

Financials

OPERATING RESULT

The Surplus for 2005/06 was impacted by the early receipt of \$27.25m of 2006/07 Government grants. The statement below sets out the Operating and Other Activities of Sydney Opera House for 2005/06, assuming this event had not occurred.

2005/06 was the fourth successive year of positive operating results for Sydney Opera House. The \$1.212m Operating Profit is before depreciation and other building and maintenance activities.

Operating revenues grew by 7%, an increase of more than \$2.9m on the previous year:

- total revenues from food and beverage activities increased by 20% to \$3.9m, following the continued popularity of offerings on site
- venue based rentals and recoveries increased by 9% to \$17.6m
- tourism revenues grew by 8% to \$5.4m due to a range of initiatives that saw tour pax numbers increase to 270,040 (up 9.3%), while many other major Sydney tourism attractions reported a downturn in visitor numbers.

Sydney Opera House continued to play a key role in the support and development of new artists and diverse art forms:

- over 540 performances were presented by the Producers Unit to a total audience of more than 126,000
- support was provided to a wide range of community events, including over 40 performances reaching a audience of more than 26,500.

Expenditure on these activities increased to \$5.9m, resulting in a continual overall investment of \$3m, net of related production income.

BUILDING MANAGEMENT

The overall surplus from ordinary activities includes recognition of \$19.6m of Strategic Asset Maintenance grants and \$7.1m for the Venue Improvement Programme.

The \$7.1m Venue Improvement Programme (VIP) capital funding is part of a \$69m package of funding approved by the NSW Government in 2001/02. VIP Project achievements for 2005/06 included:

- Completion of the Colonnade Project and its official opening by Her Majesty Queen Elizabeth II in March 2006
- Completed design and commenced construction in June 2006 of an upgrade to the Forecourt infrastructure for external events such as Australian Idol
- Advanced design of new interiors to the Western Foyers including a new Bennelong lift
- A full-scale trial of new orchestra tiered stage risers to provide acoustic improvements in the Concert Hall in collaboration with the Sydney Symphony Orchestra.

2005/06 Strategic Asset Maintenance grants of \$19.6m funded the majority of ongoing building maintenance requirements. For 2005/06 maintenance expenditure totalled \$21.9m: \$16.1m expensed and \$5.8m capitalised. Maintenance works were undertaken on many major systems, including the electrical switchboard, data centre, fire dampers, electrical services, theatre systems and building structure.

The table below sets out the Operating and Other Activities of Sydney Opera House for 2005/06, assuming the early receipt of \$27.25m of 2006/07 Government grants had not occurred.

	2006 \$000	2005 \$000
Operating Activities		
<i>Revenues</i>		
Operating revenues	43,351	40,482
Government endowment	14,294	14,091
	57,645	54,573
<i>Expenses</i>		
Operating expenses	56,433	52,177
Operating profit before depreciation and other activities	1,212	2,396
Depreciation	9,798	10,860
Net profit/(loss) including depreciation	(8,586)	(8,464)
Other Activities		
<i>Revenues</i>		
Strategic asset management grants	19,627	19,242
Other capital grants	7,108	18,313
Asset-related revenues & adjustments	1,644	1,112
Increase in prepaid superannuation	0	751
Appeal fund	8	10
	28,387	39,428
<i>Expenses</i>		
Decrease in prepaid superannuation	293	0
Building refurbishment & maintenance expenses	18,344	21,280
	18,637	21,280
Surplus/(Deficit) from ordinary activities	1,164	9,684

Note: The results presented are before the elimination of any internal revenues and expenses.

RECONCILIATION OF ABOVE OPERATING RESULT TO THE AUDITED FINANCIAL REPORT

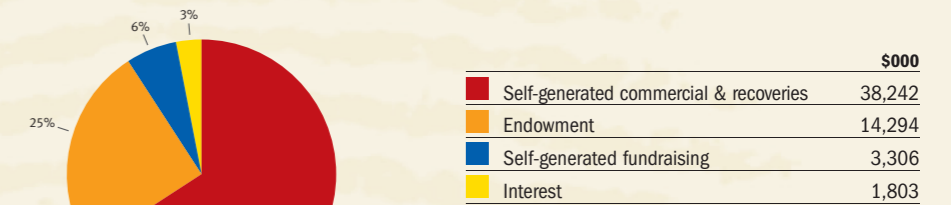
	2006 \$000	2005 \$000
Surplus/(Deficit) from ordinary activities	1,164	9,684
Advanced receipt of 2006/07 Government Grants	27,250	0
Surplus for the year, as per Audited Financial Report Income Statement	28,414	9,684

CASH POSITION

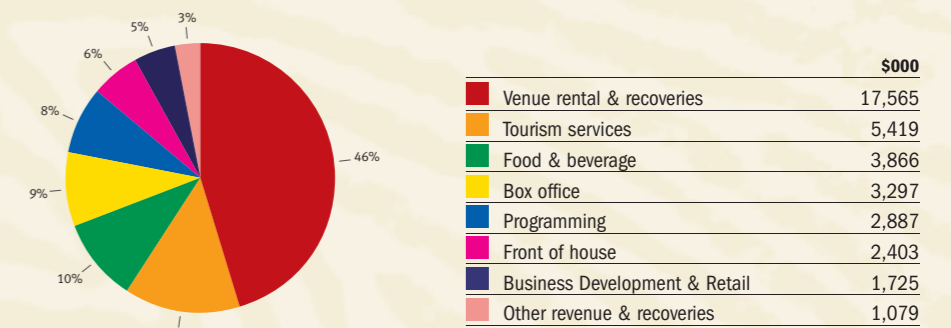
The overall cash held at the end of the Financial Year was favourably impacted by the early receipt of \$27.25m of 2006/07 Government grants. If this event did not occur then overall cash outflow of \$2.5m would have occurred in 2005/06.

	2006 \$000	2005 \$000
Cash Position		
Cash at end of financial year, before advanced receipt of 2006/07 Government Grants	59,373	61,881
Advanced receipt of 2006/07 Government Grants	27,250	0
Cash at end of financial year, as per Audited Financial Report Income Statement	86,623	61,881

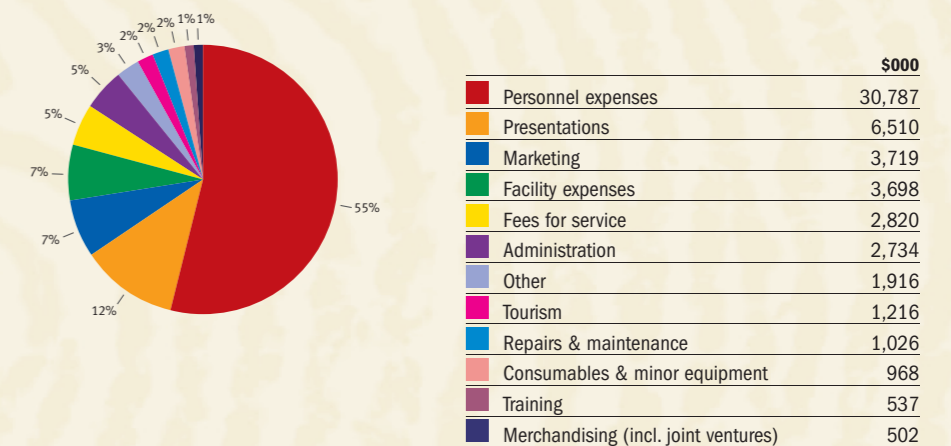
SOURCES OF FUNDING FOR OPERATING ACTIVITIES



COMMERCIAL REVENUE SOURCES



OPERATING EXPENSES



INDEX

STATEMENT IN ACCORDANCE WITH SECTION 41C (1C)	36
INDEPENDENT AUDIT REPORT	37
INCOME STATEMENT	38
STATEMENT OF CHANGES IN EQUITY	38
BALANCE SHEET	38
CASH FLOW STATEMENT	39
NOTES TO AND FORMING PART OF THE FINANCIAL REPORT	39
1. Summary of Significant Accounting Policies	39
2. Revenues	42
3. Expenses	43
4. Trustees' Remuneration	43
5. Cash and Cash Equivalents	43
6. Trade and Other Receivables	43
7. Allowance for Impairment of Receivables	43
8. Property Plant and Equipment	44
8.1 Intangible Assets	44
9. Trade and Other Payables	44
10. Non-Current Provisions	47
11. Trust Funds – Foster Bequest	47
12. Interest in Joint Ventures	47
13. Movements in Equity	48
14. Sydney Opera House Appeal Fund	48
15. Commitments	48
15.1 Goods and Services	48
15.2 Leases	48
16. Capital Commitments	48
17. Contingent Liabilities	48
18. Contribution of Assets Received at No Cost or Minimal Value	48
19. Payments to Consultants	48
20. Financial Instruments	48
20.1 Cash	48
20.2 Receivables	49
20.3 Payables	49
21. Derivative Financial Instruments	49
21.1 Foreign Currency Risk Management	49
22. Results of Fundraising	49
23. After Balance Date Events	49
24. Notes to the Statement of Cash Flows	50
24.1 Reconciliation of Surplus	50
24.2 Reconciliation of Cash	50
25. Impact of Adoption of AEIFRS	50
BUDGET	
First detailed budget for the year ending 30 June 2006	51
First detailed budget for the year ending 30 June 2007	51

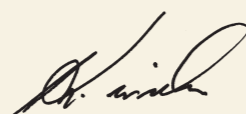
SYDNEY OPERA HOUSE TRUST

STATEMENT IN ACCORDANCE WITH SECTION 41C (1C)
OF THE PUBLIC FINANCE AND AUDIT ACT, 1983

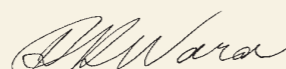
Pursuant to Section 41C (1C) of the Public Finance and Audit Act, 1983, and in accordance with a resolution of the Sydney Opera House Trust, we being members of the Trust, state that:

1. In our opinion, the accompanying financial statements exhibit a true and fair view of the financial position of the Sydney Opera House Trust as at 30 June 2006, and transactions for the year then ended.
2. The financial statements have been prepared in accordance with the provisions of the Public Finance and Audit Act, 1983, the Public Finance and Audit Regulation 2005 and the Treasurer's Directions.

Further, we are not aware of any circumstances which would render any particulars included in the financial statements to be misleading or inaccurate.



KIM WILLIAMS AM
CHAIRMAN



BARBARA WARD
CHAIR, RISK MANAGEMENT COMMITTEE

SYDNEY
5 OCTOBER 2006



GPO BOX 12
SYDNEY NSW 2001

INDEPENDENT AUDIT REPORT
SYDNEY OPERA HOUSE TRUST

To Members of the New South Wales Parliament

Audit Opinion

In my opinion, the financial report of the Sydney Opera House Trust (the Trust):

- presents fairly the Trust's financial position as at 30 June 2006 and its performance for the year ended on that date, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, and
- complies with section 41B of the Public Finance and Audit Act 1983 (the Act) and the Public Finance and Audit Regulation 2005.

My opinion should be read in conjunction with the rest of this report.

Scope

The Financial Report and Trustees' Responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement and accompanying notes to the financial statements for the Trust, for the year ended 30 June 2006.

The members of the Trust are responsible for the preparation and true and fair presentation of the financial report in accordance with the Act. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

I conducted an independent audit in order to express an opinion on the financial report. My audit provides *reasonable assurance* to Members of the New South Wales Parliament that the financial report is free of *material* misstatement.

My audit accorded with Australian Auditing Standards and statutory requirements, and I:

- assessed the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Trustees in preparing the financial report, and
- examined a sample of evidence that supports the amounts and disclosures in the financial report.

An audit does not guarantee that every amount and disclosure in the financial report is error free. The terms 'reasonable assurance' and 'material' recognise that an audit does not examine all evidence and transactions. However, the audit procedures used should identify errors or omissions significant enough to adversely affect decisions made by users of the financial report or indicate that Trustees had not fulfilled their reporting obligations.

My opinion does not provide assurance:

- about the future viability of the Trust,
- that it has carried out its activities effectively, efficiently and economically, or
- about the effectiveness of its internal controls.

Audit Independence

The Audit Office complies with all applicable independence requirements of Australian professional ethical pronouncements. The Act 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 public sector agencies but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Audit Office are not compromised in their role by the possibility of losing clients or income.



G J Gibson FCPA
Assistant Auditor-General

SYDNEY
10 OCTOBER 2006

Financial Statements Continued

BEGINNING OF AUDITED FINANCIAL REPORT

INCOME STATEMENT for the year ended 30 June 2006

	NOTE	2006 \$000	2005 \$000
Revenue			
Sale of goods and services revenue	2(a)	35,091	31,851
Share of net profits for joint ventures accounted for using the equity method	12	596	656
Investment revenue	2(b)	3,408	3,275
Grants and contributions	2(c)	3,359	3,527
Government contributions revenue	2(d)	68,279	51,646
Total Revenue		110,733	90,955
Expenses			
Personnel services expense	3(a)	32,757	28,354
Other expenses	3(b)	22,536	21,168
Maintenance expense	3(c)	17,228	20,889
Depreciation and amortisation expense	3(d)	9,798	10,860
Total Expenses		82,319	81,271
Surplus for the Year	13	28,414	9,684

STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2006

	NOTE	2006 \$000	2005 \$000
Opening Balance of Equity	25	817,991	637,382
Gain/(Loss) on revaluation of property	13	1,047,713	170,925
Hedging reserve	21	63	...
Net income recognised directly in equity		1,047,776	170,925
Profit for the period	13	28,414	9,684
Total Recognised Income and Expense for the Period		1,076,190	180,609
Closing Balance of Equity		1,894,181	817,991

The accompanying notes form part of this financial report.

BALANCE SHEET as at 30 June 2006

	NOTE	2006 \$000	2005 \$000
ASSETS			
Current Assets			
Cash and cash equivalents	5	86,623	61,881
Trade and other receivables	6	3,826	3,733
Derivative financial instruments	21.1	1,183	...
Total Current Assets		91,632	65,614
Non-current Assets			
Property, plant and equipment	8	1,821,127	766,851
Intangible assets	8.1	1,406	456
Investment accounted for using equity method	12	221	144
Total Non-current Assets		1,822,754	767,451
Total Assets		1,914,386	833,065
LIABILITIES			
Current Liabilities			
Trade and other payables	9	18,180	14,399
Derivative financial instruments	21	1,120	...
Total Current Liabilities		19,300	14,399
Non-current Liabilities			
Trade and Other Payables	9	688	675
Provisions	10	217	...
Total Non-Current Liabilities		905	675
Total Liabilities		20,205	15,074
Net Assets		1,894,181	817,991
EQUITY			
Accumulated funds	13	243,959	215,546
Reserve	13	1,650,222	602,445
Total Equity		1,894,181	817,991

The accompanying notes form part of this financial report.

CASH FLOW STATEMENT for the year ended 30 June 2006

	NOTE	2006 \$000	2005 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Payments to suppliers and personnel service providers		(74,891)	(76,990)
Total Payments		(74,891)	(76,990)
Receipts			
Receipts from operations		45,260	43,713
Interest received		3,443	3,700
Cash flows from Government		68,279	51,646
Total Receipts		116,982	99,059
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	24.1	42,091	22,069
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		(17,272)	(16,915)
Increase in Joint Venture investment		(77)	(17)
Proceeds from sale of investments		...	10,466
NET CASH FLOWS FROM INVESTING ACTIVITIES		(17,349)	(6,467)
NET INCREASE IN CASH HELD		24,742	15,602
Cash at beginning of financial year		61,881	46,279
CASH AT END OF FINANCIAL YEAR	24.2	86,623	61,881

The accompanying notes form part of this financial report.

SYDNEY OPERA HOUSE TRUST NOTES TO AND FORMING PART OF THE FINANCIAL REPORT for year ended 30 June 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Sydney Opera House Trust is constituted as a body corporate by the Sydney Opera House Trust Act, 1961. It is designated as a transitional entity by the NSW Treasury and are required to use the not for profit accounting standards.

This financial report for the year ended 30 June 2006 has been authorised for issue by the Sydney Opera House Trust on 6 October 2006.

(b) Basis of Preparation

The financial report is a general purpose financial report which has been prepared on an accruals basis and in accordance with applicable Australian Equivalent International Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), Urgent Issues Group (UIG), the requirements of the Public Finance and Audit Act, 1983, and the Public Finance and Audit (General) Regulation, 2000, and Treasurer's Directions.

The Trust has kept proper accounts and records in relation to all of its operations in accordance with Section 41(1) of the Public Finance and Audit Act.

The accounting policies are inconsistent to some extent, with those of the previous year and reflect the adoption of the Australian Equivalent International Accounting Standards. The differences are reconciled in an attached report.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

Figures shown in the financial report have been rounded to the nearest \$1,000 and expressed in Australian currency, except in note 4 where amounts are stated in whole dollars.

(c) Statement of Compliance

The financial statements and notes comply with Australian Accounting Standards. A statement of compliance with International Financial Reporting Standards (IFRS) cannot be made due to the organisation applying the not for profit sector requirements contained in Australian Equivalents to International Financial Reporting Standards (AEIFRS).

This is the first financial report prepared based on AEIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly, unless otherwise permitted.

In accordance with AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards and Treasury Directions, the date of transition to AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement has been deferred to 1 July 2005. As a result, comparative information for these two Standards is presented under the Australian Accounting Standards which applied to the year ended 30 June 2005. The basis used to prepare the 2004/05 comparative information financial instruments under previous Australian Accounting Standards is discussed in Note (d) below.

Reconciliations of AEIFRS equity and surplus for 30 June 2005 to the balances reported in the previous AGAAP 2004/05 financial report are detailed in Note 25.

(d) Financial Instruments Accounting Policy for 2004/05 Comparative Period

Investment Income

Interest revenue is recognised as it accrues. Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant agreement

Receivables

Receivables are recognised and carried at cost, based on the original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Other Financial Assets

Other financial assets are generally recognised at cost, with the exception of TCorp Hour-Glass Facilities and Managed Fund Investments, which are measured at market value. For non-current 'other financial assets', revaluation increments and decrements are recognised in the same manner as physical non-current assets. For current 'other financial assets', revaluation increments and decrements are recognised in the Income Statement.

Payables

These amounts represent liabilities for goods and services provided to the agency and other amounts, including interest. Interest is accrued over the period it becomes due.

(e) The Financial Impact of Adopting Australian equivalents to International Financial Reporting Standards (AEIFRS)

The Sydney Opera House Trust has applied the AEIFRS for the first time in the 2005/06 financial report. The key areas where changes in accounting policies have impacted the financial report are disclosed below. Some of these impacts arise because AEIFRS requirements are different from previous AASB requirements (AGAAP). Other impacts arise from options in AEIFRS that were not available or not applied under previous AGAAP. The Sydney Opera House Trust has adopted the options mandated by NSW Treasury for all NSW public sector agencies.

The impacts of adopting AEIFRS on total equity and surplus as reported under previous AGAAP are shown at note 25. There are no material impacts on the Sydney Opera House Trust's cash flows.

(f) Derivative Financial Instruments - 1 July 2005 first time adoption impacts

Derivative financial instruments have been used to manage currency exposure for anticipated future payment transactions and are part of the risk management policy. They are measured in accordance with AASB 132 and AASB 139, introduced during 2005/06, and unrealised gains are reported in equity. There were no derivative financial instruments held during 2004/05 and therefore there is no comparative.

(g) Designation of TCorp Hour-Glass Investment Facilities

The Hour Glass Investment facilities are short term unit trust investment funds managed by NSW Treasury Corporation. The agency has been issued with a number of units in TCorp's Hour Glass Cash Facility Trust, based on the amount of the deposit and the unit value for the day. Investments in the TCorp-Hour Glass Investment facilities were designated at 'fair value through profit and loss' as at 1 July 2005, in accordance with AASB 139 and AASB 1. Under previous AGAAP they were classified as 'cash and cash equivalents', and were measured on the same basis ie at fair market value through profit or loss. There is no change to the measurement basis from 1 July 2005 to 30 June 2006.

The Hour-Glass Investment facilities were designated at 'fair value through profit or loss' using the second leg of the fair value option ie these cash equivalents are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy, and information about those assets is provided internally on that basis to the Sydney Opera House key management personnel.

(h) Accounting for Goods & Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- the amount of GST incurred by the Trust as a purchaser that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense
- receivables and payables are stated with the amount of GST included.

(i) Income Recognition

Income is measured at the fair value of the consideration or contribution received or receivable. Additional comments regarding the accounting policies for the recognition of income are discussed below.

(i) Government Contributions

Government contributions (including grants and donations) are recognised as income when the Trust obtains control over the assets. Control over Government contributions is obtained upon the receipt of cash.

(ii) Sale of Goods

Revenue from the sale of goods is recognised as revenue when the Trust transfers the significant risks and rewards of ownership of the assets.

(iii) Rendering of Service

Revenue is recognised when the service is provided or by reference to the stage of completion (based on labour hours incurred to date).

(iv) Investment Revenue

Interest revenue and T Corp Hour Glass Returns are recognised using the effective interest method as set out in AASB 139 Financial Instruments: Recognition and Measurement. Rental revenue is recognised in accordance with AASB 117 Leases on a straight-line basis over the lease term. Royalty revenue is recognised in accordance with AASB 118 Revenue on an accrual basis in accordance with the substance of the relevant agreement.

(j) Loans and Receivables

Loans and receivables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method, less an allowance for any impairment of receivables. Short-term receivables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. An allowance for impairment of receivables is established when there is objective evidence that the entity will not be able to collect all amounts due. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Bad debts are written off as incurred.

(k) Personnel Services and Other Provisions

i) Personnel Services, Annual Leave, Sick Leave and On-costs

Based on the memorandum and employment agreement with the Department of the Arts, Sport and Recreation, provisions are calculated as part of the personnel services and stated as a liability to the service provider, the Department of the Arts, Sport and Recreation. Provision is made for benefits accrued for personnel services (including non-monetary benefits), and annual leave that fall due wholly within 12 months of the reporting date are recognised and measured on a nominal basis.

Unused non-vesting sick leave does not give rise to a liability as it is not considered probable that sick leave taken in the future will be greater than the benefits accrued in the future.

The outstanding amounts of payroll tax, workers' compensation insurance premiums and fringe benefits tax, which are consequential to the provision of personnel services by the Department of the Arts, Sport and Recreation, are recognised as liabilities and expenses where the personnel services to which they relate, have been recognised.

ii) Long Service Leave and Superannuation

In the financial statements of the Department of the Arts, Sport and Recreation, long service leave is calculated in accordance with AASB 119 Employee Benefits for employees with 5 or more years of service, using current rates of pay. It is measured using an actuarial assessment with reference to the government bond rate of 5.7775% to arrive at the reported value and a current liability. The Sydney Opera House Trust reports the equivalent expense and liability in its financial statements to reflect this provision of personnel services.

The superannuation expense for the financial year is determined by using the formulae specified in AASB 119. The expense for certain superannuation schemes (i.e. Basic Benefit and First State Super) is calculated as a percentage of the equivalent of employees' salary. For other superannuation schemes (i.e. State Superannuation Scheme and State Authorities Superannuation Scheme), the expense is calculated as a multiple of the equivalent of employees' superannuation contributions.

Prepaid superannuation contributions are recognised as non-current assets in the Balance Sheet of Department of the Arts, Sport and Recreation as required by AASB 119. Sydney Opera House Trust offsets the same value against the Personnel Services payable to the Department of the Arts, Sport and Recreation provided for under current liabilities.

(l) Acquisition of Assets

The cost method of accounting is used for the initial recording of all acquisitions of assets controlled by the Trust. Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire the asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Australian Accounting Standards.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Where payment for an item is deferred beyond normal credit terms, its cost is the cash price equivalent, i.e. the deferred payment amount is effectively discounted at an asset-specific rate.

(m) Capitalisation Threshold

Property, plant and equipment costing \$5,000 and above individually (or forming part of a network costing more than \$5,000) are capitalised.

(n) Revaluation of Property, Plant and Equipment

Physical non-current assets are valued in accordance with the "Valuation of Physical Non-Current Assets at Fair Value" Policy and Guidelines Paper (TPP 05-03). This policy adopts fair value in accordance with AASB 116 Property, Plant and Equipment and AASB 140 Investment Property.

Property, plant and equipment is measured on an existing use basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, assets are valued at their highest and best use.

Fair value of property, plant and equipment is determined based on the best available market evidence, including current market selling prices for the same or similar assets. Where there is no available market evidence, the asset's fair value is measured at its market buying price, the best indicator of which is depreciated replacement cost.

The Trust revalues each class of property, plant and equipment at least every five years or with sufficient regularity to ensure that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date. The last revaluation was completed on 30 June 2006 and was based on an independent assessment.

Non-specialised assets with short useful lives are measured at depreciated historical cost, as a surrogate for fair value.

When revaluing non-current assets by reference to current prices for assets newer than those being revalued (adjusted to reflect the present condition of the assets), the gross amount and the related accumulated depreciation are separately restated.

For other assets, any balances of accumulated depreciation at the revaluation date in respect of those assets are credited to the asset accounts to which they relate. The net asset accounts are then increased or decreased by the revaluation increments or decrements.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the surplus / deficit, the increment is recognised immediately as revenue in the surplus / deficit.

Revaluation decrements are recognised immediately as expenses in the surplus, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Where an asset that has previously been revalued is disposed of, any balance remaining in the asset revaluation reserve in respect of that asset is transferred to accumulated funds.

(o) Impairment of Property, Plant and Equipment

As a transitional entity, reporting under the not-for-profit guidelines, the impairment testing requirements are modified under AASB 136. AASB 136 modifies the recoverable amount test to the higher of fair value less costs to sell and depreciated replacement cost. This means that, for an asset already measured at fair value, impairment can only arise if selling costs are material. Selling costs are deemed immaterial.

(p) Intangible Assets

The intangible assets held by Sydney Opera House Trust comprise software for internal use and is recognised at cost.

All intangible assets were assessed for impairment as at 30 June 2006. No intangible assets were found to be impaired.

(q) Depreciation and Amortisation

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

All material separately identifiable components of assets are depreciated over their shorter useful lives.

Software is recognised as an intangible asset having a finite useful life and amortised on a straight line basis over 5 years.

Depreciation rates are shown hereunder:

Category of Assets	Rate of Depreciation %
Building services	10.0
Computer hardware	33.3
Plant and equipment	10.0
Office machines	20.0
Photographic equipment	33.3
Communications equipment	20.0
Theatrical equipment	10.0 & 20.0
Tools and test equipment	20.0
Forklifts	10.0
Grand Organ	1.0
Amortisation of leasehold improvements	20.0 & 33.3

(r) Maintenance

The costs of day-to-day servicing costs or maintenance are charged as expenses as incurred, except where they relate to the replacement of a part or component of an asset, in which case the costs are capitalised and depreciated.

(s) Investments

Financial assets are initially recognised at fair value and the carrying expenses are recorded on the profit or loss, through transaction costs.

The Trust subsequently measures financial assets classified as held for trading at fair value through profit or loss. Gains or losses on these assets are recognised in the Income Statement. Assets intended to be held to maturity are subsequently measured at amortised cost using the effective interest method. Gains or losses on impairment or disposal of these assets are recognised in the Income Statement. Any residual investments that do not fall into any other category are accounted for as available for sale financial assets and measured at fair value directly in equity until disposed or impaired. All financial assets (except those measured at fair value through profit or loss) are subject to annual review for impairment.

Purchases or sales of financial assets under contract that require delivery of the asset within the timeframe established by convention or regulation are recognised on the trade date i.e. the date the entity commits itself to purchase or sell the asset.

(t) Sydney Opera House Appeal Fund

The transactions of the Sydney Opera House Appeal Fund are reported within the Trust's financial report. The objectives, operations and activities of the Fund relate to the appeal for, and receipt of, gifts of money or other property to be used for works and acquisitions of items related to the performing arts and to the production, presentation, publication, promotion, preservation or housing of, or training in the performing and other branches of the arts.

(u) Leased Assets

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased assets, and operating leases under which the lessor effectively retains all such risks and benefits.

The Trust has no finance leases.

Operating lease payments are charged to the Income Statement in the periods in which they are incurred.

Financial Statements Continued

The cost of improvement to or on leasehold property is capitalised and disclosed as leasehold improvements and amortised over the unexpired period of the lease term.

Leasehold decommissioning costs have been capitalised and expensed where the Sydney Opera House Trust are contractually bound to restore the leased premises upon lease expiry. The asset and provision for decommissioning costs represents the present value of the directors' best estimate of the future sacrifice of economic benefits that will be required to restore the leased premises to their original condition. The estimate has been made on the basis of market value on commercially leased property. The unexpired terms of the premises lease range from 2 to 3 years.

(v) Other Assets

Other assets are recognised on a cost basis.

(w) Payables

These amounts represent liabilities for goods and services provided to the Trust and other amounts, including interest, advance ticket sales and other revenue in advance. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short-term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial.

(x) Joint Ventures

The Trust's interests in joint ventures are determined as joint venture entities and accounted for using the equity method. The Trust's share of revenue, expenses, liabilities and assets of the joint venture is disclosed in the notes. A joint venture entity is where entities separate from the ventures are established to undertake a joint activity.

(y) Comparative Information

Comparative figures have been restated based on AEIFRS with the exception of financial instruments information, which has been prepared under the previous AGAAP Standard (AAS 33) as permitted by AASB 1.36A. The transition to AEIFRS for financial instruments information was 1 July 2005. The impact of adopting AASB 132 / 139 is nil as there were no financial instruments as at 1 July 2005. This is further discussed in Note 25.

(z) Prior Period Errors

The introduction of the Public Employment Legislation Amendment Act 2006 has highlighted that as the Public Sector Employment and Management Act 2002(PSEM Act) only provided the Director-General of the Ministry for the Arts and (since 3 March 2006) the Director-General of the Department of Arts, Sport and Recreation with the power to employ, it was not appropriate for the Sydney Opera House to report the employee related expenses, assets and liabilities in the Annual Accounts.

Under direction from NSW Treasury, the Trust has assumed that a management agreement was in place in relation to the provision of personnel services from the employing department - the Ministry for the Arts up to 2 March 2006 and the Department of Arts, Sport and Recreation from 3 March 2006 - and has restated 'Employee related expenses' for the year ended 30 June 2005 as 'Personnel services expenses' in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. There has been no effect on the value of the amounts previously presented as 'Employee Related expenses' on the Income Statement, nor has there been any impact on Equity.

(aa) New Accounting Standards and UIG Interpretation

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. However, the Trust has early adopted the following Accounting Standards from 1 July 2005:

- AASB 2005-04 regarding the revised AASB 139 fair value option
- AASB 7 regarding financial instruments disclosure
- UIG 9 regarding the reassessment of embedded derivatives.

Any initial impact on first time adoption of these standards is discussed in Note 25. Other amending accounting standards and UIG interpretations have not been applied and are not yet effective. The impact is not known or reasonably estimable.

2. REVENUES

	2006 \$000	2005 \$000
(a) Sales of goods and services		
Theatre services	8,326	8,085
Venue rentals	6,713	6,233
Production revenue	6,315	5,735
Guided tours	4,012	3,530
Booking fees and charges	2,897	2,663
Outsourced food and beverage	3,438	2,934
Tourism packages and events	1,575	1,716
Miscellaneous revenue	1,499	570
Outsourced Merchandising, licensing & retail	316	385
	35,091	31,851
(b) Investment revenue		
Interest-Bank	85	77
Interest-Investment	3,323	3,198
	3,408	3,275
(c) Grants and Contributions		
In-kind sponsorship	1,338	1,364
Cash sponsorship	1,539	1,551
Donations work of art	65	...
Cash Donations	18	...
In-kind donations	310	612
Grants other	89	...
	3,359	3,527
(d) Government Contributions Revenue		
Recurrent		
Annual endowment	28,713	14,091
	28,713	14,091
Capital		
Strategic Asset Maintenance	26,458	19,242
Capital-Other Major Projects	13,108	18,313
	39,566	37,555
	68,279	51,646

Government contributions revenue received in 2006 includes grants for 2005/06 and the advance receipt of \$27.2m of 2006/07 grants, as follows:

Other Activities	2006 Govt Contributions \$000	2007 Govt Contributions \$000	Total Govt Contributions \$000
Recurrent - Annual Endowment	14,294	14,419	28,713
Capital - Strategic Asset Maintenance	19,627	6,831	26,458
Capital - Other Major Projects	7,108	6,000	13,108
	41,029	27,250	68,279

3. EXPENSES

	2006 \$000	2005 \$000
(a) Personnel Services Expenses		
All of the Sydney Opera House's personnel services are provided by the Department of Arts, Sport and Recreation		
Salary, wages and allowances (including recreation leave)	26,092	24,306
Penalty rates	3,134	2,934
Superannuation-Defined Benefits	539	471
Superannuation-Defined Contribution	2,055	1,876
Superannuation-Decrease/(Increase) in Prepaid Position	293	(751)
Payroll tax and fringe benefits tax	2,011	1,765
Overtime	1,225	1,245
Workers compensation insurance	757	1,303
Redundancies	1,197	98
Other Expenses	98	102
	37,400	33,349
Less charged to maintenance	4,643	4,995
	32,757	28,354
(b) Other Expenses		
Artist fees and presentation expenses	4,386	4,092
Fees for services rendered	3,324	2,513
Publicity and advertising	3,583	3,189
Utilities and cleaning	3,219	2,866
Administration expenses	2,627	2,571
Consumables and minor equipment	1,666	1,823
Tourism packages and events	1,216	1,442
Building and general insurance	888	1,036
Bank and credit card charges	508	606
Training	645	389
Rent payments on operating leases	284	299
Gain/Loss on disposal of fixed assets	125	261
Bad and doubtful debt expense	12	32
Audit fee - audit of financial report	52	50
	22,536	21,168
(c) Maintenance		
Computer hardware maintenance	187	118
Software and network maintenance	347	174
Lease make good expense	102	...
Personnel services maintenance charge	4,643	4,995
Building and equipment repairs and maintenance	11,950	15,602
	17,228	20,889
(d) Depreciation and Amortisation		
Depreciation		
Building and building services	4,294	5,960
Plant and equipment	5,376	4,744
	9,670	10,704
Amortisation		
Leasehold improvement	128	156
	128	156
	9,798	10,860

4. TRUSTEES' REMUNERATION

Trustees' remuneration is based on the following rates:

	2006
Chairman	\$2,465
Trustees	\$1,460

The rates of remuneration remain unchanged from 2005.

5. CASH AND CASH EQUIVALENTS

	2006 \$000	2005 \$000
Cash on hand	42	48
Cash at bank	357	174
Appeal fund cash	8	7
Hour-Glass cash facilities	80,266	54,669
NSW Treasury Corporation short term investments	5,700	6,740
Appeal Fund Hour-Glass cash facility	140	133
Foster Bequest short term investment	110	110
	86,623	61,881

6. TRADE AND OTHER RECEIVABLES

Trade receivables	1,737	1,578
Provision for doubtful debts	(70)	(70)
Accrued revenue	786	804
Prepayments	743	454
GST input credits	459	753
Other receivables	171	214
	3,826	3,733

7. ALLOWANCE FOR IMPAIRMENT OF RECEIVABLES

Transactions on the allowance for impairment of receivables account for the past two years were:

	2006 \$000	2005 \$000
Balance 1 July	70	42
Allowance for year	12	32
	82	74
Less debts written off	12	4
Balance 30 June	70	70

Financial Statements Continued

8. PROPERTY, PLANT AND EQUIPMENT

	2006 \$000	2005 \$000
Land		
At fair value	75,000	75,000
Land - at fair value	75,000	75,000
Building, building services		
At fair value	1,721,776	702,773
Less accumulated depreciation/amortisation	41,287	55,289
Building and building services - at fair value	1,680,489	647,484
Land and Buildings - at fair value	1,755,489	722,484
Plant and Equipment		
At fair value	75,848	64,545
Less accumulated depreciation	30,679	43,749
Plant and equipment - at fair value	45,169	20,796
Collections - works of art - at fair value	4,765	3,396
Work in progress - at fair value	15,703	20,175
Property, plant and equipment - at fair value	1,821,127	766,851

Reconciliations

Reconciliation of the fair value of Property, Plant and Equipment are set out below:

2006	Land and Building \$000	Plant and Equipment \$000	Work in Progress \$000	Collections \$000	Total \$000
Fair value at start of year	722,484	20,796	20,175	3,396	766,851
Additions	6,778	5,158	4,037	80	16,053
Disposals	(6)	(111)	...	(8)	(125)
Reclassification	7,501	1,008	(8,509)	...	...
Revaluation	1,023,040	23,375	...	1,297	1,047,712
Make good	115	...	...	...	115
Depreciation	(4,423)	(5,057)	...	...	(9,480)
Fair value at end of year	1,755,489	45,169	15,703	4,765	1,821,127

The value of work in progress represents plant and equipment, roof lighting, security upgrade and the Venue Improvement Program capital works not completed at 30 June 2006.

The comparative reconciliation for the year ended 30 June 2005 is set out below:

2005	Land and Building \$000	Plant and Equipment \$000	Work in Progress \$000	Collections \$000	Total \$000
Fair value at start of year	550,764	22,441	14,142	2,684	590,031
Additions	2,138	3,014	11,652	...	16,804
Disposals	...	(261)	...	...	(261)
Reclassification	4,773	134	(5,619)	712	...
Revaluation	170,925	...	...	...	170,925
Depreciation	(6,116)	(4,532)	...	...	(10,648)
Fair value at end of year	722,484	20,796	20,175	3,396	766,851

The Building was revalued in 2006 by independent valuers as was plant and equipment and works of art.

Building fabric/structure and internal fit out were revalued by Rider Hunt Pty Ltd in 2006. An independent review of this valuation was completed by the Department of Commerce. The review supported the revaluation amounts.

Plant and equipment and building services were revalued by Hugh Parlane Consulting Pty Ltd in 2006. Collections were revalued by Sue Hewitt 2006. Land was revalued in 2005 by Property Valuation Services Department of Commerce in 2005 on the existing use basis.

8.1 Intangible Assets

	2006 \$000	2005 \$000
Software		
At cost	2,520	1,946
Less accumulated amortisation	1,114	1,490
Total Intangible Assets	1,406	456
Reconciliation of the fair value of Intangibles is set out below:		
Intangibles - fair value at start of year	456	572
Additions	1,268	96
Depreciation	(318)	(212)
Intangibles - fair value at end of year	1,406	456

9. TRADE AND OTHER PAYABLES

	2006 \$000	2005 \$000
CURRENT		
Accrued personnel service cost	600	414
Advance ticket sales	5,310	4,194
Hirers' deposits	409	560
Accrued expenses and other payables	5,647	6,353
Revenue in advance	1,199	690
Owing to personnel service providers	5,015	2,188
	18,180	14,399
NON-CURRENT		
Owing to personnel service providers	688	675
	688	675
Owing to personnel service providers		
Annual leave and leave loading	2,575	2,159
Long service leave - current	3,853	3,785
Redundancy	1,495	26
Prepaid Superannuation	(2,908)	(3,782)
Current - Owing to personnel service providers	5,015	2,188
Long service leave - non current	688	675
Non - Current - Owing to personnel service providers	688	675

Prepaid Superannuation

The funding position at 30 June 2006 in respect of the three defined benefits schemes related to personnel services received, namely the State Authorities Superannuation Scheme (SASS), the State Superannuation Scheme (SSS) and the State Authorities Non-Contributory Superannuation Scheme (SANCS) has been advised by Pillar Administration:

Fund	Estimated Reserve Account Funds		Accrued Liability		Prepaid Contributions	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000
SASS	7,335	5,637	7,109	5,569	226	68
SSS	48,776	43,586	46,180	39,954	2,596	3,632
SANCS	2,014	1,700	1,928	1,618	86	82
	58,125	50,923	55,217	47,141	2,908	3,782

PREPAID SUPERANNUATION DISCLOSURE ITEMS 30 JUNE 2006

All references are to the July 2004 version of AASB 119.

Accounting policy for recognising actuarial gains/losses - Paragraph 120(a)

Actuarial gains and losses are recognised in profit or loss in the year they occur.

General description of the type of plan - Paragraph 120(b)

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

State Authorities Superannuation Scheme (SASS)

State Superannuation Scheme (SSS)

Police Superannuation Scheme (PSS)

State Authorities Non-contributory Superannuation Scheme (SANCS).

These schemes are all defined benefit schemes - at least a component of the final benefit is derived from a multiple of member salary and years of membership.

All the Schemes are closed to new members.

Reconciliation of the assets and liabilities recognised in the balance sheet - Paragraph 120(c)

Financial Year to 30 June 2006	SASS 2006 \$000	SANCS 2006 \$000	SSS 2006 \$000
Present value of defined benefit obligations	5,550	1,335	28,261
Fair value of plan assets	(7,335)	(2,014)	(48,776)
	(1,785)	(679)	(20,516)
Surplus in excess of recovery available from schemes	1,559	593	17,919
Unrecognised past service cost	0	0	0
Net (asset)/liability to be disclosed in balance sheet	(226)	(86)	(2,596)

Assets invested in entity or in property occupied by the entity - Paragraph 120(d)

All fund assets are invested by STC at arm's length through independent fund managers.

Movement in net liability/asset recognised in balance sheet - Paragraph 120(e)

Financial Year to 30 June 2006	SASS 2006 \$000	SANCS 2006 \$000	SSS 2006 \$000
Net (asset)/liability at start of year	(68)	(82)	(3,632)
Net expense recognised in the income statement	842	147	(115)
Contributions	(1,000)	(150)	1,150
Net (asset)/liability to be disclosed in balance sheet	(226)	(86)	(2,596)

Total expense recognised in income statement - Paragraph 120(f)

Financial Year to 30 June 2006	SASS 2006 \$000	SANCS 2006 \$000	SSS 2006 \$000
Current service cost	246	79	205
Interest on obligation	317	71	1,702
Expected return on plan assets	(412)	(124)	(3,267)
Net actuarial losses (gains) recognised in year	(718)	(290)	(8,621)
Change in surplus in excess of recovery available from scheme	1,409	410	9,866
Past service cost	0	0	0
Losses (gains) on curtailments and settlements	0	0	0
Total included in "employee benefits expense"	842	147	(115)

Actual return on plan assets - Paragraph 120(g)

Financial Year to 30 June 2006	SASS 2006 \$000	SANCS 2006 \$000	SSS 2006 \$000
Actual return on plan assets	881	268	6,839

Valuation method and principal actuarial assumptions at the reporting date - Paragraph 120(h)

a) Valuation Method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

b) Economic Assumptions

	30 June 2006
Discount rate at 30 June	5.9% pa
Expected return on plan assets at 30 June	7.6%
Expected salary increases	4.0% pa to 2008; 3.5% pa thereafter
Expected rate of CPI increase	2.5% pa

Arrangements for employer contributions for funding - Paragraph AUS 121.1

The following is a summary of the 30 June 2006 financial position of the fund calculated in accordance with AAS 25 - Financial Reporting by Superannuation Plans.

Financial Year to 30 June 2006	SASS 2006 \$000	SANCS 2006 \$000	SSS 2006 \$000
Accrued benefits	5,358	1,270	23,997
Net market value of fund assets	(7,335)	(2,014)	(48,776)
Net (surplus)/deficit	(1,977)	(744)	(24,779)
Recommended contribution rates for the entity are:	SASS	SANCS	SSS
	Multiple of member contributions	% member salary	Multiple of member contributions
	0.00	0.00	0.00

Financial Statements Continued

The method used to determine the employer contribution recommendations at the last actuarial review was the Aggregate Funding method. The method adopted affects the timing of the cost to the employer.

Under the Aggregate Funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

The economic assumptions adopted for the current actuarial review of the Fund are:

Weighted-average assumptions

Expected rate of return on Fund assets	7.3% pa
Expected salary increase rate	4.0% pa
Expected rate of CPI increase	2.5% pa

Nature of asset/liability – Paragraph AUS 121.2

If a surplus exists in the employer's interest in the fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligation.

PREPAID SUPERANNUATION DISCLOSURE ITEMS 30 JUNE 2005

All references are to the July 2004 version of AASB 119.

Accounting policy for recognising actuarial gains/losses – Paragraph 120(a)

Actuarial gains and losses are recognised in profit or loss in the year they occur.

General description of the type of plan – Paragraph 120(b)

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

State Authorities Superannuation Scheme (SASS)

State Superannuation Scheme (SSS)

Police Superannuation Scheme (PSS)

State Authorities Non-contributory Superannuation Scheme (SANCS)

These schemes are all defined benefit schemes – at least a component of the final benefit is derived from a multiple of member salary and years of membership.

All the schemes are closed to new members.

Reconciliation of the assets and liabilities recognised in the balance sheet – Paragraph 120(c)

Financial Year to 30 June 2005	SASS 2005 \$000	SANCS 2005 \$000	SSS 2005 \$000
Present value of defined benefit obligations	5,418	1,435	31,901
Fair value of plan assets	(5,637)	(1,700)	(43,586)
	(218)	(265)	(11,685)
Surplus in excess of recovery available from schemes	151	183	8,053
Unrecognised past service cost	0	0	0
Net (asset)/liability to be disclosed in balance sheet	(68)	(82)	(3,632)

Assets invested in entity or in property occupied by the entity – Paragraph 120(d)

All fund assets are invested by STC at arm's length through independent fund managers.

Movement in net liability/asset recognised in balance sheet – Paragraph 120(e)

Financial Year to 30 June 2005	SASS 2005 \$000	SANCS 2005 \$000	SSS 2005 \$000
Net (asset)/liability at start of year	(121)	(59)	(3,408)
Net expense recognised in the income statement	53	(23)	(223)
Contributions	0	0	0
Net (asset)/liability to be disclosed in balance sheet	(68)	(82)	(3,632)

Total expense recognised in income statement – Paragraph 120(f)

Financial Year to 30 June 2005	SASS 2005 \$000	SANCS 2005 \$000	SSS 2005 \$000
Current service cost	233	77	213
Interest on obligation	290	73	1,682
Expected return on plan assets	(356)	(103)	(2,835)
Net actuarial losses (gains) recognised in year	20	(113)	729
Change in surplus in excess of recovery available from scheme	(135)	43	(12)
Past service cost	0	0	0
Losses (gains) on curtailments and settlements	0	0	0
Total included in "employee benefits expense"	53	(23)	(223)

Actual return on plan assets – Paragraph 120(g)

Financial Year to 30 June 2006	SASS 2006 \$000	SANCS 2006 \$000	SSS 2006 \$000
Actual return on plan assets	636	196	5,068

Valuation method and principal actuarial assumptions at the reporting date – Paragraph 120(h)

a) Valuation Method

The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

b) Economic Assumptions

	30 June 2005
Discount rate at 30 June	5.2% pa
Expected return on plan assets at 30 June	7.3%
Expected salary increases	4.0% pa
Expected rate of CPI increase	2.5% pa

Arrangements for employer contributions for funding – Paragraph AUS 121.1

The following is a summary of the 30 June 2005 financial position of the fund calculated in accordance with AAS 25 – Financial Reporting by Superannuation Plans.

Financial Year to 30 June 2005	SASS 2005 \$000	SANCS 2005 \$000	SSS 2005 \$000
Accrued benefits	4,931	1,262	25,354
Net market value of fund assets	(5,637)	(1,700)	(43,586)
Net (surplus)/deficit	(705)	(439)	(18,232)
Recommended contribution rates for the entity are:	SASS	SANCS	SSS
	Multiple of member contributions	% member salary	Multiple of member contributions
	0.00	0.00	0.00

The method used to determine the employer contribution recommendations at the last actuarial review was the Aggregate Funding method. The method adopted affects the timing of the cost to the employer.

Under the Aggregate Funding method, the employer contribution rate is determined so that sufficient assets will be available to meet benefit payments to existing members, taking into account the current value of assets and future contributions.

The economic assumptions adopted for the last actuarial review of the Fund were:

Weighted-average assumptions

Expected rate of return on fund assets	7.0% pa
Expected salary increase rate	4.0% pa
Expected rate of CPI increase	2.5% pa

Nature of asset/liability – Paragraph AUS 121.2

If a surplus exists in the employer's interest in the fund, the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of fund assets and the defined benefit obligation.

A contribution holiday was granted in respect of SASS, SSS and SANCS employer contributions during 2005/06. After adjusting for the contribution holiday, the sum of \$292,745 was charged to personnel service expenses in the Income Statement to reflect the assessment by Pillar Administration of the 2005/06 prepaid contribution amount. The 2004/05 recognition of the assessed prepayment resulted in a \$750,512 reduction to personnel service expenses in the Income Statement.

10. NON-CURRENT PROVISIONS

	2006 \$000	2005 \$000
Lease make good provisions	217	...
Total non-current provisions	217	...

11. TRUST FUNDS - FOSTER BEQUEST

The Trust Deed relating to this bequest provides that revenue derived from investment of the funds may be applied to an award for study in fields relating to the training for, and performances of, the art of opera.

Movement in Trust Fund	2006 \$000	2005 \$000
At 1 July	110	108
Interest Revenue	5	7
Distribution	(5)	(5)
At 30 June	110	110

12. INTEREST IN JOINT VENTURES

The Trust holds an interest in a joint venture. The joint venture has the principal activity of operation of souvenir merchandise shops. On 1 July 2005, the joint venture partner changed for both shops along with the ownership interest as detailed below. The 2005 results are with the prior joint venture partner and the 2006 results are with the new joint venture partner.

Name of Joint Venture	Ownership Interest	
	2006	2005
Box Office Foyer Shop	75%	65%
Lower Forecourt Shop	75%	60%
	2006 \$000	2005 \$000

Trust share of revenue	1,098	1,128
Trust share of expenses	502	472
Trust share of profit	596	656

Movement in Investment in Joint Ventures

Carrying amount of investment at beginning of the financial year	144	127
Additional investment	93	...
Previous JV movement	(16)	...
Share of Profit	612	656
Distribution from joint venture entities	(551)	(639)
Undistributed profits at year end	(61)	...
Carrying amount of investment at the end of the financial year	221	144

Share of Assets and Liabilities of Joint Venture Entities

Current Assets		
Cash	309	123
Prepayments	6	...
Receivables	6	9
Inventory	202	185
Non-current Assets	17	29
Current Liabilities	(258)	(202)
Equity	(282)	...
Cash investment	221	...
Net Assets	221	144

Inventories are stated at the lower of cost and net realisable value. The cost is calculated using the first-in-first-out basis.

Financial Statements Continued

13. CHANGES IN EQUITY - OTHER THAN TRANSACTIONS WITH OWNERS AS OWNERS

	Accumulated Funds		Asset Revaluation Reserve		Hedge Reserve		Total	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Balance 1 July	215,546	205,862	602,445	431,520	...	...	817,991	637,382
Surplus	28,414	9,684	...	...	...	...	28,414	9,684
Hedge reserve	...	...	...	...	63	...	63	...
Increments on revaluation	...	...	1,047,713	170,925	...	...	1,047,713	170,925
Balance 30 June	243,960	215,546	1,650,158	602,445	63	...	1,894,181	817,991

The Hedge Reserve represents the unrealised gains/(losses) on forward foreign exchange contracts.

The Revaluation Reserve represents gains/(losses) arising on the revaluation of property, plant and equipment.

14. SYDNEY OPERA HOUSE APPEAL FUND

The balances of the Sydney Opera House Appeal Fund included with the Trust's financial report were:

	2006 \$000	2005 \$000
Revenue	8	10
Expenditure	0	31
Surplus/(deficit)	8	(21)
Cash	148	140
Equity	148	140

15. COMMITMENTS

15.1 Goods and Services

Goods and services contracted for at 30 June and not otherwise accounted for in the Statement of Financial Position are estimated.

	2006 \$000	2005 \$000
Payable:		
Not later than one year	10,588	12,976
Later than one year and not later than five years	...	...
Total including GST	10,588	12,976

The commitments include input tax credits of \$961,156 recoverable from the Australian Taxation Office (\$1,180,00 for 2005).

15.2 Leases

Leases contracted for at 30 June and not otherwise accounted for in the Statement of Financial Position are estimated.

	2006 \$000	2005 \$000
Payable:		
Not later than one year	423	339
- later than one year and not later than five years	491	644
Total including GST	914	983

The commitments include input tax credits of \$83,149 recoverable from the Australian Taxation Office (\$89,000 for 2005).

16. CAPITAL COMMITMENTS

Capital expenditures contracted for at 30 June and not otherwise accounted for in the Statement of Financial Position are estimated.

	2006 \$000	2005 \$000
Payable		
- not later than one year	4,374	9,678
- later than one year and not later than five years	...	1,203
Total including GST	4,374	10,881

The commitments include input tax credits of \$298,515 recoverable from the Australian Taxation Office (\$989,000 for 2005).

17. CONTINGENT LIABILITIES

A contingent liability, in the sum of \$228,238 and a claim for associated legal costs of \$200,000, exists in relation to a legal claim brought by an engineering firm, in the District Court, for consultancy fees. The Trust denies the claim and is defending the matter.

18. CONTRIBUTION OF ASSETS RECEIVED AT NO COST OR AT NOMINAL COST

All contributions have been accounted for in the financial report.

19. PAYMENTS TO CONSULTANTS

In the year ending 30 June 2006, consultants were paid a total of \$911,363 (2005 - \$420,065).

20. FINANCIAL INSTRUMENTS

The classes of financial instruments included in the Trust's financial report are set out below along with the terms, conditions and accounting policies applicable to these instruments as at 30 June 2006.

20.1 Cash

Cash is recorded at nominal values for cash on hand and cash held in bank accounts. Interest is earned on daily bank balances. The interest rate at year-end was 4.75% per annum (4.5% in 2005).

Hour-Glass Investment Facilities

The Trust has short term investments in (New South Wales Treasury Corporation's) TCorp's Hour-Glass investment facilities. The Trust's investments are represented by a number of units in a cash facility. The deposits have varying maturity dates. TCorp appoints and monitors fund managers and establishes and monitors the application of appropriate investment guidelines

The Trust's investments are:

	2006 \$000	2005 \$000
Cash Facility	80,406	54,802

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values (2005: net fair value).

The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.
- the fair value of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

Transaction costs are included in the determination of net fair value.

The return for the year was 5.69% (5.59% in 2005).

Authority Deposits

The Trust has placed funds on deposit with TCorp, which has been rated "AAA" by Standard & Poors. These deposits are similar to money market or bank deposits and are placed for fixed terms. The interest rate payable by TCorp is negotiated initially and is fixed for the term of the deposit.

	2006 Carrying Amount \$000	2006 Net Fair Value \$000	2005 Carrying Amount \$000	2005 Net Fair Value \$000
Less than one year	5,810	5,810	6,850	6,850

The deposits at balance date were earning an average interest rate of 5.74% (5.74% in 2005), while over the year the average interest rate was 5.66% (5.40% in 2005).

20.2 Receivables

All trade debtors are recognised as amounts receivable at balance date. The credit risk is the carrying amount (net of allowance for impairment). No interest is earned on trade debtors. The carrying amount approximates net fair value. Invoices are issued on 30 day terms.

20.3 Payables

The liabilities are recognised for amounts due to be paid in the future for goods or services received, whether or not invoiced. Amounts owing to suppliers are settled in 30 days. If payment terms are not specified, payment is made no later than the end of the month following the month in which an invoice or a statement is received.

21. DERIVATIVE FINANCIAL INSTRUMENTS

In accordance with NSW Treasury's mandates, the Trust has applied the exemption provided in AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards not to apply the requirements of AASB 132 Financial Instruments: Presentation and Disclosures and AASB 139 Financial Instruments: Recognition and Measurement for the 2004/05 comparative information. Therefore the comparative information for 2004/05 for financial instruments has been presented in accordance with previous AGAAP. These Standards have been applied from 1 July 2005.

21.1 Foreign Currency Risk Management

The Trust undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts to manage risk.

Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated purchase transaction takes place.

The following table details the forward foreign currency hedge contracts outstanding as at reporting date:

Foreign Currency Forward Contracts	Exchange Rate AUD to Euro \$000		Forward Rate Liability \$000		Contract Value (at expiry) \$000		Fair Value (asset) \$000	
	2006	2005	2006	2005	2006	2005	2006	2005
€380,000 (Euro) Forward rate	.6192	...	614	...	604	...	...	...
€380,000 (Euro) spot rate at FY end	.5852	...	...	...	...	...	649	...
€380,000 (Euro) Forward rate	.6177	...	506	...	497	...	...	...
€380,000 (Euro) spot rate at FY end	.5852	...	...	...	...	...	534	...
					1,120	1,101	1,183	

As at reporting date the aggregate amount of unrealised gain on forward foreign exchange contracts relating to anticipated future transactions is \$63,000 (2005: nil). In the current year, these unrealised gains have been deferred in the hedging reserve to the extent the hedge is effective.

The Sydney Opera House Trust has entered into contracts for the purchase of 380,000 (expiry 30 August 2006) and 312,590 (expiry 27 September 2006). The entity has entered into forward foreign exchange contracts for a specific performance to hedge the exchange rate risk arising from this anticipated future transaction. The transaction will occur in 2006/07 and will be reflected in the Income Statement for that period.

22. RESULTS OF FUNDRAISING

The Trust received the following donations during the year.

	2006 \$000	2005 \$000
Donations - works of art	65	...
Donations - cash	18	...
	83	...

There are no expenses directly attributable to fundraising.

23. AFTER BALANCE DATE EVENTS

There are no after balance date events.

Financial Statements Continued

24. NOTES TO THE STATEMENT OF CASH FLOWS

24.1 Reconciliation of surplus from ordinary activities to net cash flows from operating activities.

	2006 \$000
Surplus from ordinary activities	28,414
Depreciation	9,798
Increase/(Decrease) in allowance - trade receivables	12
Increase/(Decrease) in payables	3,413
(Increase)/Decrease in receivables	769
Net loss on sale of plant and equipment	125
Capital- Sponsorship and in-kind donations	(440)
NET CASH FROM OPERATING ACTIVITIES	42,091

24.2 Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash comprises cash on hand and at bank, NSW Treasury Corporation Hour-Glass cash facility and fixed short term investments. Cash at 30 June as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet (see note 5)

	2006 \$000	2005 \$000
Cash and cash equivalents	86,623	61,881

25. IMPACT OF ADOPTION OF AEIFRS

The Trust changed its accounting policies on 1 January 2005 to comply with Australian Equivalents to International Financial Reporting Standards (AEIFRS). The transition to AEIFRS is accounted for in accordance with Accounting Standard AASB 1 'First Time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 January 2004 as the date of transition, except for financial instruments, where the date of transition is 1 January 2005. An explanation of how the transition from superseded policies to AEIFRS has affected the Trust's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

The impacts of adopting AEIFRS on total equity and surplus as reported under previous AGAAP are shown below: There are no material impacts on the Trust's cash flows.

(i) Recognition of Key Aggregates

Shown below are the adjustments made to the 2005 comparative amounts in these financial statements.

Reconciliation of equity under existing Standards (AGAAP) to equity under AEIFRS:

		30 June 2005 \$000	1 July 2004 \$000
Total equity under AGAAP		833,585	649,949
Defined benefit superannuation adjustment for change in discount rate	1	(15,594)	(12,222)
Effect of discounting long-term annual leave	2	...	(345)
Total equity under AEIFRS		817,991	637,382

Reconciliation of surplus under AGAAP to surplus under AEIFRS:

Year ended 30 June 2005	NOTE	2005 \$000
Surplus under AGAAP		12,711
Defined benefit superannuation	1	(3,372)
Effect of discounting long-term annual leave	2	345
Effects of Compulsory AEIFRS Changes in Accounting Policy		(3,027)
Surplus under AEIFRS		9,684

Notes to tables above

- AASB 119 Employee Benefits requires the defined benefit superannuation obligation to be discounted using the government bond rate as at each reporting date, rather than the long-term expected rate of return on plan assets. This has increased the superannuation liability, reducing the Trust's prepayment position. During 2004-05 the long term bond rate fell by nearly one percent resulting in a significant increase in the superannuation liability.
- AASB 119 Employee Benefits requires present value measurement for all long-term employee benefits. Previous AGAAP provided that wages, salaries, annual leave and sick leave are measured at nominal value in all circumstances. The Trust has long-term annual leave benefits and accordingly measures these benefits at present value, rather than nominal value, thereby decreasing the employee benefits liability and changing the quantum of the annual leave expense.

(ii) Grant Recognition

As a transitional entity that applies not-for-profit standards, Sydney Opera House Trust has applied the requirements in AASB 1004 Contributions regarding contributions of assets (including grants) and forgiveness of liabilities. There are no differences in the recognition requirements between the new AASB 1004 and the previous AASB 1004. However, the new AASB 1004 may be amended by proposals in Exposure Draft ED 125 Financial Reporting by Local Governments and ED 147 Revenue from Non-Exchange Transactions (Including Taxes and Transfers). If the ED 125 and ED 147 approach is applied, revenue recognition may not occur until grant conditions are satisfied. ED 125 and ED 147 may therefore delay revenue recognition compared with AASB 1004, where grants are recognised when controlled. However, at this stage, the timing and dollar impact of these amendments is uncertain.

END OF AUDITED FINANCIAL REPORT

BUDGET

FIRST DETAILED BUDGET FOR THE YEAR ENDING 30 JUNE 2006

INCOME	\$000
Theatre services	9,942
Venue rentals	6,732
Production revenue	6,675
Guided tours	3,957
Booking fees & charges	3,044
Outsourced Food & Beverage	2,919
Tourism packages and events	1,877
Miscellaneous revenue	810
Outsourced Merchandising, licensing & retail	251
Investment Revenue	3,377
In-kind sponsorship	1,767
Cash sponsorship	1,564
Total from operations	42,914
Government grants	
Annual endowment	14,373
Strategic Asset Maintenance	19,627
Venue Improvement Programme	7,108
Total government grants	41,108
TOTAL	84,022

EXPENDITURE	\$000	\$000
Personnel Services	37,349	
Less charged to maintenance	5,387	
Sub total Personnel Services		31,962
Maintenance		27,995
Artist Fees and presentation expenses		7,058
Fees for services rendered		2,210
Publicity and advertising		3,280
Utilities and cleaning		3,127
Administration expenses		2,450
Consumables and minor equipment		1,633
Tourism packages and events		1,618
Building and general insurance		1,237
Bank and credit card charges		719
Training		560
Rent payments on operating leases		347
Audit fee - audit of financial report		48
TOTAL		84,245
Deficit before Depreciation		(224)
Depreciation and amortisation		11,202
Deficit after Depreciation		(11,425)
Share of net profits from joint venture		751
Deficit from Ordinary Activities		(10,674)

OUTLINE BUDGET FOR THE YEAR ENDING 30 JUNE 2007

INCOME	\$000	
Revenue from operations		
Sale of goods and services	47,084	
Investment Revenue	3,550	
Other revenue	1,649	
Sub total (excl Joint Venture)	52,283	
Government grants		
Annual Endowment	14,419	
Strategic Asset Maintenance	19,979	
Venue Improvement Program	9,424	
Other Capital Grants	6,000	
Sub total	49,822	
TOTAL	102,105	
EXPENDITURE	\$000	\$000
Personnel Services	39,474	
Less charged to maintenance	5,181	
Sub total Personnel Services		34,294
Other Expenses		31,059
Maintenance		16,063
TOTAL		81,416
Surplus before Depreciation		20,689
Depreciation and amortisation		17,647
Surplus after Depreciation		3,042
Share of net profits from joint venture		936
Surplus from Ordinary Activities		3,978