

MELBOURNE
RECITAL
CENTRE

ANNUAL REPORT 2015-16

PART TWO

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Directors' Report

The Directors present this report on Melbourne Recital Centre for the financial year ended 30 June 2016.

Directors

The names of each person who has been a Director during the period and to the date of this report are:

Kathryn Fagg, Chair

Julie Kantor (Retired February 2016)

Peter Bartlett

Stephen Carpenter

Joseph Corponi

Margaret Farren-Price

Eda Ritchie AM

Paul Donnelly

Mary Delahunty (Appointed 1 July 2016)

Directors have been in office since 1 July 2015 to the date of this report unless otherwise stated.

All Directors are independent of the management.

Company Secretary

Stephen Carpenter held the position of Company Secretary at the end of the financial year.

Membership of Melbourne Recital Centre

Melbourne Recital Centre is a company limited by guarantee. The sole member of the Company is the Minister for Creative Industries, Martin Foley MP.

Principal Activities

The principal activity of the Company during the financial year was planning and managing the operations of Melbourne Recital Centre.

Operating Results

The net result from transactions was a surplus of \$86,887 (\$263,636 in 2014-15). Total comprehensive result is \$148,046 (\$267,654 in 2014-15).

Dividends Paid or Recommended

In line with the Constitution of the Melbourne Recital Centre no part of the income or property was paid, transferred or distributed, directly or indirectly, by way of dividend, bonus, or other profit distribution, to any of the members or Directors during the financial year.

Review of Operations

The Company's focus was consolidating its position and broadening its audience.

Significant Changes in State of Affairs

There was no significant change in state of affairs during the financial year.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Future Developments

The Company expects to maintain the present status and level of operations for the foreseeable future.

Environmental Regulations

No significant environmental regulations apply that are likely to have a material effect on the operations or financial results of Melbourne Recital Centre.

Options

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Meetings of Directors

During the financial year, six meetings of directors were held. Attendance by each director was as follows:

Directors' Meetings		
	Number eligible to attend	Number attended
Kathryn Fagg	6	6
Julie Kantor	4	2
Peter Bartlett	6	5
Stephen Carpenter	6	4
Joseph Corponi	6	6
Margaret Farren-Price	6	5
Eda Ritchie AM	6	6
Paul Donnelly	6	6

Directors' Benefits

Directors' benefits are set out in note 19 to the financial statements.

Insurance of Directors and Officers

During the financial year \$4,647 (\$5,344 in 2014-15) was paid by the Company to the Victorian Managed Insurance Authority for Directors' and Officers' Liability insurance premiums and recorded as an expense in the Comprehensive Operating Statement. The insurance provides cover for Directors and Officers of Melbourne Recital Centre against certain personal liabilities that they may incur by reason of their duties as Directors and Officers.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 5 of the Financial Report.

Signed in accordance with a resolution of the Board of Directors.



Director

Kathryn Fagg
30 August 2016

AUDITOR-GENERAL'S INDEPENDENCE DECLARATION

To the Directors, the Melbourne Recital Centre

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General, an independent officer of parliament, is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised.


Under the *Audit Act 1994*, the Auditor-General is the auditor of each public body and for the purposes of conducting an audit has access to all documents and property, and may report to parliament matters which the Auditor-General considers appropriate.

Independence Declaration

As auditor for the Melbourne Recital Centre for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

MELBOURNE
2 September 2016


Dr. Peter Frost
Acting Auditor-General

Melbourne Recital Centre
Comprehensive Operating Statement
for the Financial Year Ended 30 June 2016

	Notes	2016	2015
		\$	\$
Income from transactions			
State Government grants		3,899,218	3,856,000
Other grants, donations and sponsorship		1,301,890	1,384,900
Commercial operations	2 (a)	6,272,909	5,755,604
Other income	2 (b)	333,335	248,511
SummerSalt Festival Income	2 (c)	–	1,811,758
Total income from transactions		11,807,352	13,056,773
Expenses from transactions			
Employee expenses	3 (a)	(5,214,497)	(4,580,580)
Supplies and consumables	3 (b)	(2,515,029)	(2,611,095)
Artistic and production costs		(2,263,949)	(2,134,697)
SummerSalt Festival Expenditure	3 (c)	–	(1,867,859)
Building occupancy		(682,127)	(695,373)
Legal, professional and consultancy		(373,062)	(262,411)
Depreciation and amortisation	7, 8	(599,916)	(576,180)
Finance costs		(71,885)	(64,942)
Total expenses from transactions		(11,720,465)	(12,793,137)
Net result from transactions (net operating balance)		86,887	263,636
Other economic flows – other comprehensive income (OCI)			
Changes to financial assets available-for-sale revaluation reserve	14b	61,159	4,018
Comprehensive result – total change in net worth		148,046	267,654

The comprehensive operating statement should be read in conjunction with the accompanying notes on pages 10 to 30.

Melbourne Recital Centre
Balance Sheet
as at 30 June 2016

	Notes	2016	2015
		\$	\$
Assets			
Financial assets			
Cash and deposits	4	3,613,802	7,873,279
Receivables	5	150,949	215,681
Investments	6	5,519,585	292,292
Current tax assets – GST receivable		32,231	50,253
Total financial assets		9,316,567	8,431,505
Non-financial assets			
Inventories		13,592	19,031
Property, plant and equipment	7	2,495,882	2,866,152
Intangible assets	8	106,836	194,622
Other non-financial assets	9	212,519	185,426
Total non-financial assets		2,828,829	3,265,231
Total assets		12,145,396	11,696,736
Liabilities			
Trade and other payables	10	1,037,735	1,049,150
Venue hire and ticket sales deposits	11	1,138,018	1,166,840
Provisions	12	624,569	398,098
Other liabilities	13	238,880	124,500
Total liabilities		3,039,202	2,738,588
Net assets		9,106,194	8,958,148
Equity			
Accumulated surplus	14a	2,328,004	3,233,172
Public Fund – general	16	6,143,196	5,286,032
Public Fund – externally funded special projects reserve	16	546,816	411,925
Public Fund – available-for-sale revaluation reserve	14b, 16	88,178	27,019
Net worth		9,106,194	8,958,148
Commitments for expenditure	15		
Contingent liabilities and contingent assets	23		

The balance sheet should be read in conjunction with the accompanying notes included in pages 10 to 30.

Melbourne Recital Centre
Statement of Changes in Equity
for the Financial Year Ended 30 June 2016

CHANGES DUE TO

	Notes	Equity at 1 July 2015	Net result	Available-for-sale revaluation reserve	Transfer between funds	Equity at 30 June 2016
Accumulated surplus/(deficit)	14	3,233,172	86,887	–	(992,055)	2,328,004
Public fund – general	16	5,286,032	–	–	857,164	6,143,196
Public fund – externally funded special projects reserve	16	411,925	–	–	134,891	546,816
Public fund – available-for-sale revaluation reserve	16	27,019	–	61,159	–	88,178
Total equity at end of financial year		8,958,148	86,887	61,159	–	9,106,194

CHANGES DUE TO

	Notes	Equity at 1 July 2014	Net result	Available-for-sale revaluation reserve	Transfer between funds	Equity at 30 June 2015
Accumulated surplus/(deficit)	14	3,754,977	263,636	–	(785,441)	3,233,172
Public fund – general	16	4,554,686	–	–	731,346	5,286,032
Public fund – externally funded special projects reserve	16	357,830	–	–	54,095	411,925
Public fund – available-for-sale revaluation reserve	16	23,001	–	4,018	–	27,019
Total equity at end of financial year		8,690,494	263,636	4,018	–	8,958,148

The statement of changes in equity should be read in conjunction with the accompanying notes on pages 10 to 30.

Melbourne Recital Centre
Cash Flow Statement
for the Financial Year Ended 30 June 2016

	Note	2016	2015
		\$	\$
		Inflow/(Outflow)	Inflow/(Outflow)
Cash flows from operating activities			
Receipts			
Receipts from State Government		3,899,218	4,886,000
Receipts from customers		6,639,209	6,506,211
Fundraising and sponsorship		1,416,270	1,681,600
Interest received		93,745	202,926
Dividends received		14,737	13,979
GST refunded from ATO		157,925	383,988
Total receipts		12,221,104	13,674,704
Payments			
Payments to suppliers		(6,100,565)	(8,537,035)
Payments to employees		(5,166,271)	(4,606,866)
Finance costs		(71,885)	(64,942)
Total payments		(11,338,721)	(13,208,843)
Net cash flow from/(used in) operating activities	21(b)	882,383	465,861
Cash flows from investing activities			
Payment for purchase of property, plant and equipment		(141,860)	(237,025)
Payment for purchase of assets on behalf of Creative Victoria	21(c)	(130,410)	(344,263)
Payment for VFMC managed fund investment		(5,000,000)	0
Net cash flows from/(used in) investing activities		(5,272,270)	(581,288)
Cash flows from financing activities			
Receipts for purchase of assets from Creative Victoria	21(c)	130,410	330,504
Net cash flow from/(used in) financing activities		130,410	330,504
Net increase/(decrease) in cash and cash equivalents		(4,259,477)	215,077
Cash and cash equivalents at beginning of financial year		7,873,279	7,658,202
Cash and cash equivalents at end of financial year	4, 21(a)	3,613,802	7,873,279

The cash flow statement should be read in conjunction with the accompanying notes on pages pages 10 to 30.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The general purpose financial statements have been prepared in accordance with the Financial Management Act 1994 (FMA), applicable Australian Accounting Standards and Interpretations (AASs) and the *Australian Charities and Not-for-profits Commission Act 2012*. Where applicable, those paragraphs of the AASs applicable to not-for-profit entities have been applied.

The financial statements were authorised for issue by the Board of Directors on the date the declaration was signed.

(b) Basis of accounting preparation and measurement

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate.

The financial statements have been prepared on a historical cost basis, except for non-current physical assets and financial instruments. Non-current physical assets, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Financial instruments are measured at a revalued amount being their carrying value at the reporting date. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value.

The financial statements are presented in Australian dollars, the functional and presentation currency of Melbourne Recital Centre.

In the application of AASs, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The financial statements have been prepared on a going-concern basis.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concept of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

In accordance with the requirements of *AASB 13 Fair Value Measurement* and the relevant Financial Reporting Directions, all assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures Melbourne Recital Centre has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(c) Reporting entity

The financial statements cover Melbourne Recital Centre (the Company) as an individual reporting entity. Melbourne Recital Centre is an individual company, incorporated and domiciled in Australia.

The Company is a company incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the Company is wound up, the constitution states that each member is required to contribute a maximum of \$100 each towards meeting any outstanding obligations of the Company. At 30 June 2016, the number of members was one, and the sole member of the Company is the Minister of Creative Industries.

The registered office is:

Melbourne Recital Centre
31 Sturt Street
Southbank 3006

The principal place of business is:

Melbourne Recital Centre
31 Sturt Street
Southbank 3006

(d) Scope and presentation of financial statements

Melbourne Recital Centre has presented its complete set of financial statements in alignment with the *AASB 1049* presentation format used in the Financial Report of the State and the general government sector.

Comprehensive Operating Statement

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from transactions or other economic flows. This classification is consistent with the whole-of-government reporting format and is allowed under *AASB 101 Presentation of Financial Statements*.

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually interactions between entities by mutual agreement. Transactions also include flows within an entity such as depreciation, where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset.

Other economic flows included in net result are changes arising from market re-measurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets.

Other economic flows – other comprehensive income are gains and losses from revaluation of financial assets to fair value.

The net result is equivalent to profit and loss derived in accordance with AASs.

Balance Sheet

Assets and liabilities are presented in decreasing order of liquidity with assets aggregated into financial assets and non-financial assets.

Current and non-current assets and liabilities (those expected to be recovered or settled beyond 12 months) are disclosed in the notes, where relevant.

Statement of Changes in Equity

The statement of changes in equity presents reconciliation of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income related to other non-owner changes in equity.

Cash Flow Statement

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under *AASB 107 Statement of Cash Flows*.

(e) Changes in accounting policies

Subsequent to the 2014–15 reporting period, there have been no new and revised Standards adopted in the current period.

(f) Income from transactions

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company and the income can be reliably measured.

Grant and sponsorship income is recognised in the operating statement in the reporting period in which the obligations under the grant and sponsorship arrangements are discharged.

Donations in cash and in kind are recognised as revenue when received.

Interest revenue and distribution income from investments are recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend income is recognised when the right to receive payment is established. Dividends represent the income arising from the Company's investments in financial assets.

Commercial operations

Revenue from commercial operations is recognised upon the delivery of the service to the customers. Artistic programming income comprises ticket sales from Melbourne Recital Centre Presents events. Income from this area is held as unearned revenue on the balance sheet until the performance has occurred and subsequently recognised as revenue.

Venue hire income comprises rental income for the use of the venue including the recovery of event production costs. Deposits relating to this activity is held as unearned revenue on the balance sheet until the performance has occurred and subsequently recognised as revenue.

Commercial activities comprises ticketing commission, food and beverage income and the recovery of front of house event services. Income from these activities is recognised upon the delivery of goods to customers.

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

(g) Expenses from transactions

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

Employee expenses

Employee expenses include all costs related to employment including wages and salaries, superannuation contributions, fringe benefits tax, leave entitlements, WorkCover premiums, learning and development and training costs.

Superannuation

All superannuation contributions are to defined contribution plans and expensed when incurred.

Depreciation

The depreciable amount (fair value less residual value) of all plant, property and equipment is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use. No depreciation is provided for cultural assets as they do not have a finite useful life.

The useful life for each class of depreciable assets is:

Class of asset	Useful life	
	2016	2015
Building fit-out	20–40 years	20–40 years
Venue furniture and equipment	4–20 years	4–20 years
Office furniture and equipment	3–20 years	3–20 years
Musical instruments	10–20 years	10–20 years
Cultural assets	Indefinite	Indefinite

The asset’s residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Supplies and consumables

Supplies and services expenses are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when distributed.

Artistic and production costs

Artistic and production costs relate to artist fees for Melbourne Recital Centre Presents events and production costs of all events held at Melbourne Recital Centre. These costs are recognised in the period as an expense in the period the event is held.

Bad and doubtful debts

A provision for doubtful receivables is made when there is objective evidence that the debts may not be collected. Bad debts are written off when identified.

(h) Other economic flows included in the net result

Other economic flows measure the change in volume or value of assets and liabilities that do not result from transactions.

Net gain/(loss) on financial instruments includes realised and unrealised gains and losses from revaluations of financial instruments at fair value; impairment and reversal of impairment for financial instruments at amortised cost; and disposals of financial assets and derecognition of financial liabilities.

(i) Financial assets

Cash and deposits

Cash and cash equivalents include cash on hand and deposits held at-call with banks.

Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less any accumulated impairment.

Investments

Investments held by Melbourne Recital Centre are listed securities and managed funds. Investments are classified as being available-for-sale. Investments are recognised and derecognised on trade date, and are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value with gains and losses arising from changes in fair value, recognised in ‘Other economic flows – other comprehensive income’ until the investments are disposed.

(j) Non-financial assets

Inventories

Inventories include goods and other property held for sale in the ordinary course of business operations. Inventory is measured at the lower of cost and net realisable value. Cost is measured on the basis of weighted average cost.

Property, plant and equipment

All non-current physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment losses.

Gains and losses on disposals are determined by comparing the carrying amount from the proceeds. These gains or losses are included in the comprehensive operating statement. When revalued assets are sold, amounts included in the available-for-sale revaluation reserve relating to that asset are transferred to retained earnings.

Impairment of assets

All assets are assessed annually for indications of impairment.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset’s carrying value exceeds its recoverable amount, the difference is written off as another economic flow, except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that class of asset.

It is deemed that in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary

has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Intangible assets

Intangible assets comprise software assets and are initially recognised at cost. Software has a finite useful life and therefore these externally purchased assets are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Company.

Amortisation is calculated on a straight line basis over 4 years.

Prepayments

Other non-financial assets include prepayments, which represent payments in advance of receipt of goods and services or that part of expenditure made in one accounting period covering a term extending beyond that period.

(k) Liabilities

Payables

Payables consist predominately of accounts payable and other sundry liabilities. Accounts payable represent liabilities for goods and services provided to the Company prior to the end of the financial year that are unpaid, and arise when the Company becomes obliged to make future payments in respect of the purchase of those goods and services.

(l) Provisions

Provisions are recognised when the Company has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Employee benefits

Provision is made for benefits accruing to employees in respect of wages, salaries, annual and long service leave for services rendered to the reporting date.

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave which are expected to be settled within 12 months of the reporting period, are recognised in the provision for employee benefits. These liabilities are classified as current liabilities and measured at their nominal value.

Those liabilities that are not expected to be settled within 12 months are recognised in the provision for employee benefits as non-current liabilities, measured at present value of the amounts expected to be paid when liabilities are settled using the remuneration rate expected to apply at the time of the settlement.

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Current liability – unconditional LSL is disclosed in the notes to the financial statements as a current liability even where the Company does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- Present value – component that the Company does not expect to settle within 12 months; and
- Nominal value – component that the Company expects to settle within 12 months.

Non-current liability – conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service.

This non-current LSL liability is measured at present value. Gain or loss following revaluation of the present value of non-current LSL liability due to changes in bond interest rates is recognised in the operating statement.

Employee benefits on-costs

Employee benefits on-costs (payroll tax, workers compensation, superannuation, annual leave and LSL accrued while on LSL taken in service) are recognised separately from provision for employee benefits.

(m) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of property, plant and equipment are classified as finance infrastructure leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

Operating leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

Future lease payment liabilities for both finance and operating leases are included as lease liabilities in the balance sheet.

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

(n) Commitments

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources and are disclosed at their nominal value, including goods and services tax payable.

Commitments and contingent assets or liabilities are presented on a gross basis.

(o) Events after the reporting date

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement, the transactions are only recognised when the agreement is irrevocable at or before balance date. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting date and before the date the statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the balance date and the date the statements are authorised for issue where the events relate to conditions which arose after the reporting date and which may have a material impact on the results of subsequent years.

(p) Goods and services tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(q) Income tax

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

(r) Comparative figures

Where required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(s) Economic dependence

Melbourne Recital Centre is dependent on Creative Victoria for the majority of its funding required to operate the business. At the date of this report the Directors have no reason to believe Creative Victoria will not continue to support Melbourne Recital Centre.

(t) Public Fund

The Company's constitution establishes a Public Fund to receive all gifts of money and property for object of the Company. The Company must maintain a separate bank account into which all donations of cash and all proceeds derived therefrom including interest, income or money from the realisation of property are paid. The Public Fund is only used to further Melbourne Recital Centre's objectives. In the event of the winding up of the Public Fund, or the Public Fund ceasing to be on the Register of Cultural Organisations, or the Company ceasing to be endorsed as a deductible gift recipient, any surplus of assets of the Public Fund must be transferred to a Public Fund: which is charitable at law; where gifts can be deducted under Subdivision 30-B due to it being listed on the Register of Cultural Organisations, as the members of the Company decide.

(u) Externally funded special projects reserve

Externally funded special projects reserve consist of unexpended earmarked donations and grants tied to a specific purpose.

(v) Australian Accounting Standards issued that are not yet effective

Certain new AASs have been published that are not mandatory for the 30 June 2016 reporting period.

As at 30 June 2016, the following AASs have been issued by the AASB but not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as follows:

Standard/Interpretation 1	Summary	Applicable for annual reporting periods beginning on	Impact on the Company's financial statements
<i>AASB 9 Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has identified that the financial impact of available-for-sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
<i>AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: <ul style="list-style-type: none"> • The change in fair value attributable to changes in credit risk is presented in OCI; and • Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. 	1 Jan 2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within OCI. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
<i>AASB 15 Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.
<i>AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15</i>	Amends the measurement of trade receivables and the recognition of dividends. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when: <ul style="list-style-type: none"> • the entity's right to receive payment of the dividend is established; • it is probable that the economic benefits associated with the dividend will flow to the entity; and • the amount can be measured reliably. 	1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the Company.

Melbourne Recital Centre
Notes to the Financial Statements
for the Financial Year Ended 30 June 2016

Standard/Interpretation 1	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
<i>AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 Jan 2018	This amending standard will defer the application period of AASB 15 to the 2018–19 reporting period in accordance with the transition requirements.
<i>AASB 2014 4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]</i>	Amends AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets to: <ul style="list-style-type: none"> • establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; • prohibit the use of revenue based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset. 	1 Jan 2016	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation by the Company
<i>AASB 2015 6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</i> <i>[AASB 10, AASB 124 & AASB 1049]</i>	The Amendments extend the scope of AASB 124 Related Party Disclosures to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 Jan 2016	The amending standard will result in extended disclosures on the Company's key management personnel, and the related party transactions.
<i>AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities</i>	The standard amends AASB 136 Impairment of Assets to remove references to using depreciated replacement cost as a measure of value in use for not-for-profit entities.	1 Jan 2017	The assessment has indicated that there is minimal impact on the Company

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2015–16 reporting period (as listed below). In general, these amending standards include editorial and reference changes that are expected to have insignificant impacts on the Company's reporting.

- AASB 1057 *Application of Australian Accounting Standards*
- AASB 2015 2 Amendments to Australian Accounting Standards – *Disclosure Initiative: Amendments to AASB 101* [AASB 7, AASB 101, AASB 134 & AASB 1049]
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

NOTE 2: INCOME FROM TRANSACTIONS

	2016	2015
	\$	\$
Artistic programming	3,105,887	2,806,060
Venue hire	1,910,659	1,793,752
Commercial activities	1,256,363	1,155,792
(a) Commercial operations	6,272,909	5,755,604
Interest received	93,745	202,926
Dividends received	14,737	13,979
Managed investment income distribution	166,133	–
Other income	58,720	31,606
(b) Other income	333,335	248,511
Grants	–	1,030,000
Other grants, donations and sponsorship	–	505,700
Commercial income	–	276,058
(c) SummerSalt Festival Income	–	1,811,758

NOTE 3: EXPENSES FROM TRANSACTIONS

	2016	2015
	\$	\$
Salaries and wages	4,600,354	4,198,923
Defined contribution superannuation plans	413,578	365,364
Provision for long service leave expense	200,565	16,293
(a) Employee expenses	5,214,497	4,580,580
Marketing and promotion	1,320,966	1,407,429
Information technology	362,714	379,483
Food and beverage	588,791	561,406
Other supplies and consumables	242,558	262,777
(b) Supplies and consumables	2,515,029	2,611,095
Employee expenses	–	100,514
Supplies and consumables	–	382,456
Artistic and production costs	–	1,321,587
Building occupancy	–	1,950
Legal and consultancy expenses	–	61,352
(c) SummerSalt Festival Expenditure	–	1,867,859

NOTE 4: CASH AND DEPOSITS

	2016	2015
	\$	\$
Cash at bank – trading accounts	257,352	234,043
Cash at bank – Public Fund	1,067,937	5,267,662
Cash at bank – venue hire and ticket sales deposit accounts	1,525,575	1,617,458
Cash on hand	6,006	6,239
Cash on short-term deposit	756,932	747,877
Total cash and deposits	3,613,802	7,873,279

NOTE 5: RECEIVABLES

	2016	2015
	\$	\$
Current trade debtors (contractual assets)	151,997	254,386
Less provision for doubtful debts	(1,048)	(38,705)
Total receivables	150,949	215,681

(a) Movement in provision for doubtful debts

	2016	2015
	\$	\$
Balance at beginning of the year	38,705	–
Increase/(decrease) in provision recognised in the net result	(37,657)	38,705
Balance at end of the year	1,048	38,705

(a) Ageing analysis of contractual assets

Please refer to Table 22.4 in Note 22 for the ageing analysis of contractual assets.

(b) Nature and extent of risk arising from contractual assets

Please refer to Note 22 for the nature and extent of credit risk arising from contractual assets.

NOTE 6: INVESTMENTS

	2016	2015
	\$	\$
Equities and managed investment funds:		
Listed securities at fair value	252,507	292,292
Managed investment funds at fair value	5,267,078	–
Total investments	5,519,585	292,292

(a) Ageing analysis of investments

Please refer to Table 22.4 in Note 23 for the ageing analysis of investments.

(b) Nature and extent of risk arising from investments

Please refer to Note 23 for the nature and extent of risks arising from investments.

NOTE 7 PROPERTY, PLANT AND EQUIPMENT

(a) Movement in carrying amount

	Building fit-out at fair value		Venue furniture & equipment at fair value		Office furniture & equipment at fair value		Music instruments at fair value		Cultural assets at fair value		Totals	
<i>Fair value hierarchy</i>	Level 3		Level 3		Level 2		Level 2					
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Opening balance	515,468	549,445	1,473,521	1,570,459	180,974	212,109	315,089	401,890	381,100	206,100	2,866,152	2,940,003
Additions	–	–	92,241	198,912	45,074	40,872	4,545	–	–	175,000	141,860	414,784
Depreciation expenses	(34,070)	(33,977)	(324,970)	(295,850)	(65,597)	(72,007)	(87,493)	(86,801)	–	–	(512,130)	(488,635)
Closing balance	481,398	515,468	1,240,792	1,473,521	160,451	180,974	232,141	315,089	381,100	381,100	2,495,882	2,866,152

(b) Across carrying amount and accumulated depreciation

	2016 \$	2015 \$
Building fit-out	730,324	730,324
Less accumulated depreciation	(248,926)	(214,856)
Closing balance	481,398	515,468
Venue furniture and equipment	3,082,900	2,990,659
Less accumulated depreciation	(1,842,108)	(1,517,138)
Closing balance	1,240,792	1,473,521
Office furniture and equipment	646,517	601,443
Less accumulated depreciation	(486,066)	(420,469)
Closing balance	160,451	180,974
Musical instruments	881,555	877,010
Less accumulated depreciation	(649,414)	(561,921)
Closing balance	232,141	315,089
Cultural assets	381,100	381,100
Less accumulated depreciation	–	–
Closing balance	381,100	381,100
Total property, plant and equipment	2,495,882	2,866,152

(c) Fair value measurement hierarchy for assets as at 30 June 2016

	Carrying amount as at 30 June 2016	Fair value measurement at end of reporting period using:			Carrying amount as at 30 June 2015	Fair value measurement at end of reporting period using:		
		Level 1 ⁽ⁱ⁾	Level 2 ⁽ⁱ⁾	Level 3 ⁽ⁱ⁾		Level 1 ⁽ⁱ⁾	Level 2 ⁽ⁱ⁾	Level 3 ⁽ⁱ⁾
	\$	\$	\$	\$	\$	\$	\$	\$
Building fit-out at fair value								
Building fit-out	481,398	–	–	481,398	515,468	–	–	515,468
Total of Building fit-out at fair value	481,398	–	–	481,398	515,468	–	–	515,468
Venue furniture and equipment at fair value								
Venue furniture and equipment	1,240,792	–	–	1,240,792	1,473,521	–	–	1,473,521
Total of Venue furniture and equipment at fair value	1,240,792	–	–	1,240,792	1,473,521	–	–	1,473,521
Office furniture and equipment at fair value								
Office furniture and equipment	160,451	–	160,451	–	180,974	–	180,974	–
Total of Office furniture and equipment at fair value	160,451	–	160,451	–	180,974	–	180,974	–
Music instruments at fair value								
Music instruments	232,141	–	232,141	–	315,089	–	315,089	–
Total of Music instruments at fair value	232,141	–	232,141	–	315,089	–	315,089	–

Note:

(i) Classified in accordance with the fair value hierarchy, see Note 1(b).

(d) Upon completion of building construction, building fitouts, furniture and equipment were passed across to Melbourne Recital Centre from Creative Victoria at fair value.

(e) Description of significant unobservable inputs to Level 3 valuations (2016 and 2015)

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value measurement to changes in significant unobservable inputs
Building fit-out	Depreciated replacement cost	Cost per unit	Transferred as a lump sum on completion of construction	A significant increase or decrease in direct cost per unit adjustment would result in a significantly higher or lower fair value.
		Useful Life	20–40 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Venue furniture and equipment	Depreciated replacement cost	Cost per unit	\$3,000–\$124,787 per unit	A significant increase or decrease in direct cost per unit adjustment would result in a significantly higher or lower fair value.
		Useful life	4–20 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

NOTE 8: INTANGIBLE ASSETS

	2016	2015
	\$	\$
Gross carrying amount		
Opening balance	350,184	339,184
Additions	–	11,000
Closing balance	350,184	350,184
Accumulated amortisation		
Opening balance	155,562	68,017
Amortisation expenses	87,786	87,545
Closing balance	243,348	155,562
Net book value at end of financial year	106,836	194,622

Note: Intangible assets are related to website development.

NOTE 9: OTHER NON-FINANCIAL ASSETS

	2016	2015
	\$	\$
Security deposit	800	800
Prepayments	211,719	184,626
Total other non-financial assets	212,519	185,426

NOTE 10 : TRADE AND OTHER PAYABLES

	2016	2015
	\$	\$
Current trade payables (contractual payables)	769,799	643,546
Employee benefits	267,936	405,604
Total trade and other payables	1,037,735	1,049,150

(a) Maturity analysis of contractual payables

Please refer to Table 22.5 in Note 22 for the maturity analysis of contractual payables.

(b) Nature and extent of risk arising from contractual payables

Please refer to Note 22 for the nature and extent of risks arising from contractual payables.

NOTE 11: VENUE HIRE AND ADVANCED TICKET SALES

	2016	2015
	\$	\$
Venue hire deposits	386,492	282,951
Advance ticket sales	751,526	883,889
Total venue hire deposits and advance ticket sales	1,138,018	1,166,840

NOTE 12: PROVISIONS

	2016	2015
	\$	\$
(a) Employee benefits and on-costs		
Current employee benefits		
Annual leave – within 12 months	243,687	220,315
Long service leave	128,921	18,314
Total current employee benefits	372,608	238,629
Non-current employee benefits		
Long service leave	191,439	121,588
Total employee benefits	564,047	360,217
Current on-costs	39,191	24,333
Non-current on-costs	21,331	13,548
Total on-costs	60,522	37,881
Total employee benefits and on-costs	624,569	398,098
(b) Movement in provisions		
Balance at beginning of the year	398,098	383,740
Increase/(decrease) in provision recognised in the net result	226,471	14,358
Balance at end of the year	624,569	398,098

Note: It is expected that annual leave of approximately \$243,687 will be paid in the next 12 months

NOTE 13: OTHER LIABILITIES

	2016	2015
	\$	\$
Income received in advance	238,880	124,500
Total other liabilities	238,880	124,500

NOTE 14: STATEMENT IN CHANGES IN EQUITY

	2016	2015
	\$	\$
14(a) Accumulated surplus		
Balance at beginning of year	3,233,172	3,754,977
Net result	27,995	263,636
Transfer to Public Fund – general	(798,272)	(731,346)
Transfer to Public Fund – externally funded special projects reserve	(134,891)	(54,095)
Balance at end of year	2,328,004	3,233,172
14(b) Available-for-sale revaluation reserve		
Balance at beginning of year	27,019	23,001
Valuation gain recognised	61,159	4,018
Balance at end of year	88,178	27,019

NOTE 15: COMMITMENTS FOR EXPENDITURE

The following commitments have not been recognised as liabilities in the financial statements.

	2016	2015
	\$	\$
Not later than one year	143,946	121,255
Later than one year but not later than five years	117,235	10,105
Total expenditure commitments (inclusive of GST)	261,181	131,360
Less GST recoverable from the Australian Taxation Office	(23,743)	(11,942)
Total commitments for expenditure (exclusive of GST)	237,438	119,418

At the reporting date there are no capital commitments.

NOTE 16: PUBLIC FUND

OPERATING STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	2016	2015
	\$	\$
Revenue		
Grants and donations	1,154,961	1,247,120
Grants and donations – SummerSalt Festival	–	182,000
Interest	36,076	139,952
Income distribution	166,133	–
Total revenue	1,357,170	1,569,072
Expenses		
Music program commission	365,115	783,631
Total expenses	365,115	783,631
Net surplus for the year	992,055	785,441

BALANCE SHEET AS AT 30 JUNE 2016

	2016	2015
	\$	\$
Assets		
Cash and deposits	1,112,700	5,338,705
Investments	5,519,585	292,292
Cultural assets	175,000	175,000
Total assets	6,807,285	5,805,997
Liabilities		
Music commission	29,095	11,021
Other income received in advance	–	70,000
Total liabilities	29,095	81,021
Net assets	6,778,190	5,724,976
Equity		
Public Fund – general	6,143,196	5,286,032
Public Fund – externally funded special projects reserve*	546,816	411,925
Public Fund – available-for-sale revaluation reserve	88,178	27,019
Total equity	6,778,190	5,724,976

* Externally Funded Special Projects Reserve consist of unexpended earmarked donations and grants tied to a specific purpose

NOTE 17: EVENTS AFTER THE BALANCE DATE

Since 30 June 2016, there are no matters or circumstances that have arisen that require adjustments to or disclosure in the financial statements.

NOTE 18: AUDITORS' REMUNERATION

	2016	2015
	\$	\$
Victorian Auditor-General's Office		
Audit of the financial statements	34,000	33,200

NOTE 19: RESPONSIBLE PERSONS

The names of the persons who held the positions of Minister, Responsible Persons and Accountable Officer are as follows:

Minister for Creative Industries

Martin Foley MP (1 July 2015 – 30 June 2016)

Amounts relating to the Minister's remuneration are reported in the financial statements of the Department of Economic Development, Jobs, Transport and Resources.

Responsible Persons

Kathryn Fagg – Chair

Peter Bartlett

Stephen Carpenter

Joseph Corponi

Paul Donnelly

Margaret Farren-Price

Julie Kantor (until 23 February 2016)

Eda Ritchie

Accountable Officer

Mary Vallentine AO

The remuneration of the Accountable Officer fell within the following band:

\$250,000–\$259,999 (\$240,000–\$249,999 in 2014–15)

NOTE 20: DIRECTORS' REMUNERATION

All Directors are appointed by the Minister for Creative Industries. They do not receive remuneration for services provided in their role as Directors although they are eligible to be reimbursed for out-of-pocket expenses.

NOTE 21: REMUNERATION OF EXECUTIVES

The total remuneration of the Executive Management of Melbourne Recital Centre, excluding the Accountable Officer, is \$716,014 (\$714,640 in 2014–15). The total remuneration includes termination payments made in 2014–15.

Income bands represent total remuneration received during the year including part year payments.

Income band	Total remuneration		Base remuneration	
	2016 No.	2015 No.	2016 No.	2015 No.
\$50 000 – 59 999	1	0	1	0
\$80 000 – 89 999	1	0	1	0
\$90 000 – 99 999	1	0	1	0
\$130 000 – 139 999	1	0	1	0
\$140 000 – 149 999	0	1	0	2
\$150 000 – 159 999	0	1	0	1
\$160 000 – 169 999	1	1	1	1
\$170 000 – 179 999	1	0	1	0
\$240 000 – 249 999	0	1	0	0

NOTE 22: CASH FLOW INFORMATION

	2016	2015
Note	\$	\$
(a) Reconciliation of cash and cash equivalents		
Cash at bank	3,607,796	7,867,040
Other cash on hand	6,006	6,239
Balance as per cash flow statement	3,613,802	7,873,279
(b) Reconciliation of net cash result for the period to cash flows from operating activities for the year		
Net result for the year	86,887	263,636
Non cash flows movements		
Depreciation of non-current assets	599,916	576,180
Provision of doubtful debts	(37,657)	38,705
VFMC distribution income	(166,133)	-
Changes in assets and liabilities		
Decrease/(increase) in receivable and other assets	75,296	(105,334)
Decrease/(increase) in stock	5,439	(4,020)
Decrease in GST recoverable	18,022	42,334
Decrease in trade and payables	(11,416)	(469,209)
Increase in provisions	226,471	14,358
(Decrease)/increase in venue hire deposits and advance ticket sales	(28,822)	159,711
Increase in other income received in advance	114,380	124,500
Net cash flows from/(used in) operating activities	882,383	465,861
(c) Asset purchased on behalf of Creative Victoria and reimbursed through allocation of Capital Funds.	130,410	330,504

NOTE 23: FINANCIAL INSTRUMENTS

The Company's principal financial instruments comprise: cash and cash equivalents, receivables (excluding statutory receivables), investments in equities and payables (excluding statutory payables). Details of the significant accounting policies are disclosed in Note 1. The Company considers that the carrying amount of financial assets and liabilities recorded in the financial statements to be a fair approximation of their fair values. The Company is exposed to some financial risks: interest rate risk, equity price risk, credit risk and liquidity risk.

INTEREST RATE RISK

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Melbourne Recital Centre manages this risk by maintaining cash balances in accounts with whole-of-government negotiated rates to minimise the impact of fluctuation in interest rates.

Table 22.1 Interest Rate Exposure

	2016					2015				
	Weighted average effective interest rate %	Variable Interest Rates \$	Non-interest bearing \$	Fixed Interest rate \$	Total value \$	Weighted average effective interest rate %	Variable Interest Rates \$	Non-interest bearing \$	Fixed Interest rate \$	Total Value \$
Financial Assets										
Cash and deposits	1.52%	2,829,151	27,719	756,932	3,613,802	2.54%	3,360,585	6,239	4,506,455	7,873,279
Receivables	–	–	150,949	–	150,949	–	–	215,681	–	215,681
Investments	–	–	5,519,585	–	5,519,585	–	–	292,292	–	292,292
(i) Total financial assets		2,829,151	5,698,253	756,932	9,284,336		3,360,585	514,212	4,506,455	8,381,252
Financial liabilities										
Payables	–	–	1,037,735	–	1,037,735	–	–	1,049,150	–	1,049,150
Venue hire and tickets sales deposits	–	–	1,138,018	–	1,138,018	–	–	1,166,840	–	1,166,840
(ii) Total financial liabilities		–	2,175,753	–	2,175,753		–	2,215,990	–	2,215,990

Note (i) The total financial assets are all contractual financial assets, receivables, and investments.

Note (ii) The total financial liabilities are all contractual financial liabilities at amortised cost.

INTEREST RATE SENSITIVITY

A sensitivity analysis has been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. At reporting date, if interest rates had moved 0.5% up or down with all other variables held constant, the Company's net surplus would move as follows:

Table 22.2 Interest rate sensitivity analysis

	2016					2015				
	Variable Interest Rate Risk					Variable Interest Rate Risk				
	Carrying amount \$	–0.5% (50 basis points) Net Result \$	Equity \$	0.5% (50 basis points) Net Result \$	Equity \$	Carrying Amount \$	–0.5% (50 basis points) Net Result \$	Equity \$	0.5% (50 basis points) Net Result \$	Equity \$
Financial assets										
Cash at bank and deposits	3,586,083	(17,930)	(17,930)	17,930	17,930	7,867,040	(39,335)	(39,335)	39,335	39,335
Cash on hand	27,719	–	–	–	–	6,239	–	–	–	–
Debtors net of provision for doubtful debts	150,949	–	–	–	–	215,681	–	–	–	–
Investments	5,519,585	–	–	–	–	292,292	–	–	–	–
Total financial assets	9,284,336	(17,930)	(17,930)	17,930	17,930	8,381,252	(39,335)	(39,335)	39,335	39,335
Financial liabilities										
Payables	1,037,735	–	–	–	–	1,049,150	–	–	–	–
Venue hire deposits and advance tickets sales	1,138,018	–	–	–	–	1,166,840	–	–	–	–
Total financial liabilities	2,175,753	–	–	–	–	2,215,990	–	–	–	–

EQUITY PRICE RISK

Exposure to equity price risk arises primarily through shifts in the unit prices of investments held as available-for-sale financial assets. The carrying value at year end reflects the fair value.

A sensitivity analysis has been determined based on the exposure to equity prices at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. At reporting date, if equity prices had moved 10% up or down with all other variables held constant, the Company's net surplus would move as follows:

Table 22.3 Equity price sensitivity analysis

	2016					2015				
	Equity Price Risk					Equity Price Risk				
	Carrying amount	-10% Net result	Available-for-sale revaluation surplus	10% Net result	Available-for-sale revaluation surplus	Carrying Amount	-10% Net result	Available-for-sale revaluation surplus	10% Net result	Available-for-sale revaluation surplus
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets										
Investments	5,519,585	(551,959)	(551,959)	551,959	551,959	292,292	(29,229)	(29,229)	29,229	29,229
Total impact	5,519,585	(551,959)	(551,959)	551,959	551,959	292,292	(29,229)	(29,229)	29,229	29,229

CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company manages credit risk by dealing with counterparties of established reputations in the industry. The Company's maximum exposure to credit risk at balance date in relation to each class of financial asset is the carrying amount of those assets as indicated in the balance sheet. The Company does not have any significant concentration of credit risk on an industry, regional or country basis.

Currently the Company holds no collateral as security nor credit enhancements relating to any of its financial assets.

As at the reporting date there is no event to indicate that any of the financial assets were impaired.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated. The following table discloses the ageing of financial assets that are past due but not impaired:

Table 22.4 Ageing analysis of financial assets

	Carrying amount	Not past due and not impaired	PAST DUE BUT NOT IMPAIRED				Impaired financial assets
			Less than 1 month	1-3 months	3 months-1 year	1-5 years	
	\$	\$	\$	\$	\$	\$	
2016							
Cash and deposits	3,613,802	3,613,802	-	-	-	-	-
Debtors net of provision for doubtful debts	150,949	90,209	58,650	1,813	277	-	1,048
Investments	5,519,585	5,519,585	-	-	-	-	-
2015							
Cash and deposits	7,873,279	7,873,279	-	-	-	-	-
Debtors net of provision for doubtful debts	215,681	62,467	73,781	30,933	48,500	-	38,705
Investments	292,292	292,292	-	-	-	-	-

LIQUIDITY RISK

Liquidity risk arises from Melbourne Recital Centre being unable to meet financial obligations as they fall due. The manner in which Melbourne Recital Centre manages this risk is through the cash flow provided by the funding agreement with Creative Victoria. In 2015–16 Melbourne Recital Centre received \$3.899 million from Creative Victoria (2014–15 \$4.886 million). The following table summarises the maturity profile of Melbourne Recital Centre's financial liabilities:

Table 22.5 Maturity analysis of financial instruments

	Carrying amount	Maturity dates			
		Less than 1 month	1–3 months	3 months–1 year	1–5 years
	\$	\$	\$	\$	\$
2016					
Cash and deposits	3,613,802	2,856,870	756,932	–	–
Receivables	150,949	148,859	1,813	277	–
Investments	5,519,585	5,519,585	–	–	–
Total financial assets	9,284,336	8,525,314	758,745	277	–
Payables	1,037,735	1,037,735	–	–	–
Venue hire and tickets sales deposits	1,138,018	791,495	188,481	158,042	–
Total financial liabilities	2,175,753	1,829,230	188,481	158,042	–
2015					
Cash and deposits	7,873,279	3,366,824	4,506,455	–	–
Receivables	215,681	136,248	30,933	48,500	–
Investments	292,292	292,292	–	–	–
Total financial assets	8,381,252	3,795,364	4,537,388	48,500	–
Payables	1,049,150	1,049,150	–	–	–
Venue hire and tickets sales deposits	1,166,840	949,214	124,056	93,570	–
Total financial liabilities	2,215,990	1,998,364	124,056	93,570	–

Table 22.6 Financial assets measured at fair value

Melbourne Recital Centre considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short term nature of the financial instruments and the expectation that they will be paid in full.

	Carrying amount as at 30 June	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
	\$	\$	\$	\$
2016				
Investments in:				
Available-for-sale listed securities	252,507	252,507	–	–
Equities and managed investment schemes	5,208,186	–	5,208,186	–
Total financial assets	5,460,693	252,507	5,208,186	–
2015				
Investments in:				
Available-for-sale listed securities	292,292	292,292	–	–
Total financial assets	292,292	292,292	–	–

NOTE 24: CONTINGENT LIABILITIES AND ASSETS

At reporting date there are no contingent liabilities or contingent assets.

NOTE 25: RELATED PARTY TRANSACTIONS

There were no related party transactions during the year.

NOTE 26: GLOSSARY OF TERMS

Comprehensive result

Total comprehensive result is the change in equity for the period other than changes arising from transactions with owners. It is the aggregate of net result and other non-owner changes in equity.

Net result

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner changes in equity'.

Net result from transactions (net operating balance)

Net result from transactions or net operating balance is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is a component of the change in net worth that is due to transactions.

Other economic flows

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. They include gains and losses from disposals, revaluations and impairment of non-current physical assets and fair value changes of financial instruments. In simple terms, other economic flows are changes arising from market remeasurements.

Transactions

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows within an entity such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and the consumer of the service provided by the asset.

Directors' Declaration

The Directors of Melbourne Recital Centre declare that:

1. The financial statements and notes set out on pages 6 to 30 are in accordance with the Australian Charities and Not-for-profits Commission Act 2012. They:
 - a. comply with Accounting Standards and the Australian Charities and Not-for-profits Commission Regulations 2013; and
 - b. give a true and fair view of the financial position as at 30 June 2016 and of the performance of Melbourne Recital Centre for the period ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink that reads "K. J. Fagg". The signature is written in a cursive style with a large, looped "F" and "g".

Kathryn Fagg
Director
30 August 2016

INDEPENDENT AUDITOR'S REPORT

To the Directors, Melbourne Recital Centre

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of the Melbourne Recital Centre which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

The Directors' Responsibility for the Financial Report

The Directors of the Melbourne Recital Centre are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the *Australian Charities and Not-for-profits Commission Act 2012*, and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on my audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

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

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, I and my staff and delegates have complied with the applicable independence requirements of the Australian Auditing Standards, relevant ethical pronouncements and the *Australian Charities and Not-for-profits Commission Act 2012*.

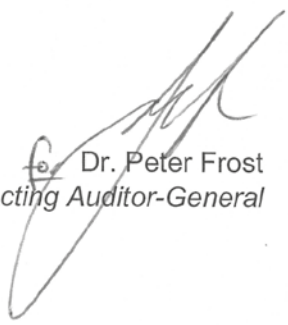
I confirm that I have given to the Directors of the company a written independence declaration, a copy of which is included in the Directors' Report.

Opinion

In my opinion, the financial report of the Melbourne Recital Centre is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2016 and of its financial performance for the year ended on that date
- (b) complying with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Regulation 2013*

MELBOURNE
2 September 2016


Dr. Peter Frost
Acting Auditor-General

MINISTERIAL DIRECTIONS

Report of Operations — Financial Reporting Direction Guidance

Legislation	Requirement	Page ref
Charter and purpose		
FRD 22G	Manner of establishment and the relevant Ministers	Page 30 – Part 1
FRD 22G	Purpose, functions, powers and duties	Page 30 – Part 1
FRD 8D	Departmental objectives, indicators and outputs	N/A
FRD 22G	Initiatives and key achievements	Page 4 – Part 1
FRD 22G	Nature and range of services provided	Page 30 – Part 1
Management and structure		
FRD 22G	Organisational Structure	Page 26 – Part 1
Financial and other information		
FRD 8D	Report against output targets	Page 4 – Part 1
FRD 10A	Disclosure index	Page 34 – Part 2
FRD 12A	Disclosure of major contracts	N/A
FRD 15C	Executive officer disclosures	Page 25 – Part 1
FRD 22G	Employment and conduct principles	Page 22 – Part 1
FRD 22G	Occupational health and safety policy	Page 32 – Part 1
FRD 22G	Summary of financial results for the year	Page 29 – Part 1
FRD 22G	Significant changes in financial position during the year	Page 29 – Part 1
FRD 22G	Major changes or factors affecting performance	Page 29 – Part 1
FRD 22G	Subsequent events	Page 24 – Part 2
FRD 22G	Compliance with building and maintenance provision of <i>Building Act 1993</i>	Page 32 – Part 1
FRD 22G	Statement on National Competition Policy	Page 31 – Part 1
FRD 22G	Application and operation of the <i>Protected Disclosures Act 2012</i>	Page 31 – Part 1
FRD 22G	Details of consultancies over \$10,000	Page 34 – Part 1
FRD 22G	Details of consultancies under \$10,000	Page 34 – Part 1
FRD 22G	Disclosure of ICT expenditure	Page 34 – Part 1
FRD 22G	Statement of availability of other information	Page 31 – Part 1
FRD 24C	Reporting of office-based environmental impacts	Page 27 – Part 1
FRD 25B	Victorian Industry Participation Policy disclosures	Page 31 – Part 1
FRD 29A	Workforce Data disclosures	Page 33 – Part 1
SD 4.5.5	Attestation for compliance with <i>Ministerial Standing Direction 4.5.5</i>	Page 32 – Part 1
SD 4.2 (j)	Sign off requirements	Page 2 – Part 1

FINANCIAL REPORT

Financial Statements required under Part 7 of the FMA		
SD 4.2 (a)	Statement of Changes in Equity	Page 8 – Part 2
SD 4.2 (b)	Operating Statement	Page 6 – Part 2
SD 4.2 (b)	Balance Sheet	Page 7 – Part 2
SD 4.2 (b)	Cash flow Statement	Page 9 – Part 2
Other Requirements under Standing Directions 4.2		
SD 4.2 (c)	Compliance with Australian accounting standards and other authoritative pronouncements	Page 10 – Part 2
SD 4.2 (c)	Compliance with Ministerial Directions	Page 10 – Part 2
SD 4.2 (d)	Rounding of amounts	N/A
SD 4.2 (c)	Accountable officer's declaration	Page 2 – Part 1
Other Disclosures as required by FRDs in notes to the Financial Statements		
FRD 13	Disclosure of Parliamentary Appropriations	N/A
FRD 21B	Disclosure of Responsible Persons and Executive Officers	Page 25 – Part 2
FRD 103F	Non Financial Physical Assets	Page 19 – Part 2
FRD 110	Cash Flow Statements	Page 9 – Part 2
FRD 112D	Defined Benefit Superannuation Obligations	Page 17 – Part 2

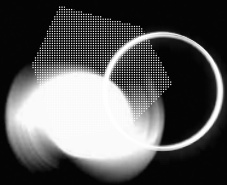
Legislation

Building Act 1983

Protected Disclosure Act 2012

Victorian Industry Participation Policy Act 2003

Financial Management Act 1994



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CREATIVE**VICTORIA**