

Sydney Theatre Company Annual Report 2019 Chairman's Report

As last year drew to a close, we all had good cause to feel positive about Sydney Theatre Company's position and prospects. 2019 had been a year of high audience engagement, critical acclaim for productions from Parramatta to Edinburgh, excellent progress towards the renovation of our home at The Wharf in Walsh Bay, and financial stability (notwithstanding the significant ongoing disruption of the works at The Wharf). Three months later on 16 March 2020, our theatres went dark due to the COVID-19 pandemic and our world changed. We faced the sudden and complete loss of at least six months revenue. Despite the air of optimism just weeks before, our Board and our auditors agreed that under the "Subsequent Events" part of our financial report, it was appropriate to note a material uncertainty as to the Company's ability to continue as a going concern.

Whilst we had no choice but to note this uncertainty, we did have a choice about how to act. Since the onset of the crisis, our Board and management team have worked hard to secure the Company's future. We did not retreat from our vision and hope for the best. Rather, we developed and implemented a plan to put us in the best position possible to emerge from this period as a vibrant theatre company. That plan means we could avoid large scale lay-offs (though the incomes of employees and casual workers were still significantly affected). And so although we could not put on shows, artists could continue to engage audiences through STC Virtual, planning could continue apace for future productions, and we could continue to work towards a reopening of The Wharf in early 2021. Of course the plan requires us to take risks, which is why the Board has adopted it with external advice under the "Safe Harbour" provisions of company law. But we believe strongly in the future of the Company and so the risks are well worth taking. We have received extraordinary support from artists, philanthropists and other theatre lovers. We are extremely grateful for the support of the Australian government, particularly for its JobKeeper program which has supported a huge number of Australian businesses and their employees. At the time of writing, the NSW Government is also poised to support impacted organisations through its Restart and Recovery Package for the arts. As in the good times, this leadership by Australian governments in investing in the arts sector provides us with stability and our donors and supporters with confidence.

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2019 was the first full calendar year the Company spent working out of temporary premises while The Wharf was closed for renovations. Without the Wharf 1 and Wharf 2 theatres, the 2019 season was smaller in terms of number of productions, with only thirteen productions rather than our more usual slate of fifteen or sixteen. The average size of each production grew as we relied more heavily on larger venues such as the Roslyn Packer Theatre (880 seats) and the Drama Theatre of the Sydney Opera House (540 seats).

In last year's annual report, I noted that for each year we operate during the closure of The Wharf, we incur a net downgrade to our usual operating budget of around \$2.5M. This downgrade includes foregone revenues (for instance, no trading income from The Theatre Bar at the End of The Wharf) and additional costs such as hiring replacement venues and increased logistics expenses. We planned for these downgrades, which we have covered by drawing on reserves we had built up, and we consider them a part of the costs of the Wharf Renewal Project.

In addition to these downgrades, our accounts for 2019 reflect \$4.727M of non-cash losses, an increase of \$2.632M from 2018. These include \$1.225M relating to depreciation of the newly created right-of-use asset (pursuant to new accounting standards for leases) and an asset write-off of \$1.852M relating to the building project.

The combined impact of the disruption-related downgrade and the non-cash items led to an overall group deficit of \$4.77M (compared to a deficit of \$1.3M in 2018). In terms of EBITDA, STC's 2019 group result was a deficit of \$44,337 compared with a surplus of \$794,311 in 2018. Again, the year-on-year difference is primarily due to the business disruption from the closure of The Wharf. 2019 was a full year of disruption, compared to half a year in 2018. Whilst our cash reserves remained relatively high at \$18M at the end of 2019, they consist primarily of donations received in advance towards the Wharf Renewal Project. Unrestricted reserves have been heavily drawn on to fund business disruption, leaving us in a vulnerable position in the context of COVID-19.

In 2019, Australian governments conducted a review of the Major Performing Arts Framework. We welcome the introduction of the incoming National Performing Arts Partnership Framework which offers greater flexibility and transparency to the sector. We look forward to continuing our longstanding partnerships with the Australia Council, the Federal Government's arts funding and advisory board, and the NSW Government through Create NSW. The State government is also our landlord at The Wharf and Roslyn Packer Theatre, and another major investor in the Wharf Renewal Program as part of its greater Walsh Bay Arts Precinct project.

All in all, it has been a challenging period in the life of the Company. Sydney Theatre Company's purpose is to provide Australian theatre artists with an opportunity to make their best and boldest work, and to share it with the largest and broadest audiences. All of us on the Board are proud of the Company's ability to continue to successfully wrestle with every hurdle that comes into our path while continuing to deliver on that purpose.

Ian Narev
Chairman

<u>Subscription Season</u>	<u>No of Performances</u>	<u>Paid Attendance</u>
Mary Stuart	29	19,886
How to Rule the World	50	19,063
Mosquitoes	42	18,634
Cat on a Hot Tin Roof	45	30,782
The Torrents	42	19,035
Lord of the Flies	37	24,714
Banging Denmark	32	6,884
Avalanche: A Love Storey	17	6,740
The Real Thing	52	21,171
Cosi	47	19,434
The Beauty Queen of Leenane	36	25,048
Sub Total	429	211,391
Special Presentations		
The Wharf Revue 2019	37	27,239
White Pearl	16	2,385
Total Subscription Season and Special Presentations 2019	482	241,015
Total Subscription Season and Special Presentations 2018	617	285,007
Total Subscription Season and Special Presentations 2017	709	282,592

	<u>No of Performances</u>	<u>Paid Attendance</u>
Touring		
How to Rule the World	5	1,687
The Secret River	29	24,735
Black is the New White	75	30,969
The Wharf Revue	49	20,998
Sub Total	158	78,389

	<u>No of Performances</u>	<u>Attendance</u>
Readings		
Rough Draft #41 Frankenstein	1	124
Rough Draft #42	1	111
Rough Draft #43 Dead Meat	1	102
Rough Draft #44 Orange Thrower	1	147
Patrick White Playwrights Award	1	
Sub Total	5	484

Total Performances in 2019	
Home Venues	487
Regional and National Touring	129
International	29

Grand Total Performances 2019	645
Grand Total Performances 2018	724
Grand Total Performances 2017	884

Total Paid Attendance 2019	319,888
Total Paid Attendance 2018	324,232
Total Paid Attendance 2017	397,830