

Annual Financial Report

Sydney Theatre Company Ltd and its controlled entities

ABN 87 001 667 983

Year ended 31 December 2016

Directors' report

For the year ended 31 December 2016

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 2016 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
Jonathan Biggins Director since 13 July 2010 Term Expired 13 July 2016	Actor, Writer and Director
Jonathan Church Director since 1 January 2016 Term Expired 30 August 2016	Director, Jonathan Church Productions
Toni Cody Director since 1 July 2011 Member of Finance Committee	Management Consultant Director, National Film and Sound Archive Australia Director, Pierpat Pty Ltd Deputy Chair, Chris O'Brien Lifehouse at RPA (to July 2014) Member, Australian Institute of Company Directors Bachelor of Economics (Monash University)
John Connolly Director since 10 February 2009 Member of Finance Committee	Consultant Director, John Connolly and Partners Pty Ltd
David Gonski AC Chairperson since 9 February 2010 Term Expired 18 February 2016	Company Director Chairman, Australia & New Zealand Banking Group Ltd, Coca-Cola Amatil Ltd and UNSW Foundation Ltd Chancellor of UNSW Director, Lowy Institute of International Policy Member, ASIC External Advisory Panel Patron, Australian Indigenous Education Fund Bachelor of Commerce; Bachelor of Laws (UNSW)

Directors' report

For the year ended 31 December 2016

Ann Johnson Director since 3 May 2013 Member of Finance Committee	Director of W & A Johnson Family Foundation Chairperson, Sydney Theatre Company Foundation Vice President, Philanthropy Australia Bachelor of Arts/Bachelor of Laws (UNSW)
Mark Lazberger Director since 12 February 2014 Chairperson of Finance Committee	Company Executive CEO, Colonial First State Global Asset Management (Aust) Ltd Director, First State Investments International Ltd Board Governor, CFA Institute Bachelor of Commerce (UWA); Chartered Financial Analyst (CFA)
Patrick McIntyre Executive Director since 1 January 2013	Executive Director Live Performance Australia Executive Committee Member, ArtsReady Advisory Committee Member Bachelor of Arts (University of Technology, Sydney)
Justin Miller Director since 19 March 2007 Term Expired 3 May 2016	Director, Justin Miller Art Registered Valuer, Australian Cultural Gifts Program Governor, Taronga Zoo Trustee, Sydney Theatre Company Foundation Ambassador, Museum of Contemporary Art Bachelor of Arts Honours (University of Sydney)
Ian Narev Director since 18 July 2014 Appointed Chair 18 February 2016	Managing Director and Chief Executive Officer of the Commonwealth Bank Group Chairman CommFoundation Pty Ltd, Financial Markets Foundation for Children and Springboard Trust Trustee of the Louise Perkins Foundation Co-Chair of the Juvenile Diabetes Research Foundation Advisory Board BA LLB (Hons) (Auckland); LLM (Cantab); LLM (NYU)
Gretel Packer Director since 21 October 2014	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 (continued)

For the year ended 31 December 2016

<p>Daniel Petre AO Director since 3 May 2013 Member of Finance Committee</p>	<p>Investor/Philanthropist Co Founder and Partner, AirTree Ventures Director, McGraths; Oneview Healthcare; Smart Sparrow Pty Ltd Advisory Board Centre for Social Impact; UNSW Business School. Bachelor of Science (UNSW), MBA (Syd), Hon.DBus (UNSW)</p>
<p>Kip Williams Director since 3 November 2016</p>	<p>Artistic Director Director, NIDA Bachelor of Arts, Media and Communication (University of Sydney) Master of Dramatic Art in Directing (NIDA)</p>
<p>Peter Young AM Director since 30 May 2013</p>	<p>Non Executive Director Chairman, Standard Life Investments Australia Director, Fairfax Media Ltd Governor, The Taronga Foundation Member, Standard Life PLC Asia Advisory Board, Barangaroo Delivery Authority Board Chairman's Panel, Great Barrier Reef Research Foundation Bachelor of Science (Uni of Qld), Master of Business Administration (Uni of NSW)</p>

Directors' report (continued)

For the year ended 31 December 2016

2. Directors' meetings

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

<u>Director</u>	<u>Directors' meetings</u>		<u>Finance Committee meetings</u>	
	No. of meetings attended	No. of meetings held*	No. of meetings attended	No. of meetings held*
B Baird	5	6	-	-
J Biggins	2	4	-	-
J Church	1	2	-	-
T Cody	5	6	4	4
J Connolly	3	6	4	4
D Gonski	1	1	-	-
A Johnson	6	6	4	4
M Lazberger	6	6	4	4
P McIntyre	6	6	4	4
J Miller	2	3	-	-
I Narev	6	6	-	-
G Packer	5	6	-	-
D Petre	3	6	1	4
K Williams	1	1	-	-
P Young	5	6	-	-

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

Directors' report (continued)

For the year ended 31 December 2016

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 \$68,722 and fundraising from the Sydney Theatre Company Foundation (STCF) (and Sydney Theatre Company Fund) produced a surplus of \$2,381,326. The consolidated result for the Group reported a surplus of \$2,312,604 (2015: surplus of \$2,668,101).

Significant changes in the state of affairs

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

6. Dividends

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

7. Events subsequent to reporting date

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

8. Likely developments

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report.

Directors' report (continued)

For the year ended 31 December 2016

9. Environmental regulation

The Group is not subject to any significant environmental regulation under either Commonwealth or State legislation. However, the Board believes that the Group has adequate systems in place for the management of its environmental requirements and is compliant with any environmental requirements as they apply to the Group.

10. Indemnification and insurance of officers and auditors

Indemnification

The Company undertakes to indemnify current Directors and Executive Officers against all liabilities to other persons (other than the Company or a related body corporate) that may arise from their positions as Directors of the Company, except where the liability arises out of conduct involving a lack of good faith.

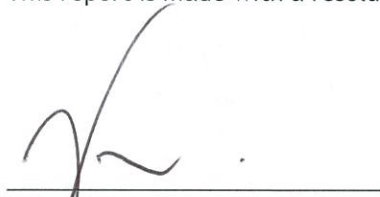
Insurance premiums

The Company has paid insurance premiums under contracts insuring Directors and officers of the Company against liability incurred in that capacity.

11. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 28 and forms part of the Directors' report for financial year ended 31 December 2016.

This report is made with a resolution of the Directors:



Ian Narev
Chairperson

Dated at Sydney this 19th day of April 2017.

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

For the year ended 31 December 2016

	Note	2016 \$	2015 \$
Revenue			
Sydney Theatre Company		29,267,529	26,347,849
Roslyn Packer Theatre		1,977,253	1,925,201
Total revenue from continuing operations	1	31,244,782	28,273,050
Theatre and production expenses		(22,547,909)	(19,121,945)
Marketing and promotion expenses		(1,093,046)	(1,077,982)
Administrative expenses		(8,893,295)	(8,701,447)
Occupancy expenses		(4,803,741)	(4,622,030)
Depreciation/Amortisation/Loss on disposal of assets		(1,467,052)	(1,440,162)
Deficit from operating activities		(7,560,261)	(6,690,516)
Other income - Government Grants			
Core Funding		2,746,898	2,699,110
Project Funding		525,445	545,197
Rent In Kind		2,024,197	2,014,148
	1	5,296,540	5,258,455
Deficit from continuing operations plus funding		(2,263,721)	(1,432,061)
Total Fund and Foundation Fundraising Revenue	1	3,345,937	2,776,806
Fundraising Expenditure		(819,612)	(726,644)
Net surplus/(deficit) from continuing operations plus fundraising income		262,604	618,101
Restricted Capital Foundation Revenue	1	2,050,000	2,050,000
Surplus for the period		2,312,604	2,668,101
Other comprehensive income		-	-
Total comprehensive income for the period		2,312,604	2,668,101

The consolidated statement of comprehensive income is to be read in conjunction with the notes of the financial statements set out on pages 13 to 26

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

For the year ended 31 December 2016

	Sydney Theatre Company	Sydney Theatre Company Foundation	Total Equity
	\$	\$	\$
General Reserves			
Balance at 1 January 2015	1,693,058	-	1,693,058
Current Year	-	-	-
Transfers	(1,693,058)	-	(1,693,058)
Balance at 31 December 2015	-	-	-
Accumulated Funds- Capital Projects			
Balance at 1 January 2015	2,281,811	1,870,774	4,152,585
Current Year	1,855,000	-	1,855,000
Transfers	(36,811)	(161,013)	(197,824)
Balance at 31 December 2015	4,100,000	1,709,761	5,809,761
Accumulated Funds- Restricted			
Balance at 1 January 2015	1,152,304	(422,353)	729,951
Current Year	(75,046)	150,111	75,065
Transfers	(832,229)	515,379	(316,850)
Balance at 31 December 2015	245,029	243,137	488,166
Accumulated Funds- Unrestricted			
Balance at 1 January 2015	2,294,895	2,985,628	5,280,523
Current Year	(347,877)	1,085,913	738,036
Transfers	4,257,098	(2,049,366)	2,207,732
Balance at 31 December 2015	6,204,116	2,022,175	8,226,291
Balance as at 31 December 2015	10,549,145	3,975,073	14,524,218
General Reserves			
Balance at 1 January 2016	-	-	-
Current Year	-	-	-
Transfers	-	-	-
Balance at 31 December 2016	-	-	-
Accumulated Funds- Capital Projects			
Balance at 1 January 2016	4,100,000	1,709,761	5,809,761
Current Year	1,852,640	-	1,852,640
Transfers	-	-	-
Balance at 31 December 2016	5,952,640	1,709,761	7,662,401
Accumulated Funds- Restricted			
Balance at 1 January 2016	245,029	243,137	488,166
Current Year	(788,991)	825,000	36,009
Transfers	793,137	(793,137)	-
Balance at 31 December 2016	249,175	275,000	524,175
Accumulated Funds- Unrestricted			
Balance at 1 January 2016	6,204,116	2,022,175	8,226,291
Current Year	(208,028)	631,983	423,955
Transfers	1,401,863	(1,401,863)	-
Balance at 31 December 2016	7,397,951	1,252,295	8,650,246
Balance as at 31 December 2016	13,599,766	3,237,056	16,836,822

The consolidated statement of comprehensive income is to be read in conjunction with the notes of the financial statements set out on pages 13 to 26

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

As at 31 December 2016

	Note	2016 \$	2015 \$
Assets			
Cash and cash equivalents	4	20,642,804	23,883,437
Trade and other receivables	5	2,691,319	2,840,339
Inventories		158,646	163,260
Other assets	6	3,885,496	1,178,881
Total current assets		27,378,265	28,065,917
Plant and equipment	7	2,117,528	2,071,215
Leasehold Improvements	7	5,666,470	4,148,341
Intangible assets	8	264,815	627,206
Total non-current assets		8,048,813	6,846,762
Total assets		35,427,078	34,912,679
Liabilities			
Trade and other payables		2,535,825	1,970,518
Employee benefits		1,024,753	1,033,131
Deferred revenue	9	14,754,322	17,158,070
Total current liabilities		18,314,900	20,161,719
Employee benefits		275,356	226,742
Total non-current liabilities		275,356	226,742
Total liabilities		18,590,256	20,388,461
Net assets		16,836,822	14,524,218
Equity			
Reserves - Sydney Theatre Company		-	-
Retained Earnings- Capital Projects		7,662,401	5,809,761
Retained Earnings - Restricted		524,175	488,166
Retained Earnings - Unrestricted		8,650,246	8,226,291
Total equity		16,836,822	14,524,218

The consolidated statement of comprehensive income is to be read in conjunction with the notes of the financial statements set out on pages 13 to 26

Sydney Theatre Company Ltd and its controlled entities

Consolidated statement of cash flows

For the year ended 31 December 2016

	<i>Note</i>	2016	2015
		\$	\$
Cash flows from operating activities			
Cash receipts from customers and contributions		36,716,828	38,271,022
Cash paid to suppliers and employees		(39,823,506)	(35,763,636)
Interest received		368,168	378,167
Net cash from operating activities	13	(2,738,510)	2,885,553
Cash flows from investing activities			
Acquisition of plant equipment and software		(2,669,105)	(1,549,107)
Fund donations for capital purposes		2,050,000	2,050,000
Interest received from capital donations		116,982	55,084
Net cash from investing activities		(502,123)	555,977
Net Increase in cash and cash equivalents		(3,240,633)	3,441,530
Cash and cash equivalents at 1 January		23,883,437	20,441,907
Cash and cash equivalents at 31 December	4	20,642,804	23,883,437

The consolidated statement of comprehensive income is to be read in conjunction with the notes of the financial statements set out on pages 13 to 26

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

	2016	2015
	\$	\$
Production and related revenue	26,746,713	24,169,443
Royalty revenue	612,971	226,996
Sponsorship revenue	2,486,599	2,710,277
Restaurant rental	905,003	723,652
Interest Income	433,184	433,251
Other revenue	60,312	9,431
Total revenue from continuing operations	31,244,782	28,273,050
Government grants		
Australia Council MPAB Annual Grant	2,222,745	2,187,741
MPAB Project Grants	25,445	-
NSW Government through the Ministry of the Arts		
Core Grant	524,153	511,369
Project Grant	-	45,197
Multi Year Funding grant	500,000	500,000
Donation of rent in-kind	2,024,197	2,014,148
Other income - Government Grants	5,296,540	5,258,455
Donations	3,293,972	2,713,980
Donations, Interest	51,965	62,826
Fund and Foundation Fundraising Revenue	3,345,937	2,776,806
Restricted Capital Foundation Revenue	2,050,000	2,050,000
	41,937,259	38,358,311

2 Surplus/(Deficit) by Segment

	2016	2015
	\$	\$
Operating Segment :Sydney Theatre Company Ltd		
Consolidated (Deficit)	(2,263,722)	(1,432,061)
Satisfaction of donor intent - revenue	2,195,000	1,695,000
(Deficit)/Surplus before consolidation	(68,722)	262,939
Fundraising Segment: Sydney Theatre Company Fund and Foundation		
Consolidated Surplus	4,576,326	4,100,162
Satisfaction of donor intent - expense	(2,195,000)	(1,695,000)
Surplus before consolidation	2,381,326	2,405,162
	2,312,604	2,668,101

Sydney Theatre Company Ltd and its controlled entities

Notes to the consolidated financial statements

3 Personnel expenses

	2016	2015
	\$	\$
Wages and salaries	16,413,454	14,726,164
Superannuation	1,617,190	1,391,402
Increase in employee benefits	305,608	300,040
	<u>18,336,252</u>	<u>16,417,606</u>

4 Cash and cash equivalents

	2016	2015
	\$	\$
Bank balances	1,548,503	944,129
Cash deposits	18,845,126	22,694,277
Reserves Incentive bank account (i)	249,175	245,031
Cash and cash equivalents in the statement of cash flows	<u>20,642,804</u>	<u>23,883,437</u>

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

5 Trade and other receivables

	2016	2015
	\$	\$
Trade debtors	616,148	192,713
Less: Provision for doubtful debts	-	-
	<u>616,148</u>	<u>192,713</u>
Other debtors	2,075,171	2,647,626
	<u>2,691,319</u>	<u>2,840,339</u>

6 Other assets

	2016	2015
	\$	\$
Prepaid production and subscription season costs	3,763,474	1,057,336
Other	122,022	121,545
	<u>3,885,496</u>	<u>1,178,881</u>

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

7 Plant and equipment

	Leasehold Improvements \$	Leasehold Improvements- Greening the Wharf	Furniture, fittings and equipment \$	Theatre and production equipment \$	Total \$
Cost					
Balance at 1 January 2016	4,924,526	3,892,059	3,032,655	4,467,175	16,316,415
Acquisitions	1,957,361		137,806	480,145	2,575,312
Disposals	(2,736,386)		(2,100,733)	(1,784,611)	(6,621,730)
Balance at 31 December 2016	4,145,501	3,892,059	1,069,728	3,162,709	12,269,997
Depreciation					
Balance at 1 January 2016	3,620,887	1,047,357	2,324,027	3,104,588	10,096,859
Depreciation charge for the year	241,872	197,360	149,771	421,867	1,010,870
Disposals	(2,736,386)		(2,100,733)	(1,784,611)	(6,621,730)
Balance at 31 December 2016	1,126,373	1,244,717	373,065	1,741,844	4,485,999
Carrying amounts					
At 1 January 2016	1,303,639	2,844,702	708,628	1,362,587	6,219,556
At 31 December 2016	3,019,128	2,647,342	696,663	1,420,865	7,783,998

The total Leasehold improvements carrying amount for 2016 is \$5,666,470 (2015: \$4,148,341) and is the sum of Leasehold Improvements and Leasehold improvements: Greening the Wharf.

The total Plant and Equipment carrying amount for 2016 is \$2,117,528 (2015: \$2,071,215) 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

	2016
	\$
Cost	
Balance at 1 January 2016	2,420,141
Acquisitions	93,793
Disposals	(575,184)
Balance at 31 December 2016	<u>1,938,750</u>
Amortisation	
Balance at 1 January 2016	1,792,935
Amortisation charge for the year	439,307
Amortisation on disposal	(558,307)
Balance at 31 December 2016	<u>1,673,935</u>
Carrying amounts	
At 1 January 2016	627,206
At 31 December 2016	<u><u>264,815</u></u>

9 Deferred Income

	2016	2015
	\$	\$
Current		
Subscriptions and ticket sales	10,940,140	12,924,141
Grant Income	3,523,555	4,000,000
Other Income	290,627	233,929
	<u>14,754,322</u>	<u>17,158,070</u>

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

10 Grant income

	Unexpended Grants at 31 December 2014 \$	2015 Grant Income \$	2015 Grant expenditure \$	Deferred \$	Unexpended Grants at 31 December 2015 \$
Australia Council					
Core Grant	-	2,187,741	(2,187,741)	-	-
Project Grant	-	-	-	-	-
Australia Council Total	-	2,187,741	(2,187,741)	-	-
Arts NSW					
Core Grant	-	511,369	(511,369)	-	-
Project Grant	-	45,197	(45,197)	-	-
Multiyear Funding Grant	3,700,000	500,000	(500,000)	300,000	4,000,000
Non Cash Subsidy (rent)	-	2,014,148	(2,014,148)	-	-
Other	-	-	-	-	-
NSW Arts Total	3,700,000	3,070,714	(3,070,714)	300,000	4,000,000
Commonwealth Govt					
Austrade Export Grant	-	-	-	-	-
Commonwealth Total	-	-	0	-	-
Total	3,700,000	5,258,455	(5,258,455)	300,000	4,000,000
	Unexpended Grants at 31 December 2015 \$	2016 Grant Income \$	2016 Grant expenditure \$	Deferred	Unexpended Grants at 31 December 2016 \$
Australia Council					
Core Grant	-	2,222,745	(2,222,745)	-	-
Project Grant	-	-	-	-	-
Australia Council Total	-	2,222,745	(2,222,745)	-	-
Arts NSW					
Core Grant	-	524,153	(524,153)	-	-
Project Grant	-	-	0	-	-
Multiyear Funding Grant	4,000,000	500,000	(500,000)	(500,000)	3,500,000
Non Cash Subsidy (rent)	-	2,024,197	(2,024,197)	-	-
Other	-	-	-	-	-
NSW Arts Total	4,000,000	3,048,350	(3,048,350)	(500,000)	3,500,000
Commonwealth Govt					
Project Grant	-	25,445	(25,445)	23,555	23,555
Austrade Export Grant	-	-	-	-	-
Commonwealth Total	-	25,445	(25,445)	23,555	23,555
Total	4,000,000	5,296,540	(5,296,540)	(476,445)	3,523,555

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:

	2016	2015
	\$	\$
Less than one year	863,258	859,981
Between one and five years	4,683,111	4,665,332
More than five years	59,109,671	61,504,475
	<u>64,656,040</u>	<u>67,029,788</u>

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

During the year ended 31 December 2016, \$2,863,309 was recognised as an expense in the income statement in respect of operating leases (2015: \$2,849,302), including the fair value of in-kind rent of \$2,024,197 (2015: \$2,014,148).

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

	2016 \$	2015 \$
Profit/(Loss) for the period	2,312,604	2,668,101
Adjusted for:		
Depreciation/Amortisation/Loss on disposal of asset	1,467,054	1,440,162
Operating profit before changes in working capital and provisions	3,779,658	4,108,263
Add/ (less) items classified as investing/financing activities		
Interest received from capital donations	(116,982)	(55,084)
Donations classified as investment	(2,050,000)	(2,050,000)
Decrease/(Increase) in receivables	149,020	(178,463)
(Increase)/Decrease in other current assets	(2,706,615)	126,811
Decrease/(Increase) in inventories	4,614	(20,448)
Increase/(Decrease) in payables	565,307	(123,399)
Increase/(Decrease) in other creditors	-	(45,197)
Increase in provisions	40,236	125,586
(Decrease)/Increase in deferred revenue	(2,403,748)	997,484
Net cash from operating activities	(2,738,510)	2,885,553

14 Key management personnel disclosures

Transactions with key management personnel

The key management personnel compensation included in "personnel expenses" (see note 3) was \$1,819,151 (2015: \$1,563,867) 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

In addition to the compensation noted above, in 2016 Jonathan Biggins received \$65,114 (2015: \$50,051) for artists services rendered on normal commercial terms and conditions.

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 2016, the Sydney Theatre Company Foundation raised \$2,224,630 (2015: \$1,899,841) through fundraising events, projects and appeals and an additional \$3,119,342 in further funds (through the Sydney Theatre Company Fund, which is part of Sydney Theatre Company Limited) of which \$2,050,000 the company specifically allocated for future capital projects. An amount of \$2,195,000 was donated from Sydney Theatre Company Foundation to Sydney Theatre Company Ltd (2015: \$1,695,000).

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, Archives Project, Production Patronage and Education Projects.

As at 31 December 2016, Sydney Theatre Company Ltd had a receivable of \$53,027 (2015: payable \$738,228) 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
	2016	2015	
Sydney Theatre Company Foundation	100%	100%	Australia
STC USA Limited Liability Co.	100%	-	U.S.A

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

Sydney Theatre Company Ltd and its controlled entities

Notes to the consolidated financial statements

16. Parent Entity Disclosures

The parent company of the Group, as at and throughout the financial year ended 31 December 2016, was Sydney Theatre Company Ltd.

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

	2016	2015
	\$	\$
Results of the parent entity		
Surplus/(deficit) for the year Sydney Theatre Company operations	(68,722)	262,939
Surplus for the year Sydney Theatre Company Fund	3,119,342	2,864,139
Total comprehensive income	3,050,620	3,127,078
Financial position of the parent entity at year end		
Current assets	24,141,210	24,829,074
Non-current assets	8,048,813	6,846,762
Total assets	32,190,023	31,675,836
Current liabilities	18,314,898	20,899,948
Non-current liabilities	275,356	226,742
Total liabilities	18,590,254	21,126,690
Total equity of the parent entity comprising:		
Reserves	-	-
Retained Earnings	13,599,769	10,549,146
Total equity	13,599,769	10,549,146

17. Subsequent Events

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

18. Significant Accounting policies

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

(a) Statement of compliance

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

The financial report was approved by the Board of Directors on 19th April 2017.

(b) Basis of preparation

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

Sydney Theatre Company Ltd and its controlled entities

Notes to the consolidated financial statements

18. Significant Accounting Policies (continued)

functional currency.

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

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

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

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

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

(c) Controlled Entity

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

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

(d) Transaction eliminated on consolidation

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

(e) Foreign currency transactions

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

(f) Plant and equipment

(i) Owned assets

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

(ii) Greening the Wharf assets

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

Sydney Theatre Company Ltd and its controlled entities

Notes to the consolidated financial statements

18. Significant Accounting Policies (continued)

(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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(h) Trade and other receivables

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

(i) Inventories

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

(j) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits.

(k) Impairment

The carrying amounts of the Group's assets, other than inventories (see accounting policy i), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy l).

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

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

Sydney Theatre Company Limited and its controlled entities

Notes to the consolidated financial statements

18. Significant accounting policies (continued)

(l) Calculation of recoverable amount

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

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

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

(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 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 2016 the Company had 24 members (2015: 32 members)

Directors' declaration

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

- (a) the consolidated financial statements and notes that are set out on pages 8 to 26 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012, including:
 - i. giving a true and fair view of the consolidated Group's financial position as at 31 December 2016 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 19th day of April 2017



Ian Narev
Chairperson



Lead Auditor's Independence Declaration under subdivision 60-C section 60-40 of the 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 2016 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* 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

19 April 2017



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 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 2016, 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 2016;
- (ii) Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- (iii) Notes including a summary of significant accounting policies;
- (iv) Directors' declaration of the Group; and
- (v) The Group consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other information

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



Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or 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.
- (iii) Assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

Undertaking an audit in accordance with *Australian Auditing Standards*, means exercising professional judgment and maintaining professional skepticism.

Our responsibilities include:

- (i) Identifying and assessing the risks of material misstatement of the Financial Report, whether due to fraud or error.
- (ii) Designing and performing audit procedures responsive to those risks, and obtaining 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. This is because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- (iii) Obtaining an understanding of internal control relevant to the Audit in order to design audit procedures that are appropriate in the circumstances. This is not for the purpose of expressing an opinion on its effectiveness.
- (iv) Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (v) Concluding on the appropriateness of the Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (vi) Evaluating the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.
- (vii) Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Financial Report. We are responsible for the direction, supervision and performance of the Group Audit. We remain solely responsible for our Audit opinion.

KPMG

Duncan McLennan
Partner

Sydney
19 April 2017