



ANNUAL REPORT



2012



THEATRE
ROYAL

MISSION

The Theatre Royal is Australia's oldest working theatre. It occupies an important place in the hearts of Tasmanians, local and international performers and many of the visitors to Hobart. The Theatre Royal Management Board operates the Theatre in trust for our state and nation – a privilege we take very seriously. In carefully managing this asset and mindful of its unique role in the community, we aim to build on the past to create a vibrant, contemporary centre for the performing arts.

VISION

To develop the Theatre Royal as a cultural leader and heritage icon inspiring Tasmanians & visitors by engaging them in diverse, world class performing arts within a vibrant precinct.

FOCUS AREAS

- 1 Growing a Stimulating and Popular Program
- 2 Continuously Improving Our Facilities
- 3 Engaging the Community
- 4 Developing Tasmanian Talent
- 5 Running a Thriving Theatre Business
- 6 Generating Financial Support





PERSONNEL 2012

Theatre Royal Management Board

Craig Stephens (Chairman from July 2012)
 Rod Anderson
 Kate Cuthbertson

Karen Davis (from July 2012)
 Annette Downs

Scott Gadd (until June 2012)
 Nicholas Heyward

Kate Kent (from July 2012)
 Tony Stacey AM (Board Member and Chairman to June 2012)

Chief Executive Tim Munro

Administration Manager Margaret Wood

Finance Manager Jo Gullick (from July 2012)

Program and Operations Manager Don Hopkins

Technical Manager Sandy Campbell

Customer Services Manager Nicole Winspear

Box Office Manager Lyndon Northeast

Marketing and Business Development Manager Maria Pate

Marketing and Business Development Coordinator Thesspina Donopoulos
 (from March 2012)



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Craig Stephens

THE LANDMARK MOMENT OF 2012 FOR THE THEATRE WAS THE JOINT ANNOUNCEMENT BY THE PREMIER AND THE VICE CHANCELLOR OF THE UNIVERSITY OF TASMANIA OF THE SUCCESSFUL APPLICATION FOR FUNDING TO ENABLE THE DEVELOPMENT OF THE WAPPING PARCEL 4 SITE ADJACENT TO THE THEATRE TO PROCEED.

CHAIRMAN'S REPORT

On behalf of the Theatre Royal Management Board I am pleased and privileged to be able to present my first Chairman's Report in a year that has seen an exciting celebration of our 175th season as a working theatre and has also heralded the announcement of an equally exciting development that will transform the Theatre, for years to come.

It was a pleasure to be appointed Chairman mid way through the year after serving as a Director for some three years prior to that appointment. My predecessor in the position, Mr Tony Stacey AM, has served with distinction as Chair for a period in excess of 12 years and has left us an organisation significantly improved as a result of his efforts.

The 2012 Season was presented with the backdrop of continuing difficult economic conditions and it is a credit to the dedicated management team that they were able to maintain the Theatre's income at a level consistent with the previous season.

The Theatre Royal's financial results for the 2012 year indicate an operating deficit of \$860,261. However this contains a significant one off amount of \$702,799 resulting from the transfer of assets to the Tasmanian Government as the owner of the building and the appropriate owner of infrastructure and improvements contained therein. In addition depreciation on those assets continued to be incurred until their transfer in August of 2012, resulting in an additional expense of approximately \$75,000 being recorded. Excluding these once off and now removed costs indicates a true result on operations of a deficit in the order of \$82,500.

This result reflects positively against the original budget for the year set by the Board which incorporated considerable expenditure on one off events to celebrate the 175th Anniversary, along with continued expansion of our organisational capacity to facilitate the planning, development and program needs ahead of us as we progressed towards the exciting development on the adjoining site. Notwithstanding these comments, the Board

is committed to returning the Theatre's operations to a surplus position in the coming year. The removal of the depreciation impact of the previous improvements places us in good stead to achieve this result and the Board is working with management on an achievable budget to maintain the Theatre in a solid financial position.

The landmark moment of 2012 for the Theatre was the joint announcement by the Premier and the Vice Chancellor of the University of Tasmania of the successful application for funding, to enable the development of the Wapping Parcel 4 site adjacent to the Theatre to proceed. The announcement confirmed that the long anticipated development of a multipurpose performance arts and education venue on the site would proceed. The new centre will incorporate expanded facilities and performance spaces for the Theatre as well as a new home and performance spaces for the University's creative program including the Conservatorium of Music.

The Board believes this development will have a significant impact on the performing arts industry in Tasmania and enable the Theatre to flourish as it enters the next 175 years of presenting works in Tasmania.

Particular thanks go to the Premier and Minister for the Arts, the Honourable Lara Giddings, for her unwavering support of this application and her understanding of the benefits to the Theatre and Tasmania. In addition special acknowledgement is due to our previous Chairman, Mr Tony Stacey AM, whose ongoing and dedicated enthusiasm towards securing the most appropriate development on the available space has undoubtedly been a driving force in obtaining the successful funding announcement. The Board would also like to acknowledge the University of Tasmania for their partnership in this development and all other stakeholders who have assisted in reaching this point.

Our year included various events to celebrate the 175th Anniversary of the first performance in the Theatre. These included a gala



fundraiser on the stage of the Theatre, various civic receptions and of particular note a family and children's event, *We Built This City*, co-presented with MyState Financial and utilising the space on the vacant block known as the Wapping Parcel 4 site. The Board is particularly mindful of the need to continue to expand and attract audiences and to be able to engage with children and their parents and such a wonderful event can only assist in this endeavour.

As our last Chairman noted in the previous report, we have been expanding to ensure we are resourced appropriately to contribute to, and plan for, the development of the Theatre associated with the Wapping Parcel 4 development. This has continued in the 2012 year. The announcement of the successful application brings further challenges along with the joy of the moment and the Board will continue to review and update our operational capacity to ensure we are able to adequately deal with the development process and then importantly be able to deal with the expanded programming and operational requirements on completion.

The Board is very pleased to report on the successful negotiations with various Government stakeholders around the ownership of leasehold assets and improvements that have been carried on the balance sheet of the Theatre for a number of years. While the negative impact to our results is discussed above, the Board views this as an extremely positive result that clarifies ownership issues and appropriately records the assets as resting with the owner of the building. It removes an anomaly we have dealt with over a number of years where part of the improvements are recorded in our books and part in the books of the Crown.

The Board extends its gratitude to our partners and sponsors for their ongoing association with the Theatre Royal. They help us to present the dynamic and exciting program that appears in the Theatre each year. The task would be significantly

more difficult without their support.

The Board is eternally grateful to the Friends of the Theatre Royal for the enthusiasm, support, engagement and assistance provided to the Theatre over the year.

The Board would particularly like to thank our Chief Executive, Mr Tim Munro, and his dedicated team for their unstinting efforts to make the Theatre Royal the success it is. Their efforts are continually above and beyond the expectations of their roles and their enthusiasm for the Theatre Royal is inspiring.

To my fellow Board members I extend my personal thanks for their support, willingness to contribute and dedication to the Theatre. The ability to have diverse views and skills contributing to discussions and decision making, results in a vibrant successful governance process.

During the year two members completed their terms on the Theatre Royal Management Board and we would like to thank Scott Gadd and Annette Downs for their many years of service.

Finally the Board would formally like to acknowledge the contribution and impact to the Theatre made by the outgoing Chairman, Mr Tony Stacey AM. Tony, along with his wife Jeanette, oversaw a period of growth and stability that has transformed the Theatre to the vibrant, curated performance place it is today. His term as Chair saw a major improvement in the finances of the Theatre and as noted above he was instrumental in progressing the case for the development of the adjoining site for the benefit of the Theatre.

Craig Stephens
Chairman
18 February 2013





Tim Munro

CHIEF EXECUTIVE'S REPORT

THE THEATRE ROYAL AIMS TO PRESENT A DIVERSE PROGRAM FEATURING NOT ONLY A FULL RANGE OF THEATRE GENRES BUT WORK APPEALING TO A WIDE RANGE OF AUDIENCES.

2012 was a landmark year for the Theatre Royal – a year in which the remarkable 175 years of Theatre Royal history was celebrated by the community, studied (with the support of National Library of Australia funding), and the Theatre's exciting future secured through the funding of the project to develop new facilities on the site adjacent together with the University of Tasmania and the Tasmanian Government.

The Chairman has noted in his report that the transfer of over \$700,000 worth of assets from the Theatre Royal's balance sheet to the building owner – the Tasmanian Government, substantially affects the financial results for 2012. Although the financial report does not record a surplus in this reporting period, it is pleasing to report growth in Business Development and Program income over the 2011 results. The overall trading result is approximately \$40,000 better than the 2012 budget, which committed expenditure to enable us to celebrate the 175th anniversary and to undertake organisational capacity development and program development. The organisation also had to bear additional costs in bedding down its Customer Relationship Management and Ticketing System in 2012 with a related upgrade of the website.

THEATRE ROYAL'S 175TH ANNIVERSARY

Without doubt the events held to celebrate the Theatre Royal's 175th birthday were a highlight of the Theatre's 2012 program. Along with civic and vice-regal receptions, a full house enjoyed a magnificent variety performance showcasing 175 years of Theatre Royal history. *A Night Of Stars* featured many local and interstate artists, led by Master of Ceremonies Garry McDonald, all donating much of their time to bring the wonderful event to life.

We were also delighted to join MyState Financial in welcoming children and families

to the marvelous cardboard box construction playground extravaganza *We Built This City* on the site next door to the theatre. Around 3000 people enjoyed this community gift event - playing and building a city together in a wonderful 'cardboard jungle' environment. This enabled us to connect with the Tasmanian community in a new way.

ARTISTIC REPORT

In line with its artistic policy, the Theatre Royal Management Board invests in the presentation of a diverse range of high quality theatre that provides the cornerstone of its season. The Board commits its grant from the Minister for the Arts (through the Tasmanian Arts Advisory Board) to these works. In order to ensure that the Theatre can offer season programs of the breadth and depth that our audiences deserve, the organisation continues to share financial risk (and proceeds) through co-presenting partnerships with theatre producers, festivals and touring agents.

SUBSCRIPTION SEASON AND SUBSCRIBERS

The 2012 Season brochure was launched in November 2011 and offered 33 productions, 20 of which the Board carried or shared the presenting risk (the table on page 7 reports on these productions). Against the trend of subscriber growth over the previous two years, 2012 saw a reduction in numbers of patrons subscribing to the program. While this is disappointing, it is not inconsistent with the experience in some other arts organisations. It is however appropriate to review the way in which subscriptions and packaging of shows is offered to consumers and how it can best fit their needs. Ultimately the total number of people attending the Theatre Royal presentations and co-presentations increased in 2012 – full details are included in the comparison table included within this report on page 5.



THEATRE ROYAL PRESENTATIONS & CO-PRESENTATIONS COMPARISON

	2005	2006	2007	2008	2009	2010	2011	2012
Productions Presented	12	13	10	10	13	16	12	15
Co-Presented						6	6	5
Performances	42	51	38	35	36	70	49	55
Total Attendances	12,945	13,603	15,720	13,650	13,036	22,579	14,531	15,358
Average attendance per performance	308	267	414	390	362	341	297	313
Average Backspace Attendance						69		76
Total Income	\$434,997	\$358,032	\$452,091	\$372,443	\$409,180	\$936,148	\$602,931*	\$759,528*
Less Program Expenditure	\$456,244	\$370,116	\$436,903	\$491,634	\$531,683	\$1,001,141	\$687,132	\$864,682
Less Program Administration				-\$98,540	-\$112,260	-\$125,027	-\$137,530	-\$184,556
Sub total Expenditure				\$393,094	\$419,423	\$876,114	\$549,602	\$680,126
Entrepreneurial Result	-\$21,247	-\$12,084	\$15,188	-\$20,651	-\$10,243	\$60,034	\$53,329	\$79,402

* Includes ticket sales and sponsorship

2012 PROGRAM

The Theatre Royal aims to present a diverse program featuring not only a full range of theatre genres but work appealing to a wide range of audiences. The program aims to include works ranging from contemporary text, traditional drama, dance, physical theatre and circus, multi-media, opera, contemporary music and more.

We aim to bring productions to Tasmania and to present pieces made in Tasmania.

We seek to present some work from the edges of current theatre practice and work in the mainstream. We have many factors to consider in achieving and, importantly, balancing these program dimensions and the capacity of the market in which we operate.

In order to achieve our artistic aims, the 2012 program included works from flagship companies through to emerging producers; it featured commercial work, community work, and pieces from International, National and Tasmanian artists and companies. The program comprised:

- 9 drama works in theatre season
- 1 circus piece
- 3 events with Mona Foma
- 3 dance pieces
- 5 music events
- 5 comedy shows
- 3 children and family season
- 2 revues/pantos
- 3 community works

In 2012 over 50 seasons comprising 128 performances were presented on the Theatre Royal main-stage. An additional 160 performances and events were held in the Theatre Royal Backspace – mainly under the Tasmanian Theatre Company's artistic program. The scale of activity precludes me from providing commentary on each piece however highlights included:

- *Namatjira* – from Tasmanian based Big hART. An extremely well received and beautiful production of a new work that told the story of the great indigenous artist

- Miriam Margolyes gave an extraordinary performance in *Dicken's Women*
- Tasmanian company Blue Cow Theatre's production of new Australian work *Ruben Guthrie* played to big houses of theatre goers in the Theatre Royal Backspace
- *Boy Girl Wall* – a marvellous piece from energetic company The Escapists played to large houses of young adults to rapturous applause in the Theatre Royal Backspace
- La Mama Theatre/Forty Five Downstairs piece *Bare Witness* was a very contemporary, stylised multi-media piece that received excellent responses although modest houses
- Internationally renowned physical theatre company Circa brought their wildly successful self titled piece *Circa*
- The Sydney Theatre Company's Wharf Revue *Debt Defying Acts!* showcased the best of Australian political satire

Full details of performances and attendances are included on page 7.



WORKSHOPS AND EXTRA EVENTS

In addition to the program of performances, the Theatre aims to deepen visiting artists' engagement with the community, and to offer a range of engagement and training opportunities for Tasmanian students. To this end a series of workshops, Question and Answer sessions for children and 'In Conversation' style presentations for subscribers and patrons were offered in 2012. These included:

- Meet the Bell Shakespeare Company event
- Meet the writer - Bare Witness and The Flood
- In conversation with Garry McDonald
- 175th Anniversary party with the Sydney Theatre Company
- Stars on Stage event
- 5 tours for drama student groups
- 3 work experience placements

In closing I wish to thank the many organisations and individuals who have supported the Theatre Royal in so many ways in 2012. Our funding organisations, business partners, artists and arts companies, audiences and volunteer groups who contribute much to the life and the success of the Theatre and who deserve resounding applause. In particular, the Premier and Minister for the Arts and her team at Arts Tasmania, the RACT, the University of Tasmania, MyState Financial, the Friends of the Theatre Royal and Board Members and staff of the Theatre Royal deserve a standing ovation.

Tim Munro
Chief Executive
18 February 2013

2012 THEATRE ROYAL SUMMARY

NEWS, ACHIEVEMENTS, INITIATIVES

In 2012 the Theatre Royal:

- Celebrated its 175th birthday, hosting a range of performances, events and parties along the way
- Welcomed the final funding announcement for the \$75M proposal to develop a new arts and education centre with the Tasmanian Government and the University of Tasmania
- Expanded its studio program in the Theatre Royal Backspace
- Completed a Significance Assessment Project through the Friends of the Theatre Royal with the support of the Tasmanian Museum and Art Gallery and the Tasmanian Archives and Heritage Office, assessing the historical collections of materials relating to the Theatre Royal
- Expanded its organisational structure and increased its capacity by creating a new Finance Manager position
- Redeveloped its website and added on-line subscription functions
- Staged a very successful fundraising event
- Hosted a Premium Subscribers' Function and tour of the Theatre of the World exhibition at MONA
- Hosted 6 opening night Subscribers' functions
- Improved the amenity of Theatre's auditorium by installing acoustic treatment to the doors and new handrails in the dress circle
- Delivered a pilot captioning project, together with Arts Tasmania, for the deaf and hard of hearing communities
- Programmed and launched our 2013 season
- ...And in early 2013 we have achieved our first 1000 likes on Facebook!



PERFORMANCE & OTHER EVENTS SUMMARY

Performance	Producer	TR Presents & Co-Presents Days	Community Days	Professional Days	Total Days	Perf. No.	Attendance	% of Capacity
Aviary	Mona Foma	7			7	4	1,200	43%
Animagica	Mona Foma	1			1	2	520	37%
Tuneyards	Mona Foma	1			1	1	650	94%
Coode Cabaret	National Film & Sound Archive	1			1	1	260	37%
Colin Hay	Fleming Artists	1			1	1	377	54%
Ross Noble	Alist Entertainment			4	4	4	2,165	78%
Wharf Revue	Sydney Theatre Company	4			4	3	820	39%
Dickens' Women	Andrew McKinnon			2	2	3	1,212	58%
David Strassman	Rockcity Event Marketing			4	4	5	2,908	84%
Shaolin Warriors	3CT	2			2	2	723	52%
Carmen	Melbourne Opera Co			1	2	1	636	92%
Namatjira	Bighart	3			3	2	976	70%
Supper with the Stars	Theatre Royal	2			2	1	128	18%
Stars on Stage	Theatre Royal	1			1	1	278	40%
Melbourne Comedy Roadshow	Melbourne International Comedy Festival	2			2	2	1,070	77%
Men in Pink Tights	Retfar Entertainment			1	1	1	548	79%
Henry Rollins	Feel Presents			1	1	1	656	95%
Uni Revue	The Old Nick Company		19		19	14	6,442	66%
Syncopation	Critical Stages & The Follies Company	2			2	2	778	56%
Sleeping Horses Lie	Terrapin Puppet Theatre	4			4	4	633	23%
The Land of Yes and the Land of No	Sydney Dance Company	4			4	2	884	64%
Me and My Shadow	Patch Theatre Company	3			3	4	685	25%
Banff Film Festival	The Banff Centre			1	1	1	503	72%
All Shook Up	Claremont College		6		6	5	1,018	29%
Nearly Neil	Ben Maiorana Entertainment			1	1	1	164	24%
Circa	Circa	5			5	4	1,491	54%
Wakakirri	Wakakirri			2	2	1	617	89%
Voltage	Tasdance	5			5	3	233	11%
The Flood	Critical Stages/Finucane & Smith	2			2	2	316	23%
Viva Las Vegas Spectacular	M2 Productions			1	1	1	240	35%
The Bugalugs Bum Thief	Monkey Baa	3			3	4	2,408	87%
The School for Wives	The Bell Shakespeare Company	5			5	5	1,005	29%
Roy Orbison Reborn	Ben Maiorana Entertainment			1	1	1	203	29%
Clare Bowditch	Premier Artists	1			1	1	303	44%
Dorothy The Dinosaur	The Wiggles Live Pty. Ltd.			1	1	2	684	49%
Swan Lake	The Imperial Russian Ballet Company			2	2	2	1,145	82%
Caravan Burlesque	Finucane & Smith	3			3	2	749	54%
Mikado	Promac Productions	1			1	1	460	66%
Rhinestone Rex & Miss Monica	Ensemble Theatre	2			2	2	549	40%
Jimeoin	Alist Entertainment			1	1	1	643	93%
Back to the Eighties	The Old Nick Company		17		17	12	3,135	38%
Crapunzel	Bawdy Pantos		7		7	5	1,393	40%
Bare Witness	La Mama/Fortyfivedownstairs	3			3	2	251	18%
Rock Revolution	Sound One & The Harbour Agency			1	1	1	467	67%
MyState Student Film Festival	MyState Financial		1		1	1	350	50%
Taking it to the Top	Centre Stage Dance Company	2			2	2	928	67%
Rip Roaring Burlesque	Miss Kitty's Meow			1	1	1	269	39%
Speech Night	Fahan School		2		2	1	550	79%
The Most Wonderful Time of the Year	Body Language Dance	2			2	1	386	56%
Fame	Hobart Dance Academy	2			2	2	741	53%
		68	58	25	148	128	45,750	
							Total Box Office: \$1,567,407	

Other Event	Producer	Total Days	Attendance (*estimated attendance)
Public Tours of the Theatre	Friends of the Theatre Royal	116	640
Tour for 1st year students	SPACE	1	10
Tour for drama students	Rosny College	1	15
Tour for drama students	Elizabeth College	1	15
Tour for audio design students	The Friends' School	1	10
Tour for VET Tourism students	Rosny College	1	10
Student Activities			
Auditions	National Institute of Dramatic Art	3	25
Student Workshops	The Bell Shakespeare Company	2	31
Student Auditions	The Bell Shakespeare Company	1	11
Travers Morphet Lecture	Fahan School	1	260*
Rigging Training	Space	1	9
Declaration of Geneva	University of Tasmania	1	550*
Event Launches			
Hobart Baroque Festival Launch	Hobart Baroque	1	70*
Theatre Royal 2013 Season Launch	Theatre Royal	1	260*
Subscriber Events			
175th Anniversary Party	Theatre Royal		178
In Conversation with Garry McDonald	Theatre Royal/ABC		50*
Meet the Writer of 'The Flood'	Theatre Royal/Fullers/Australian Script Centre		20
Meet the Company Event	Theatre Royal/The Bell Shakespeare Company		27
Premium Subscriber Event at MONA	Theatre Royal		70
Meet the Writer of 'Bare Witness'	Theatre Royal/Fullers/Australian Script Centre		37
Outdoor Event			
We Built This City	Theatre Royal/MyState/Polyglot	3	2,745
Other Events			
Work Placement	New Town High	2	350*
Work Placement	New Town High	2	1
Work Placement	Rosny College	1	1
Theatre Royal Backspace			
Events Including	Tasmanian Theatre Company Season		
	Blue Cow Theatre Company		
	Theatre Royal		
	PLoT Theatre Company		
	Tas Pride		
		160	5,091*
		302	10,487
Total attendance at performances and other events			56,237

INDEPENDENT AUDITOR'S REPORT



Tasmanian
Audit Office

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Independent Auditor's Report

To Members of the Parliament of Tasmania

Theatre Royal Management Board

Financial Report for the Year Ended 31 December 2012

I have audited the accompanying financial report of the Theatre Royal Management Board (the Board), which comprises the statement of financial position as at 31 December 2012, and the statements of comprehensive income, changes in equity and cash flows for the year ended 31 December 2012, a summary of significant accounting policies, other explanatory notes and the statement by the members of the Board.

Auditor's Opinion

In my opinion the Board's financial report:

- (a) presents fairly, in all material respects, its financial position as at 31 December 2012 and its financial performance, cash flows and changes in equity for the year then ended; and
- (b) is in accordance with the *Theatre Royal Management Act 1986* and Australian Accounting Standards (including the Australian Accounting Interpretations).

The Responsibility of the Members for the Financial Report

The Members are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and Section 10 of the *Theatre Royal Management Act 1986*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements is free of material misstatement.

...1 of 2

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

Strive | Lead | Excel | To Make a Difference



Tasmanian Audit Office

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Members, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting this audit, I have complied with the independence requirements of Australian Auditing Standards and other relevant ethical requirements. The *Audit Act 2008* further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of State Entities but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Tasmanian Audit Office are not compromised in their role by the possibility of losing clients or income.

Tasmanian Audit Office

E R De Santi
Deputy Auditor-General
Delegate of the Auditor-General

HOBART
15 February 2013

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

Strive | Lead | Excel | To Make a Difference

THEATRE ROYAL MANAGEMENT BOARD

FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2012

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THEATRE ROYAL MANAGEMENT BOARD

DECLARATION BY THE BOARD FOR THE YEAR ENDED 31 DECEMBER 2012

In the opinion of the members of the Theatre Royal Management Board:

1. The financial report and notes:

(a) Comply with the Australian Accounting Standards (including Australian Accounting Interpretations) as they relate to Not-for-profit entities, and with the provisions of the Theatre Royal Management Act 1986; and

(b) Give a true and fair view of the Board's financial position as at 31 December 2012 and its performance for the year ended on that date.

2. In the Board's opinion, there are reasonable grounds to believe that the Board will be able to pay its debts as and when they become due and payable provided sufficient support from the State Government is maintained consistent with Note 17.

This declaration is made in accordance with a resolution of the Board members:



Chairman

C Stephens



Chief Executive Officer

T Munro

Dated this 15th day of February 2013.

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2012

	Note	2012 \$	2011 \$
Income			
Program income		996,013	931,238
Bar income		143,391	146,028
Box office income		226,830	287,259
Administration income		193,219	194,554
Gain on sale of minor assets		-	45
Operations income		58,470	100,660
Business development income		133,767	98,370
Interest income		68,754	81,670
Donations		5,563	3,377
Other income		1,700	-
Total income		1,827,707	1,843,201
Less: Expenses			
Box office expenses		213,644	247,870
Bar cost of sales		57,784	58,299
Bar expenses		14,919	18,557
Depreciation		75,951	119,240
Program expenses		754,887	663,276
Operations expenditure		180,981	190,117
Administration expenses		618,822	587,588
Projects expenses		-	15,276
Business development expenses		68,181	70,646
Transfer of Property to the Crown	7(a)	702,799	-
Total Expenses		(2,687,968)	(1,970,869)
Net Surplus/(Deficit)		(860,261)	(127,668)
Other comprehensive income		-	-
Total Comprehensive Result		(860,261)	(127,668)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2012

	Note	2012 \$	2011 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	191,126	237,071
Trade and other receivables	4	136,255	308,465
Inventories	5	4,115	4,692
Investments		1,221,487	1,537,224
Other assets	6	95,276	53,725
TOTAL CURRENT ASSETS		1,648,259	2,141,177
NON CURRENT ASSETS			
Property, plant and equipment	7	223,429	928,662
TOTAL NON CURRENT ASSETS		223,429	928,662
TOTAL ASSETS		1,871,688	3,069,839
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	127,012	89,017
Provisions	10	64,670	54,383
Other Liabilities	9	290,093	683,338
TOTAL CURRENT LIABILITIES		481,775	826,738
NON CURRENT LIABILITIES			
Provisions	10	87,109	80,037
TOTAL NON CURRENT LIABILITIES		87,109	80,037
TOTAL LIABILITIES		568,884	906,775
NET ASSETS		1,302,804	2,163,064
EQUITY			
Accumulated Surpluses		1,302,804	2,163,064
TOTAL EQUITY		1,302,804	2,163,064

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012

2012	Accumulated Surpluses \$	Total \$
Balance at 1 January 2012	2,163,064	2,163,064
Net Surplus/(deficit) for the year	(860,261)	(860,261)
Balance at 31 December 2012	1,302,803	1,302,803

2011	Accumulated Surpluses \$	Total \$
Balance at 1 January 2011	2,290,732	2,290,732
Surplus/(deficit) for the year	(127,668)	(127,668)
Balance at 31 December 2011	2,163,064	2,163,064

STATEMENT OF CASH FLOWS

for the year ended 31 December 2012

	Note	2012 \$	2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,199,688	1,204,039
Payments to suppliers and employees		(1,884,548)	(1,664,643)
Grants received		307,328	294,900
Interest received		89,368	81,670
Net cash provided by (used in) operating activities	11(a)	(288,164)	(84,034)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(73,518)	-
Payments for leasehold improvements		-	(7,100)
Deposits to investments		-	(58,896)
Withdrawals from investments		315,737	-
Net cash used by investing activities		242,219	(65,996)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net cash increase (decreases) in cash and cash equivalents		(45,945)	(150,030)
Cash and cash equivalents at beginning of year		237,071	387,101
Cash and cash equivalents at end of financial year	3	191,126	237,071

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

The financial report covers the Theatre Royal Management Board as an individual entity. Theatre Royal Management Board was established under the *Theatre Royal Management Act 1986*.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of Preparation**

The financial report is a general purpose financial report that has been prepared in accordance with the Australian Accounting Standards, Australian Accounting Interpretations and the *Theatre Royal Management Act 1986*. The board is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with the Australian Accounting Standards (AASBs and AASs) may not result in compliance with International Financial Reporting Standards (IFRS), as the AASBs and AASs include requirements and options available to not-for-profit organisations that are inconsistent with IFRS. The Theatre Royal Management Board (Board) is considered to be not-for-profit and has adopted some accounting policies under AASBs and AASs that do not comply with IFRS. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

(b) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(c) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities in the statement of financial position.

(d) Trade and Other Receivables

All receivables are due within fourteen (14) days and are earned as amounts due. The collectability of debts is assessed at balance date and a specific provision is made for any doubtful debts. The net fair value of receivables is the nominal amount.

(e) Inventories

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

(f) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by the Board to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the Board includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Board and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, is depreciated on a straight line basis over the asset's useful life commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset

Plant and Equipment	10 - 27%
Leasehold improvements	6.67 - 10%

The Theatre Royal building, land and certain items of plant and equipment have been vested in the Crown in accordance with Section 12 of the Theatre Royal Management Board Act 1986. During the financial year certain leasehold improvements that form part of the Theatre Royal building were transferred back to the Crown, refer Note 7(a).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Crown is responsible for the payment of rates of the building. The Theatre Royal has from this year been made responsible for the insurance on the building. A lease agreement exists between the Board and the Minister at a nominal rent, in accordance with section 15 of that Act.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained surpluses.

(g) Impairment of Assets

At the end of each reporting period, the Board reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where it is not possible to estimate the recoverable amount of an individual asset, the Board estimates the recoverable amount of the cash generating unit to which the asset belongs.

(h) Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Board during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within creditor terms.

(i) Employee Benefits

Provision is made for the Board's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

(j) Provisions

Provisions are recognised when the Board has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(k) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to the Board are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Board will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the life of the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

(l) Critical Accounting Estimates and Judgments*Key estimates - Impairment*

The Board assesses impairment at the end of each reporting period by evaluating conditions specific to the Board that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

(m) Financial Instruments**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the Board commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to statement of comprehensive income immediately.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Classification and subsequent measurement**

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- (d) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in surplus or loss.

The Board does not designate any interest as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Financial assets at fair value through surplus or loss

Financial assets are classified at 'fair value through surplus or loss' when they are either held for trading for the purpose of short term surplus taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in surplus or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within

12 months after the end of the reporting period. (All other loans and receivables are classified as non current assets.)

(iii) Held to maturity investments

Held to maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Board's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held to maturity investments are included in non current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets.)

If during the period the Board sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held to maturity investments category would be tainted and reclassified as available for sale.

(iv) Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available for sale financial assets are included in non current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets)

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Board assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in surplus or loss.

(n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(o) Revenue and Other Income

Revenue represents amounts earned from sales of products or services, for completed programs and hire of venues, government grants, interest and other items. Income from the hire of venues is recognised when payments are due. Booking fees are recognised as income when tickets are sold. Income from the sale of tickets is recognised when the shows have been performed. Interest is recognised over the period for which the funds are invested.

In accordance with common practice within the Australian Performing Arts industry, relevant theatre and staff costs including notional theatre rentals are charged to Entrepreneurial Activity. This reflects costs attributable to each entrepreneurial show and ensures consistent accounting treatment between Theatre Royal Activity and Entrepreneurial Activity. These internal charges are included as expenses and are correspondingly shown as income. This practice is consistent with and is recognised by both the industry and the funding bodies that subsidise their operations.

Revenue from the provision of membership subscriptions is recognised on a straight line basis over the financial year.

All revenue is stated net of the amount of goods and services tax (GST).

(p) Income Tax

No provision for income tax has been raised as the Board is exempt from income tax under *Div 50 of the Income Tax Assessment Act 1997*.

(q) Adoption of new and revised accounting standards

During the current year, the Board adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these Standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these Standards and Interpretations has had on the financial statements of Theatre Royal Management Board.

Standard Name	Impact
AASB 124 Related Party Disclosures and amending standard AASB 2009-12	No significant changes on adoption of this standard.
AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement	No significant changes on adoption of this standard.
AASB 2010-4 / 2010-5 Amendments and further amendments to Australian Accounting Standards arising from the Annual Improvements Project	No significant changes on adoption of this standard.
AASB 2010-6 Amendment to Australian Accounting Standards – Disclosures on transfers of financial assets	No significant changes on adoption of this standard.
AASB 2010-9 / 2010-10 Amendment to Australian Accounting Standards – Severe hyperinflation and removal of fixed dates for first time adopters	No impact since the entity is not a first time adopter of IFRS.
AASB 1054 Additional Australian disclosures / AASB 2011-1 Amendments to Australian Accounting Standards arising from Trans Tasman convergence	Minimal impact since most of the disclosures required by AASB 1054 are already included within the financial report.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**(r) New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Board has decided against early adoption of these Standards. The following table summarises those future requirements, and their impact on the Board:

Standard name	Effective date for entity	Requirements	Impact
AASB 9 Financial Instruments and amending standards AASB 2009-11 / AASB 2010-7	30 June 2016	- Changes to the classification and measurement requirements for financial assets and financial liabilities. - New rules relating to derecognition of financial instruments.	The impact of AASB 9 has not yet been determined as the entire standard has not been released
AASB 13 Fair Value Measurement. AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]	30 June 2014	AASB 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Accounting Standards but does not change when fair value is required or permitted. There are a number of additional disclosure requirements.	Fair value estimates currently made by the entity will be revised and potential changes to reported values may be required. The entity has not yet determined the magnitude of any changes which may be needed. Some additional disclosures will be needed.
AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income.	30 June 2013	Entities will be required to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).	The items shown in other comprehensive income will be separated into two categories.

2 ENTREPRENEURIAL VENTURES

	2012 \$	2011 \$
Income	553,649	401,382
Expenses	(469,993)	(332,967)
Surplus/(deficit) on entrepreneurial ventures	83,656	68,415

3 CASH AND CASH EQUIVALENTS

	2012 \$	2011 \$
Cash on hand	1,514	2,840
Cash at bank	189,612	234,231
	191,126	237,071

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

4 TRADE AND OTHER RECEIVABLES

	2012 \$	2011 \$
CURRENT		
Trade debtors	45,189	173,394
Instalment payments clearing	79,594	98,916
Other	11,472	36,155
	<u>136,255</u>	<u>308,465</u>

(a) Aged analysis

The ageing analysis of receivables is as follows:

0-30 days	129,941	304,650
31-60 days	2,914	3,815
91+ days (past due not impaired)	3,400	-
	<u>136,255</u>	<u>308,465</u>

5 INVENTORIES

	2012 \$	2011 \$
Stock on hand	4,115	4,692
	<u>4,115</u>	<u>4,692</u>

6 OTHER ASSETS

	2012 \$	2011 \$
Prepaid settlement fees	80,867	40,990
Prepaid insurance	4,059	10,121
Other prepayments	10,350	2,614
	<u>95,276</u>	<u>53,725</u>

7 PROPERTY, PLANT AND EQUIPMENT

	2012 \$	2011 \$
Capital works in progress		
WIP - leasehold improvements	70,282	6,300
Total capital works in progress	<u>70,282</u>	<u>6,300</u>
Plant and equipment		
At cost	222,653	217,397
Accumulated depreciation	(209,866)	(203,553)
Total plant and equipment	<u>12,787</u>	<u>13,844</u>
Improvements		
At cost	210,011	1,345,257
Accumulated depreciation	(69,651)	(436,739)
Total improvements	<u>140,360</u>	<u>908,518</u>
Total property, plant and equipment	<u>223,429</u>	<u>928,662</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

7 PROPERTY, PLANT AND EQUIPMENT (continued)**(a) Movements in Carrying Amounts**

Movement in the carrying amount for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Capital Works in Progress	Plant and Equipment	Improvements	Total
	\$	\$	\$	\$
Balance at 31 December 2012				
Balance at the beginning of year	6,300	13,844	908,518	928,662
Additions	63,982	5,255	4,280	73,517
Transfers to the Crown	-	-	(702,799)	(702,799)
Depreciation expense	-	(6,312)	(69,639)	(75,951)
Carrying amount at the end of 31 December 2012	70,282	12,787	140,360	223,429
Balance at 31 December 2011				
Balance at the beginning of year	-	21,478	1,019,324	1,040,802
Additions	6,300	-	800	7,100
Depreciation expense	-	(7,634)	(111,606)	(119,240)
Carrying amount at the end of 31 December 2011	6,300	13,844	908,518	928,662

In 2012, the Crown and the Theatre Royal Management Board came to an arrangement whereby leasehold improvement costs that were previously capitalised and incurred by the Theatre Royal Management Board would be transferred and recorded in the accounting records of the Crown. These assets were transferred on the 2nd of August 2012 for no consideration. The original acquisition of these assets was funded from Government Grants previously recorded as income and therefore included in the Accumulated Surplus recorded in the equity section of the Balance Sheet. Accordingly, the amount transferred has been recognised as an expense in the statement of comprehensive income thus reducing that previous Accumulated Surplus.

8 TRADE AND OTHER PAYABLES

	2012	2011
	\$	\$
Trade payables	77,366	34,851
GST payable	15,994	36,660
Accrued expenses	16,118	1,006
Payroll liabilities	17,534	16,500
	127,012	89,017

9 OTHER LIABILITIES

	2012	2011
	\$	\$
CURRENT		
Advance Ticket Sales	251,324	654,857
Gift Vouchers	8,039	8,446
Sub-season Show Functions	41	528
Student Subscriptions	576	-
Industry Service Fee Clearing	211	152
Deposits Collected	26,500	16,000
Ticketek Clearing	3,402	3,355
	290,093	683,338

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

10 EMPLOYEE BENEFITS

	2012 \$	2011 \$
CURRENT		
Annual Leave	64,670	54,383
	64,670	54,383
NON-CURRENT		
Long Service Leave	87,109	80,037
	87,109	80,037

11 CASH FLOW INFORMATION**(a) Reconciliation of Cash Flow from Operations with Surplus/(Deficit)**

	2012 \$	2011 \$
Operating surplus/(deficit)	(860,261)	(127,665)
Non cash flows in surplus/(deficit)		
Depreciation	75,951	119,240
Transfer of property to the Crown	702,799	-
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	172,210	(262,595)
(Increase)/decrease in inventories	577	1,217
(Increase)/decrease in other assets	(41,551)	37,662
Increase/(decrease) in trade payables and other payables	48,284	(238,855)
Increase/(decrease) in provisions	17,361	3,757
Increase/(decrease) in other liabilities	(403,534)	383,205
Net cashflow from operating activities	(288,164)	(84,034)

(b) Bank Overdraft

Credit facility	50,000	50,000
	50,000	50,000

(c) Corporate Business Card

Loan facilities	15,000	15,000
	15,000	15,000

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

12 FINANCIAL RISK MANAGEMENT

The main risks the Theatre Royal Management Board is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and equity price risk.

The Board's financial instruments consist mainly of deposits with banks, short term investments, accounts receivable and payable.

Financial risk management policies

The Board has overall responsibility for the establishment of Theatre Royal Management Board's financial risk management framework. This includes the development of policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk and the use of derivatives.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Theatre Royal Management Board's activities.

The day to day risk management is carried out by Theatre Royal Management Board's management under policies and objectives which have been approved by the Board. The Chief Financial Officer has been delegated the authority for designing and implementing processes which follow the objectives and policies. This includes monitoring the levels of exposure to interest rate and foreign exchange rate risk and assessment of market forecasts for interest rate and foreign exchange movements.

The Board receives monthly reports which provide details of the effectiveness of the processes and policies in place.

Theatre Royal Management Board does not actively engage in the trading of financial assets for speculative purposes nor does it write options.

Mitigation strategies for specific risks faced are described below:

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to Theatre Royal Management Board and arises principally from Theatre Royal Management Board's receivables.

Credit risk is managed through maintaining procedures, where in the majority of cases, the Board collects funds for our customers and deducts amounts due prior to forwarding the balance to them. This eliminates to a large degree the risk that customers and counterparties are of unsound credit worthiness. Risk is also minimised by investing surplus funds in financial institutions that maintain a high credit rating.

(b) Interest rate risk

The Board is not exposed to any significant interest rate risk.

(c) Liquidity risk

Liquidity risk is the risk that the Board will not be able to meet its financial obligations as they fall due. The Board manages this risk through monitoring forecast cash flows, only investing surplus cash with major financial institutions and proactively monitoring the recovery of outstanding receivables.

Sensitivity analysis

The Board has performed a sensitivity analysis relating to its exposure to interest rate risk, liquidity risk and credit risk at balance date. The Board is subject to fluctuation in interest rates on amount held on deposit with financial institutions, however these amounts and any change in these amounts would not impact materially the financial report. The Board is subject to interest rate risk on its financial liabilities, however these amounts and any change in these amounts would not impact materially the financial report. The Board monitors and manages its exposure to liquidity risk and credit risk.

As a result of the sensitivity analysis and risk assessment performed by the Board, any positive or negative change in interest rate risk, liquidity risk or credit risk would not have a material effect on the financial report of the Board

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

12 FINANCIAL RISK MANAGEMENT (continued)**Financial instrument composition and maturity analysis**

The Board's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest		Floating Interest Rate		Fixed Interest Rate	
	Rate		2012	2011	2012	2011
	%		\$	\$	\$	\$
Financial Assets:						
Cash and cash equivalents	4.10	661,099	1,171,455	-	-	-
Investments	-	-	-	750,000	600,000	-
Receivables	-	-	-	-	-	-
Total Financial Assets		661,099	1,171,455	750,000	600,000	-
Financial Liabilities:						
Trade and sundry payables	-	-	-	-	-	-
Total Financial Liabilities		-	-	-	-	-

	Non-interest Bearing			Total
	2012	2011	2012	2011
	\$	\$	\$	\$
Financial Assets:				
Cash and cash equivalents	1,514	2,840	662,613	1,174,295
Investments	-	-	750,000	600,000
Receivables	45,189	173,394	45,189	173,394
Total Financial Assets	46,703	176,234	1,457,802	1,947,689
Financial Liabilities:				
Trade and sundry payables	77,366	34,851	77,366	34,851
Total Financial Liabilities	77,366	34,851	77,366	34,851

13 CAPITAL AND LEASING COMMITMENTS

There are no capital expenditure commitments as at reporting date to be disclosed.

(a) Operating Lease Commitments

Non cancellable operating leases contracted for but not capitalised in the financial report:

	2012	2011
	\$	\$
Payable - minimum lease payments:		
- not later than 12 months	5,219	4,156
- between 12 months and 5 years	24,922	2,078
	30,141	6,234

The operating lease payments are in relation to a server and photocopier

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2012

14 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent assets or contingent liabilities as at reporting date to be disclosed.

15 RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

16 EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no events after balance date affecting this financial report to be disclosed.

17 ECONOMIC DEPENDENCY

The Theatre Royal Management Board is dependent on the State Government for a significant portion of its revenue used to operate the business. At the date of this report the Board have no reason to believe the State Government will not continue to support the Theatre Royal Management Board.

OUR PARTNERS

The Theatre Royal gratefully acknowledges the support of our
Funding and Business Partners in 2012



The Theatre Royal is supported through Arts Tasmania by the Minister for the Arts



Australian Government
Playing Australia

The Australian Government is proud to be associated with tours of interstate companies to Tasmania through the national performing arts touring program, Playing Australia, which gives Australians across the country the opportunity to see some of our best performing arts

PRINCIPAL PARTNER



MAJOR COMMUNITY GIFT PARTNER



PROGRAM PARTNERS



BUSINESS PARTNERS



Supported by the Premier's Arts Partnership Fund

Australia
Business Arts
Foundation



Nekon Pty. Ltd.





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