \$
Cost						
Balance at 1 January 2018	1,336,489	3,892,059	4,584,238	929,195	2,958,973	13,700,954
Acquisitions	22,579	-	2,734,759	48,620	349,671	3,155,629
Disposals	(759,104)	(932,548)	-	(84,689)	(161,193)	(1,937,534)
Balance at 31 December 2018	599,964	2,959,511	7,318,997	893,126	3,147,451	14,919,049
Depreciation						
Balance at 1 January 2018	754,204	1,432,337	-	355,382	1,623,754	4,165,677
Depreciation charge for the year	319,300	488,991	638,929	179,205	380,222	2,006,647
Disposals	(759,104)	(932,548)	-	(84,689)	(161,193)	(1,937,534)
Balance at 31 December 2018	314,400	988,780	638,929	449,898	1,842,783	4,234,790
Carrying amounts						
At 1 January 2018	582,285	2,459,722	4,584,238	573,813	1,335,219	9,535,277
At 31 December 2018	285,564	1,970,731	6,680,068	443,228	1,304,668	10,684,259

The total Leasehold improvements carrying amount for 2018 is \$8,936,363 (2017: \$7,626,245) and is the sum of Leasehold Improvements, Leasehold improvement- Greening the Wharf and Leasehold improvements: STC50.

The total Plant and Equipment carrying amount for 2018 is \$1,747,896 (2017: \$1,909,032) 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

	2018
	\$
Cost	
Balance at 1 January 2018	447,576
Acquisitions	33,307
Disposals	(83,319)
Balance at 31 December 2018	<u>397,564</u>
Amortisation	
Balance at 1 January 2018	313,054
Amortisation charge for the year	88,645
Amortisation on disposal	(83,319)
Balance at 31 December 2018	<u>318,380</u>
Carrying amounts	
At 1 January 2018	134,522
At 31 December 2018	<u><u>79,184</u></u>

9 Deferred Income

	2018	2017
	\$	\$
Current		
Subscriptions and ticket sales	10,577,471	13,785,907
Grant Income	1,585,129	2,500,000
Other Income	519,433	343,970
	<u>12,682,033</u>	<u>16,629,877</u>

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

10 Grant income

	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)	-	-
Project Grant	-	-	-	-	-
Australia Council Total	-	2,277,419	(2,277,419)	-	-
Arts NSW					
Core Grant	-	524,153	(524,153)	-	-
Multiyear 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)	-	-
City of Sydney Total	-	10,000	(10,000)	-	-
Total	3,523,555	5,904,705	(5,928,260)	(1,000,000)	2,500,000
	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
Australia Council Total	-	2,285,417	(2,285,417)	85,129	85,129
Arts NSW					
Core Grant	-	533,588	(533,588)	-	-
Mutiyear 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)	-	-
NSW Arts Total	2,500,000	2,619,369	(2,619,369)	(1,000,000)	1,500,000
Commonwealth Govt					
Project Grant	-	72,159	(72,159)	-	-
Commonwealth Total	-	72,159	(72,159)	-	-
City of Sydney					
Project Grant	-	15,585	(15,585)	-	-
City of Sydney Total	-	15,585	(15,585)	-	-
Total	2,500,000	4,992,530	(4,992,530)	(914,871)	1,585,129

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:

	2018	2017
	\$	\$
Less than one year	1,392,634	879,788
Between one and five years	5,315,199	4,724,845
More than five years	52,797,655	53,037,367
	<u>59,505,488</u>	<u>58,642,000</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) and also office equipment and motor vehicle leases. Property 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 2018, \$2,181,636 was recognised as an expense in the income statement in respect of operating leases (2017: \$2,936,199), including the fair value of in-kind rent of \$1,085,781 (2017: \$2,076,933). Upon decanting from the Wharf in June 2018, the company was granted a pause in rent payable (until its return).

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

	2018 \$	2017 \$
Profit/(Loss) for the period	(1,300,981)	5,826,772
Adjusted for:		
Depreciation/Amortisation/Loss on disposal of asset	2,095,292	1,182,115
Operating profit before changes in working capital and provisions	794,311	7,008,887
Add/ (less) items classified as investing/financing activities		
Interest received from capital donations	(229,023)	(116,980)
Donations classified as investment	(3,650,000)	(10,050,000)
Decrease/ (Increase) in receivables	447,419	(330,804)
Decrease in other current assets	1,057,619	1,832,999
(Increase) in inventories	(111,141)	(1,783)
(Decrease)/Increase in payables	(1,729,254)	834,883
Increase in provisions	24,987	179,813
(Decrease)/Increase in deferred revenue	(3,947,844)	1,875,555
Net cash from operating activities	(7,342,926)	1,232,570

14 Key management personnel disclosures

Transactions with key management personnel

The key management personnel compensation included in "personnel expenses" (see note 3) was \$1,845,937 (2017: \$2,011,191) 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 2018, the Sydney Theatre Company Foundation raised \$5,732,154 (2017: \$11,550,197) through fundraising events, projects and appeals and an additional \$2,241,223 in further funds (through the Sydney Theatre Company Fund, which is part of Sydney Theatre Company Limited) of which \$3,650,000 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 (2017: \$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 2018, Sydney Theatre Company Ltd had a receivable of \$2,672,905 (2017: \$1,586,672) 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
	2018	2017	
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 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 2018 are as follows:

Sydney Theatre Company Ltd and its controlled entities

Notes to the consolidated financial statements

15. Economic Entity (continued)

	2018	2017
	\$	\$
Operating Revenue	91,513	6,761,446
Operating Expenses	(8,035)	(6,872,855)
Total comprehensive income	83,478	(111,409)
Financial position of STCUSA at year end		
Current assets	-	30,000
Non-current assets	-	-
Total assets	-	30,000
Current liabilities	27,931	141,409
Non-current liabilities	-	-
Total liabilities	27,931	141,409
Total equity of STCUSA:		
Retained Earnings	(27,931)	(111,409)
Total equity	(27,931)	(111,409)

16. Parent Entity Disclosures

The parent company of the Group, as at and throughout the financial year ended 31 December 2018, was Sydney Theatre Company Ltd.

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

	2018	2017
	\$	\$
Results of the parent entity		
Surplus/(deficit) for the year Sydney Theatre Company operations	(2,544,463)	6,533,268
Surplus for the year Sydney Theatre Company Fund	2,195,500	893,519
Total comprehensive income	(348,963)	7,426,787
Financial position of the parent entity at year end		
Current assets	25,714,612	32,695,852
Non-current assets	10,763,443	9,669,799
Total assets	36,478,055	42,365,651
Current liabilities	15,475,613	21,023,251
Non-current liabilities	324,852	315,847
Total liabilities	15,800,465	21,339,098
Total equity of the parent entity comprising:		
Retained Earnings	20,677,590	21,026,553
Total equity	20,677,590	21,026,553

Sydney Theatre Company Ltd and its controlled entities

Notes to the consolidated financial statements

17. Subsequent Events

In February 2019, STC entered into a Development Agreement with the Department of Planning for the renewal of its premises at Wharf 4/5 as part of the greater Walsh Bay Arts Precinct Project. The agreement requires Sydney Theatre Company to make a \$10m contribution to the publicly funded project upon its return to the Wharf.

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 17th April 2019.

(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 2018, AASB9 *Financial Instruments* was 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) 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 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.

(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
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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.

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.

(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. 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)

(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 its 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 (to June 2018) 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 its controlled entities

Notes to the consolidated financial statements

18. Significant accounting policies (continued)

(t) 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.

(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 2018 the Company had 19 members (2017: 20 members)

(v) Accounting Standards

New accounting standards adopted during the period

AASB 9 *Financial Instruments*

AASB 9 replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from AASB 139. AASB 9 has been adopted with no material changes in comparative information required.

New accounting standards not yet adopted

AASB 15 *Revenue from Contracts with Customers*

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 Programmes*. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2019. Management is finalising their assessment of the impact of AASB 15 and the impact is predicted to be immaterial.

AASB 16 *Leases*

AASB 16 provides a new model for accounting for leases. The amendment removes the distinction between operating and finance leases. Lessees will be required to bring all leases on to the statement of financial position. Lessor accounting remains largely unchanged. AASB 16 will be effective for annual reporting periods beginning on or after 1 January 2019. These changes will have the effect of materially increasing the Group's depreciation and interest expenditure, whilst decreasing the Group's occupancy expense and is yet to be quantified by the Group.

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

19. Going Concern

As at December 2018, the company reported a deficit of \$1,300,981 (2017: surplus of \$5,826,772). The company will be financially impacted during the period that it is decanted from the Wharf. It is expected that this impact will cease once the company returns and resumes usual operations. The deficit will be funded from existing reserves (2018 reserves: \$21,362,613). The directors consider it appropriate that the Group will continue to fulfil all obligations as and when they fall due for the foreseeable future, being at least twelve months from the date of signing these financial statements, and the Group's financial statements shall be prepared on a going concern basis.

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 27 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 2018 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 11th day of April 2019

A handwritten signature in dark ink, consisting of a large, sweeping initial 'I' followed by a series of smaller, connected loops and a final horizontal stroke.

Ian Narey
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 2018 there have been:

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

KPMG

Duncan McLennan
Partner

Sydney
11 April 2019



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 2018, 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 2018.
- 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.
- iv. Directors' declaration of the Group.
- 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. 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 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 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 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'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 to cease to continue as a going concern.
- v. Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the registered Group 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
11 April 2019