

# Synergy & TaikOz Ltd

(a company limited by guarantee)

ABN 67 003 352 181

## Annual Financial Report 31 December 2009

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## Synergy & TaikOz Ltd

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# Directors' Report

## Synergy & TaikOz Ltd

Your directors submit the financial report for Synergy & TaikOz Ltd for the year ended 31 December 2009.

### **Directors**

The names of the directors in office during the year end until the date of this report are:

Meredith Brooks  
Penelope Champion  
Robert Jeremy  
Helen Brown  
Terence Ashman  
Katherine Raskob  
Ian Cleworth  
Timothy Constable

In addition, Robert Green resigned as a director on 18 May, 2009 having held office since the 24 May 2004.

Ian Cleworth and Timothy Constable were appointed as directors on 18 May 2009, and Katherine Raskob was appointed as a director on 10 August 2009. They continue to hold office at the date of this report.

### **Principal activities**

The principal continuing activities of the company consisted of the promotion of the study, practice and performance of contemporary music and associated art forms.

There were no significant changes in the nature of the activities of the company during the year.

### **Operating result**

The surplus for the year amounted to \$115,042 (2008: surplus \$48,203).

### **Dividends**

No dividend was declared or paid by the directors during the year.

The company's constitution prohibits the declaration or payment of dividends.

### **Environmental issues**

The company's operations are not regulated by any particular and significant environmental regulation under a law of the Commonwealth or State.

# Directors' Report

Synergy & TaikOz Ltd

## 2009 Review of Operations

The company generated a record surplus of \$115,042 in 2009, on a 16% increase in income, a particularly exceptional result given the challenging external economic environment and the leadership transitions internally. The financial resilience of the organisation reflects the diverse sources of income generated by a group of musicians who maintain an admirable balance between artistic endeavour and pragmatism. Their commitment to education and community outreach and their willingness to support commercial projects allows the company to support creative risk taking. The range of activities also provides opportunities to improve artists' incomes, an important company objective. This balance between producing extraordinary performance, pushing the creative boundaries of percussion-based art forms and enabling non-professionals to experience the joy of making music is at the heart of the operations of Synergy & TaikOz.

### A year of transitions

Timothy Constable was appointed Artistic Director of Synergy in January 2009, marking the beginning of a new era for the ensemble led by Michael Askill from 1974. The new Synergy includes the birth of Moth, its percussion/electronic group reflecting a younger aesthetic, an increased focus on recording, soundtracks and mixing as well as continuing to present the classical repertoire from the 20<sup>th</sup> and 21<sup>st</sup> centuries. 2009 was a year of development for the new Synergy and the company appreciates the support of the Australia Council through its New and Emerging Artists Grant and of the Bundanon Trust.

David Sidebottom joined as General Manager in early March 2009 bringing valuable business and marketing experience from outside the arts sector. The company thanks Anna Cerneaz for her energy and generosity in the preceding 12 months.

The Operations team of Graham Hilgendorf and Kevin Man, both TaikOz members, took over from Seth Jordan late March. They bring an intimate understanding of the practicalities of workshops, performances and rehearsals.

It is a credit to the commitment and skills of this team, including Karen Steains (Finance) and Kerryn Joyce (Education), that these changes were managed effectively to support the every-increasing operational demands on the company.

### TaikOz 's year of collaboration

Two major collaborations formed the cornerstone of the performance year for TaikOz:

- In February 2009, TaikOz brought out the leading Japanese taiko group Kodo, performing at City Recital Hall and Melbourne Recital Centre to capacity audiences; 5 workshops were sold out in Sydney and Melbourne.
- Bell Shakespeare's *Pericles* was a milestone production for the ensemble, providing an opportunity to reach new audiences as well to learn from and exchange ideas with some of the country's leading theatre experts.

In total, TaikOz had more than 130 performances, over 100 workshops as well as record numbers of students at the TaikOz School in Sydney. Other highlights in this hugely successful year were:

- Performances of *Monoprism* with the Sydney Symphony Orchestra (to be reprised with WASO in 2010);
- Collaborations with Topology and Karak Percussion in Brisbane and Sydney, including a new work commissioned by David Pye.
- Various festival appearances, a critical part of expanding audience reach: Woodforde Folk Festival, Ten Days on the Island, Bellingen Global Carnival, OzAsia Festival in Adelaide.

# Directors' Report

## Synergy & TaikOz Ltd

### 2009 Review of Operations continued

- Multiple opportunities to work with young students with residencies in Armidale, Dubbo and Moorambilla as well as the annual Intensive Course for students around the country.

This demanding schedule was accomplished with a reduced quota of players: both Kerryn Joyce and Masae Ikegawa were on maternity leave for the latter part of the year, and Riley Lee's Princeton residency limited his availability in the first half of the year.

### Synergy's year of creative development

The focus for Synergy in 2009 was to create a level of performance momentum for the revitalised group and launching Moth:

- The Bundanon residency in March provided a concentrated opportunity for repertoire development for Moth.
- The Canberra International Music Festival in May gave Moth its first outing within an exceptionally full performance program – 24 performances - for the members of Synergy. As well as tribute performances to Peter Sculthorpe, performances included premieres of works by Elena Kats-Chernin and Sculthorpe as well as Australian premieres of Pärt, Andriessen and Reich.
- A joint performance with NYC poet Miles Merrill at the Sydney Writers' Festival and performances at the Parramatta Festival continued Moth's progress.
- Synergy performances in Sydney with Swiss percussionist Fritz Hauser, *Stilllives*, included new compositions by Timothy Constable.

### Finances

The net surplus of \$115,042 is more than twice the 2008 surplus, mostly due to increased success in attracting grants and donations as well as steady growth in contract income, box office and teaching fees. The dominant source of revenue continues to be contract income, reflecting the high demand for the ensembles by presenters and other arts organisations. The strategy of the company is to continue to support its capacity for risk-taking self-presentations by the solid underpinning of contract income (30% of total revenue) and proceeds from courses and workshops (20% of total revenue).

The company recognises that its long term growth depends on attracting philanthropic and corporate support and some progress was made in this strategy in 2009. The Kodo tour is a case in point: private donations and a fundraising event presented by artists and volunteers underwrote the company's initial risk, a Japan Foundation grant offset much of the travel expense, the Ian Potter Foundation funded the workshops and a range of in-kind corporate donations and in-kind marketing services put the overall project into surplus.

In 2009, total philanthropic income was \$97,490, 60% higher than the previous period, which in turn was 50% higher than in 2007.

The cash reserves of the company accumulated to over \$502,263 by year end (\$307,874 prior period). The company has continued to invest in new equipment – with \$37,000 worth of new/refurbished taiko sourced in 2009 – and in 2010 intends to draw on retained earnings to invest in business development and marketing activities.

Maintaining this healthy financial buffer is essential to enable us to continue to acquire and maintain instruments as well as underwrite the risks and expenses of self presentations and touring. In addition, we are building the capacity to operate and maintain substantially larger infrastructure once the ongoing project to secure new premises is concluded.

# Directors' Report

## Synergy & TaikOz Ltd

### 2009 Review of Operations continued

#### **Sculthorpe Centre**

New accommodation is needed to enable increased performance and teaching activity and our focus on securing new premises has accelerated with additional financial support from the Australia Council from January 2009 specifically for this purpose. Following two years of research into the viability of renting and refitting existing space in the Sydney metropolitan area, the company concluded that this is not feasible and that purpose built facilities are required. Specifically, professional advice made it clear that the exceptionally low frequency emission from the largest taiko as well as the volume of sound could not be acoustically contained in a refitted space.

Consequently, the company commissioned Root Projects to develop a business and implementation plan to seek capital funding for a purpose built facility, to be named in honour of our patron, Peter Sculthorpe. This report was finalised in early 2010 and a campaign to secure funding has commenced.

#### **Governance – new name and constitution**

The company adopted a new Constitution in May 2009 and formally changed its name from Synergy Percussion Limited to Synergy & TaikOz Limited in October. This Constitution replaced the incorporating Memorandum and Articles of Association of 1988, updating the governing documentation of the company to an appropriate modern standard. The new Constitution provides more clarity about responsibilities and rules for directors and members and processes for electing and replacing directors and members. In particular, it allowed for the overdue appointment of the two Artistic Directors as directors of the company in May. The membership of the company was also refreshed to include all of the current active artists as well as retaining emeritus past artists such as Colin Piper.

The company acknowledges the generous support of Freehills in drafting and implementing the new Constitution.

Robert Green, a director since 2004, stepped down from the board to fulfil other commitments: the company thanks him for his efforts of the past 5 years, in particular in respect of the Constitution.

Katherine Raskob, Marketing Manager with SBS, joined the board in August 2009, bringing an invaluable background in arts and entertainment marketing. She provides guidance and advice to management on various aspects of the company's marketing strategy.

All directors are actively involved in fundraising activities and are generous donors to the company.

#### **A family of volunteers**

Synergy & TaikOz has a reach and impact far beyond that supported by its modest resources (administrative staff is less than 4 full time equivalents) and achieves this through the generous dedication of many volunteers:

- The musicians are unpaid for significant amounts of development work – a position the company strives to redress. They also generously donate their performance time to many community events.
- Support at concerts and fundraising events: Jacqui Houston, Vi Nguyen, Louise Welsh, Randolph Smith, Kirsten Jakobsen, Claire Boyle
- Taiko no Wa directorate: Samantha Newton, Martin Lee, Wendy Tsui
- Fundraising and grant applications: Nola Charles and John Smith, Penny Campion, Veronik Verkest, Meredith Brooks, Helen Brown
- Legal advice: Freehills (Justine Turnbull, Shifra Symonds, Maggie Fung and Susan Duc) and Clayton Utz (Peter Briggs); Penny Campion
- Finance and accounting: David Jain and Helen Brown
- Greg Johns and Anna Cerneaz

# Directors' Report

## Synergy & TaikOz Ltd

### 2009 Review of Operations continued

#### Looking Forward to 2010

The company will continue to pursue the funding and implementation of the Sculthorpe Centre as a priority in 2010. Nonetheless, the activity of the ensembles continues unabated despite the space and time constraints of the current facilities. Highlights for 2010 include:

#### *TaikOz*

- Premiere seasons of a new program created by Graham Hilgendorf at CarriageWorks in Sydney and then Brisbane and Melbourne
- Festival circuit including the Riverdale Festival, Adelaide Fringe, National Folk Festival (Canberra), Iwate Oni-Kenbai Festival (Japan)
- *Blessings of the Earth* regional tour in 5 states
- *Monoprism* with the Western Australian Symphony Orchestra

#### *Synergy*

- Gondwana Choirs collaboration
- *Gethsemane* tour with the Song Company and Martin del Amo, premiering a new Gerard Brophy work
- Premiere of commissioned Mallet Quartet by Steve Reich in Sydney and Melbourne
- Australian Festival of Chamber Music Festival in Townsville

#### *Synergy & TaikOz*

- Pulse:heart:beat'10 at the Sydney Town Hall is a major production for Synergy, Moth and Taikoz, plus guests, generously supported by the City of Sydney
- The *Live House* series is launched to take more intimate performances to new venues around Sydney
- Hit:stick:flip'10 series of percussion intensives returns to the Sydney Conservatorium of Music and, for the first time, at regional Conservatoriums.

#### **Acknowledgments**

Synergy & TaikOz Ltd wishes to acknowledge the ongoing support of its two government funding bodies, the Australia Council for the Arts and Arts NSW. The company also thanks salesforce.com, Russell Investment Group, Perpetual Foundation, Institute of Actuaries of Australia, Macquarie Foundation and Newington College for their generous ongoing support of the company.

# Directors' Report

Synergy & TaikOz Ltd

## Likely developments and expected results of operations

It is not foreseen that the company will undertake any change in its general direction during the coming financial year. The company shall continue to pursue its financial trading activities as detailed earlier to produce the most beneficial result.

## Events subsequent to balance date

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

## Information on directors

Name: **Meredith Brooks**  
Experience: Director  
Board member since 14 December 2006  
Special responsibilities: Chair

Name: **Penelope Campion**  
Experience: Lawyer  
Board member since 1 June 2008

Name: **Robert Jeremy**  
Experience: Company Executive  
Board member since 1 June 2008

Name: **Helen Brown**  
Experience: Company Director  
Board member since 1 November 2008

Name: **Terence Ashman**  
Experience: Business Consultant  
Board member since 7 August 2006

Name: **Katherine Raskob**  
Experience: Marketing Manager  
Board member since 10 August 2009

Name: **Ian Cleworth**  
Experience: Musician  
Board member since 18 May 2009

Name: **Timothy Constable**  
Experience: Musician  
Board member since 18 May 2009

# Directors' Report

Synergy & TaikOz Ltd

## Directors' benefits

Since the end of the previous financial year no director of the company has received or become entitled to receive any benefit (other than a remuneration benefit included in Note 17 to the financial statements) because of a contract made by the company with the director or with a firm of which the director is a member, or with an entity in which the director has a substantial interest.

## Meetings of directors

The following table sets out the numbers of meetings of the company's directors held during the year ended 31 December 2009 and the number of meetings attended by each director.

	Directors meetings held whilst a director	Directors meetings attended
Robert Green	4	3
Terence Ashman	7	6
Meredith Brooks	7	7
Penelope Campion	7	6
Robert Jeremy	7	6
Helen Brown	7	7
Katherine Raskob	2	2
Ian Cleworth	4	3
Timothy Constable	4	4

Signed in accordance with a resolution of the directors.

**MEREDITH BROOKS**

Director

Sydney

Dated April 2010

# Auditor's Independence Declaration

**to the Directors of Synergy & TaikOz Ltd**

KPMG to provide

# Statement of Comprehensive Income

for the year ended 31 December 2009  
Synergy & TaikOz Ltd

	Note	2009 \$	2008 \$
<b>Revenue</b>	3	1,343,804	1,159,158
Employee benefits expense	4	(352,286)	(379,043)
Depreciation and amortisation expenses	4	(62,346)	(22,544)
Administration expenses		(162,725)	(97,341)
Cost of merchandise sold		(12,812)	(20,817)
Performance expenses		(638,593)	(591,210)
		-----	-----
<b>Net profit</b>		115,042	48,203
		=====	=====
Attributable to:			
Equity holders of the Company		115,042	48,203
Non-controlling interest		-	-
		-----	-----
		115,042	48,203
		=====	=====

The above statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# Statement of Financial Position

as at 31 December 2009  
Synergy & TaikOz Ltd

	Note	2009 \$	2008 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5	502,263	307,874
Trade and other receivables	6	44,176	38,403
Inventories	7	17,294	19,646
Prepayments and deposits	8	23,309	26,615
		-----	-----
Total current assets		587,042	392,538
		-----	-----
<b>Non-current assets</b>			
Plant and equipment	9	290,758	353,086
		-----	-----
Total non-current assets		290,758	353,086
		-----	-----
<b>TOTAL ASSETS</b>		877,800	745,624
		=====	=====
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	66,636	50,096
Non-interest bearing liabilities	11	9,539	8,392
Employee benefits	12	23,000	36,214
Unearned income	13	62,451	59,598
Government grants	14	75,451	70,000
		-----	-----
Total current liabilities		237,077	224,300
		-----	-----
<b>Non-current liabilities</b>			
Employee benefits	12	6,814	2,457
		-----	-----
Total non-current liabilities		6,814	2,457
		-----	-----
<b>TOTAL LIABILITIES</b>		243,891	226,757
		=====	=====
<b>NET ASSETS</b>		633,909	518,867
		=====	=====
<b>EQUITY</b>			
Accumulated funds		633,909	518,867
		=====	=====

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

# Statement of Changes in Equity

for the year ended 31 December 2009  
Synergy & TaikOz Ltd

	Note	2009 \$	2008 \$
<b>Balance at 1 January</b>		518,867	470,664
Surplus for the year		115,042	48,203
<b>Balance at 31 December</b>		<u>633,909</u> =====	<u>518,867</u> =====

The above statement of changes in equity should be read in conjunction with the accompanying notes.

# Cash Flow Statement

for the year ended 31 December 2009  
Synergy & TaikOz Ltd

	Note	2009 \$	2008 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,050,292	941,988
Receipts from appropriations/grants		276,550	259,283
Interest received		19,492	13,793
Payments to suppliers		(794,329)	(800,978)
Payments to employees		(339,380)	(349,586)
		-----	-----
<b>Net cash provided by operating activities</b>	19	212,625	64,500
<b>Cash flows from investing activities</b>			
Payments for plant & equipment and acquisitions	9	(29,343)	(49,655)
		-----	-----
<b>Net cash used by investing activities</b>		(29,343)	(49,655)
		-----	-----
<b>Cash flows from financing activities</b>			
Increase/(Repayments) of borrowings		9,561	(2,581)
Unrealised foreign exchange gain/loss		1,546	(2,737)
		-----	-----
<b>Net cash used in financing activities</b>		11,107	(5,318)
		-----	-----
<b>Net increase in cash and cash equivalents held</b>		194,389	9,527
<b>Cash and cash equivalents at the beginning of the financial year</b>		307,874	298,347
		-----	-----
<b>Cash and cash equivalents at the end of the financial year</b>	5	502,263	307,874
		=====	=====

The above cash flow statement should be read in conjunction with the accompanying notes.

# Notes to the Financial Report

for the year ended 31 December 2009  
Synergy & TaikOz Ltd

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# Notes to the Financial Report

for the year ended 31 December 2009  
Synergy & TaikOz Ltd

## 1 Summary of significant accounting policies

This financial report covers Synergy & Taikoz Ltd ("the Company") as an individual entity for the year ended 31 December 2009. Synergy & Taikoz Ltd is a company limited by guarantee, incorporated and domiciled in Australia. Its registered office and principal place of business is Newington College Music Building Room L21, 200 Stanmore Road, Stanmore NSW 2048. The Company primarily is involved in musical performance and education.

All amounts are presented in Australian Dollars, which is the Company's functional currency.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

### **Basis of Preparation and Compliance statements**

#### *(a) Statement of Compliance*

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial report of the company complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The Financial Report was approved by the Board of Directors on 12 April 2010.

#### *(b) Basis of Measurement*

The financial report is prepared on an accruals basis and is based on an historical costs basis.

At the reporting date, the company has not early adopted any Accounting Standards issued, but not yet operative, issued by AASB.

### **Significant Accounting Policies**

#### *(a) Income tax*

As the company is of a kind referred to in Section 50-5 item 1.1 of the Income Tax Assessment Act 1997, its income is exempt from the income tax.

#### *(b) Cash and cash equivalents*

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, tour and taiko school petty cash floats.

#### *(c) Trade and other receivables*

Trade and other receivables are measured at cost, less any provision for impairment. Trade receivables are due for settlement generally no later than 30 days.

Trade receivables are reviewed monthly. Receivables that are known to be uncollectible are written off. An allowance for provision of impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. 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. The amount of the allowance is recognised in the income statement.

# Notes to the Financial Report

for the year ended 31 December 2009  
Synergy & TaikOz Ltd

## 1 Significant Accounting Policies *continued*

### *(d) Property, plant and equipment*

Each class of property, plant and equipment is stated at historical cost less accumulated depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

A large variety of percussion instruments are owned by the Company to support performances by the various groups. Some of the instruments are hand made, unique or rare and valuable. All are subject to rigorous and regular maintenance.

Items of plant and equipment, leasehold improvements, computer equipment and musical instruments are depreciated using the straight-line method over their estimated useful lives. In the case where musical instruments are deemed to appreciate in value, no depreciation will be applied. Each class of asset in the current period was depreciated over the following useful lives as set out in the following table:

<b>Asset class</b>	<b>Useful Life</b>
Computer equipment	3 years
Furniture and fittings	5 years
Plant and equipment	3-5 years
Musical instruments	5-10 years

### *(e) Impairment of Assets*

The carrying values of plant and equipment are reviewed for impairment at each reporting date, with a recoverable amount being estimated when events or changes in circumstances indicate the carrying value may not be recoverable. Asset values are reviewed annually during the process of renewal and confirmation of the company's instrument insurance policy. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. Impairment losses are recognised in the income statement should it occur.

### *(f) Goods and Services Tax (GST)*

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

### *(g) Trade and other payables*

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### *(h) Inventories*

Inventories are measured at cost. All items are purchased as finished goods, apart from the bachi sticks which are treated as WIP items and transferred to inventory once finished goods are delivered.

### *(i) Employee benefits*

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the Company at balance date – this includes annual leave and long service leave for employees with 5 or more years continuous service. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

# Notes to the Financial Report

for the year ended 31 December 2009  
Synergy & TaikOz Ltd

## 1 Significant Accounting Policies *continued*

### *(j) Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed are net of goods and services tax (GST).

Revenue is recognised for the major business activities as follows:

- Production and related revenue

Revenue from productions and other services is recognised in the period in which the service is provided.

- Sponsorship Revenue

Revenue receivable from sponsors may be cash or in-kind and revenue is recognised in the period in which it is received.

- Trusts and Foundations Revenue

Grants from trusts and foundations are recognised in the income statement when it is controlled. When there are conditions attached to the grant revenue relating to the use of those grants for specific purposes it is recognised in the balance sheet as a liability until such conditions are met or services provided.

- Grant revenue

An unconditional Government grant is recognized as income when the grant becomes receivable. Other Government grants are recognized as deferred income when there is reasonable assurance that they will be received and the Company will comply with any conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognized as income on a systematic basis in the same periods in which the expenses are recognised.

- Interest income

Interest revenue is recognised as interest accrues taking into account the effective interest rates applicable to the financial assets.

- Donations

Revenue from donations is recognised in the period in which donations are received.

### *(k) Foreign currency translation*

Both the functional and presentation currencies of the Group are Australian dollars. Transactions in foreign currencies are recorded initially in Australian dollars at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

### *(l) Economic dependence*

The company is dependent on the Australia Council for the Arts and Arts NSW to support the operation of the business.

### *(m) Going concern*

The financial report has been prepared on a going concern basis, which contemplates continuity of normal trading activities and the realisation of assets and settlement of liabilities in the normal course of business. The company is ultimately dependent upon the support of Australia Council for the Arts and Arts NSW and the success of future productions. At the date of this report the Board of Directors has no reason to believe these funding bodies will not continue to support the company.

### *(n) Finance income and expenses*

Finance income comprises interest income on funds invested. Interest income is recognised at the time it is received.

# Notes to the Financial Report

for the year ended 31 December 2009  
Synergy & TaikOz Ltd

## 1 Significant Accounting Policies *continued*

## 2 Financial risk management

### Overview

The Company has exposure to the following risks from their use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included in note 16 Financial Instruments.

### Risk Management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The company's overall financial risk management program focuses on transferring revenue risk to presenters, sharing box office and teaching income uncertainty with members, closely linking income and expenditure and maintaining a high level of liquidity.

### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and cash and cash equivalents.

#### *Trade Receivables*

Trade receivables are reviewed monthly. Receivables that are known to be uncollectible are written off. An allowance for provision of impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. 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. The amount of the allowance is recognised in the income statement. The company has no significant concentrations of credit risk. To ensure contracts are financially sound, the company ensures it only deals with presenters, promoters and venues with an appropriate credit history (At 31 December 2009 Trade Receivables includes a provision for bad debts of \$6364).

#### *Cash and cash equivalents*

The Company limits its exposure to credit risk by investing and holding cash positions only with counterparties that have a credit rating of at least A1 from Standard & Poor's.

# Notes to the Financial Report

for the year ended 31 December 2009  
Synergy & TaikOz Ltd

## 2 Financial risk management continued

### **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

### **Currency risk**

The Company is exposed to currency risk mainly on purchases that are denominated in a currency other than the respective functional currency, Australian dollar (AUD). The currency in which these transactions are primarily denominated is Japanese Yen.

The company ensures that its net exposure to foreign currencies is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

### **Interest rate risk**

Interest risk arises from cash deposits in financial institutions, cash and cash equivalents holdings are exposed to floating interest rates. There are no interest bearing liabilities.

### **Other market price risk**

The company is not exposed to any other market risk.

# Notes to the Financial Report

for the year ended 31 December 2009  
Synergy & TaikOz Ltd

	2009	2008
	\$	\$
<b>3 Revenue</b>		
<b>Revenue from continuing operations</b>		
<b>Sales Revenue</b>		
<b>Performance fees:</b>		
Box office income	186,397	109,209
Contract appearances	350,752	344,652
	-----	-----
	537,149	453,861
	-----	-----
<b>Government grants:</b>		
Australia Council – general	185,000	188,645
Australia Council – other	31,550	21,540
Arts NSW – general	60,000	60,000
Arts NSW – Auspice grants	-	12,850
	-----	-----
	276,550	283,035
	-----	-----
<b>Sale of goods</b>		
Sales of merchandise	37,413	61,281
<b>Other revenue</b>		
Donations received	77,490	65,751
Trusts, Foundations, Corporate	20,000	-
TaikOz workshop and school fees received	281,688	273,324
Interest received	19,492	13,793
Freight and touring costs reimbursed	79,778	-
Sundry revenue	14,244	8,113
	-----	-----
	492,692	360,981
	-----	-----
<b>Total revenue</b>	1,343,804	1,159,158
	=====	=====

# Notes to the Financial Report

for the year ended 31 December 2009  
Synergy & TaikOz Ltd

2009  
\$

2008  
\$

## 4 Expenses

The surplus includes the following specific expenses:

### *Amortisation*

Intangible assets - 220

### *Depreciation*

Plant and equipment 62,346 22,324

-----  
62,346 22,544  
=====

### *Employee benefits expense*

Salaries and wages 311,375 318,492

Staff development and travel 837 270

Superannuation 28,005 28,664

Annual and maternity leave provision 116 8,867

Long service leave provision 4,357 2,457

Workers compensation insurance 7,726 6,963

Redundancies (130) 13,330

-----  
352,286 379,043  
=====

## 5 Cash and cash equivalents

Cash at bank and on hand 17,331 25,435

Deposits at call 484,932 282,439

-----  
502,263 307,874  
=====

### **(a) Reconciliation to cash and cash equivalents at the end of the year**

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the cash flow statement as follows:

Balance per cash flow statement 502,263 307,874  
=====

### **(b) Deposits at call**

The deposits are bearing floating interest rates between 3.50% and 3.75% (2008 – 4.75% and 7.00%). These funds are at call.

# Notes to the Financial Report

for the year ended 31 December 2009  
Synergy & TaikOz Ltd

	2009	2008
	\$	\$
<b>6 Trade and other receivables</b>		
<b>Current</b>		
Trade and other receivables	44,176	38,403
	=====	=====
<b>7 Inventories</b>		
<b>Current</b>		
Finished goods – at cost	17,294	19,646
	=====	=====
<b>8 Prepayments</b>		
<b>Current</b>		
Prepayments and deposits – general	23,309	26,615
	=====	=====
<b>9 Plant and equipment</b>		
<b>Plant and equipment</b>		
Plant and equipment – at cost	474,534	500,707
Accumulated depreciation	(183,776)	(147,621)
	-----	-----
<b>Total plant and equipment</b>	290,758	353,086
	=====	=====
<b>Reconciliations</b>		
Reconciliations of the carrying amounts of each plant and equipment at the beginning and end of the current financial year:		
Carrying amount 1 January	353,086	325,755
Additions	29,343	49,655
Deletions	(29,325)	-
Depreciation	(62,346)	(22,324)
	-----	-----
Carrying amount 31 December	290,758	353,086
	=====	=====

# Notes to the Financial Report

for the year ended 31 December 2009  
Synergy & TaikOz Ltd

	2009	2008
	\$	\$
<b>10 Trade and other payables</b>		
<b>Current</b>		
Trade creditors	25,072	16,098
GST payable	9,838	17,831
Sundry creditors and accrued charges	31,726	16,167
	-----	-----
	66,636	50,096
	=====	=====

## 11 Non-interest bearing liabilities

<b>Current</b>		
Other loans	9,539	8,392
	=====	=====

The above loan is repayable within 12 months, interest free and is secured over the instruments acquired from the loan. The counterparty is Hini Hibiki Daiko.

## 12 Employee benefits

<b>Current</b>		
Liability for annual leave	23,000	22,884
Liability for redundancies	-	13,330
	-----	-----
	23,000	36,214
	=====	=====

<b>Non-current</b>		
Liability for long service leave	6,814	2,457
	=====	=====

### Employee numbers

Average number of employees during the financial year	8	8
	=====	=====

# Notes to the Financial Report

for the year ended 31 December 2009  
Synergy & TaikOz Ltd

	2009	2008
	\$	\$
<b>13 Unearned income</b>		
<b>Current</b>		
TaikOz fees in advance	12,668	6,709
Contract income in advance	49,783	52,889
	-----	-----
	62,451	59,598
	=====	=====

## 14 Government grants

<b>Current</b>		
Australia Council - General	71,628	-
Australia Council – Emerging Artists Grant	3,823	-
Arts NSW	-	60,000
Sidney Myer Foundation	-	10,000
	-----	-----
	75,451	70,000
	=====	=====

## 15 Auditor's remuneration

The auditor of Synergy & TaikOz Ltd is KPMG. In 2008 the Auditor was Steve Miller & Co.

### Assurance services

<i>Audit Services</i>		
Audit of the financial report	6,000	5,200
	=====	=====

# Notes to the Financial Report

for the year ended 31 December 2009  
Synergy & TaikOz Ltd

## 16 Financial instruments

### 2009

	Less than 6 months	Between 6 months & 1 year	1 year to 5 years	More than 5 years	Total
<i>Financial assets</i>					
Cash and cash equivalents	502,263	-	-	-	502,263
Trade and other receivables	44,176	-	-	-	44,176
Total financial assets	546,439	-	-	-	546,439
<i>Financial liabilities</i>					
Trade and other payables	(99,175)	-	(6,814)	-	(105,989)
Total financial liabilities	(99,175)	-	(6,814)	-	(105,989)
Net financial assets	447,264	-	(6,814)	-	440,450

### 2008

	Less than 6 months	Between 6 months & 1 year	1 year to 5 years	More than 5 years	Total
<i>Financial assets</i>					
Cash and cash equivalents	307,874	-	-	-	307,874
Trade and other receivables	38,403	-	-	-	38,403
Total financial assets	346,277	-	-	-	346,277
<i>Financial liabilities</i>					
Trade and other payables	(94,702)	-	(2,457)	-	(97,159)
Total financial liabilities	(94,702)	-	(2,457)	-	(97,159)
Net financial liabilities	251,575	-	(2,457)	-	249,118

# Notes to the Financial Report

for the year ended 31 December 2009  
Synergy & TaikOz Ltd

The weighted average interest rate for Cash & Cash equivalents is 3.62% at 31 December 2009 (31 December: 5.87%). Trade and other receivables and Trade and other payables are not interest bearing financial instruments.

## Sensitivity Analysis

At 31 December 2009 it is estimated that a general increase of one percentage point in interest rates would increase the company profit by approximately \$5,023 (at 31 December 2008: \$3,076).

## 17 Director and executive disclosures

### (a) Details of key management personnel

The names of each person holding the position of director of the company during the financial year are listed on page 3 of the Directors' Report.

Details of the executive officers are as follows:

David Sidebottom	Chief Executive Officer
Anna Cerneaz	Chief Executive Officer
Karen Steains	Chief Financial Officer

Anna Cerneaz was the CEO from until March 2009 when her position was taken over by David Sidebottom.

### (b) Compensation of key management personnel

	2009	2008
	\$	\$
<b>Short term benefits</b>		
Key management personnel compensation	127,142	140,805
	=====	=====

No other forms of compensation were paid to Key Management personnel.

The constitution of the company prohibits the distribution of company surpluses by way of dividend, bonus or other profit distribution, to any of the members or directors but does not prevent them from being remunerated for goods and services provided to the company in the fulfilment of its objects. The level of remuneration is commercially based, transparent and approved by the Board of directors.

# Notes to the Financial Report

for the year ended 31 December 2009  
Synergy & TaikOz Ltd

	Note	2009 \$	2008 \$
<b>18 Commitments for expenditure</b>			
<b>Operating leases</b>			
<i>Rehearsal studio lease</i>			
Minimum commitments payable are as follows:			
Payable not later than 1 year		5,176 =====	3,987 =====
Representing:			
Non-cancellable operating leases		- =====	3,987 =====
<b>19 Reconciliation of surplus from ordinary activities to net cash inflows from operating activities</b>			
Surplus from ordinary activities		115,042	48,203
Amortisation of intangible assets		-	220
Depreciation of plant and equipment		62,346	22,324
Fixed asset dross write off		16,673	-
Foreign exchange effect on overseas borrowings		1,546	2,737
<b>Changes in operating assets and liabilities</b>			
Increase in trade and other receivables		(5,773)	(18,008)
Decrease in inventories		2,352	9,772
Decrease in prepayments and deposits		3,306	10,818
Increase in trade and other payables		17,687	(11,708)
Decrease in provision for Employee entitlements		(8,857)	29,457
Increase in unearned income and grants		8,303	(29,315)
		-----	-----
<b>Net cash inflow from operating activities</b>		<b>212,625</b> =====	<b>64,500</b> =====

# Notes to the Financial Report

for the year ended 31 December 2009  
Synergy & TaikOz Ltd

## 20 Company details

Synergy & TaikOz Ltd is a company limited by guarantee, incorporated and domiciled in Australia.

The registered office of the Company is:

Newington College  
Arts Building Room L21  
200 Stanmore Road  
STANMORE NSW 2048

The principal place of business is:

Newington College  
Arts Building Room L21  
200 Stanmore Road  
STANMORE NSW 2048

## 21 Members' Guarantee

The guarantee of members in the event of the winding up of the company is limited to \$100 per member. At 31 December 2010, the company has a total of 21 members representing a total guarantee of \$2,100.

## 22 Contingencies

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2009 and 2008.

## 23 Subsequent Events

No significant events have occurred since the end of the reporting period which would impact on the financial position of the company disclosed in the statement of financial position as at 31 December 2009, or on the results and cash flow of the company for the year ended on that date.

# Directors' Declaration

Synergy & TaikOz Ltd

The directors of the company declare that:

- (a) the financial report and notes, as set out on pages 11 to 29 are in accordance with the *Corporations Act 2001*;
  - (i) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (ii) give a true and fair view of the financial position as at 31 December 2009 and of the performance for the year ended on that date of the company.
- (b) 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.

**MEREDITH BROOKS**

Director

Sydney

Date April 2010

## **Declaration by Chief Executive Officer in respect of fundraising appeals**

I, David Sidebottom, Chief Executive Officer of Synergy & Taikoz Ltd, declare in my opinion:

- (a) the Annual financial report gives a true and fair view of all income and expenditure of Synergy & Taikoz Ltd with respect to fundraising appeal activities for the financial year ended 31 December 2009;
- (b) the statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeal activities as at 31 December 2008;
- (c) the provisions of the Charitable Fundraising Act 1991 and Regulations and the conditions attached to the authority have been complied with for the financial year ended 31 December 2009; and
- (d) the internal controls exercised by Synergy & Taikoz Ltd are appropriate and effective in accounting for all income received and applied from any fundraising appeals.

Sydney, 12 April 2010

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David Sidebottom  
*Chief Executive Officer*

# Independent Audit Report

to the members of Synergy & TaikOz Ltd

## To be inserted

# Independent Audit Report

to the members of Synergy & TaikOz Ltd

## To be inserted

# Independent Audit Report

to the members of Synergy & TaikOz Ltd

## To be inserted

# Detailed Trading Statement

for the year ended 31 December 2009  
Synergy & TaikOz Ltd

	2009	2008
	\$	\$
<b>INCOME</b>		
Sales of merchandise	37,413	61,281
	-----	-----
	37,413	61,281
 <b>LESS: COST OF GOODS SOLD</b>		
Opening stock – finished goods	19,646	29,418
Purchases	10,460	11,045
	-----	-----
	30,106	40,463
Closing stock – finished goods	(17,294)	(19,646)
	-----	-----
	12,812	20,817
	-----	-----
<b>GROSS SURPLUS FROM TRADING</b>	24,601	40,464
	=====	=====

# Detailed Trading Statement

for the year ended 31 December 2009  
Synergy & TaikOz Ltd

	Sch	2009 \$	2008 \$
<b>INCOME</b>			
<i>Performance fees</i>			
Box office income		186,397	109,209
Contract appearances		350,752	344,652
TaikOz workshop and school fees received		281,688	273,324
		-----	-----
Total performance revenue		818,837	727,185
		-----	-----
<i>Grants</i>			
Australia Council:			
General		185,000	188,645
Other		31,500	21,540
Arts NSW:			
General		60,000	60,000
Auspiced grants		-	12,850
		-----	-----
Total grants received		276,500	283,035
		-----	-----
<i>Other revenue</i>			
Gross surplus from merchandise trading		24,601	40,464
Instrument hire		4,782	2,805
Donations received		77,490	65,751
Trusts, Foundations, Corporate		20,000	-
Awards/Sponsorship		-	-
Interest received		19,492	13,793
Freight and tour costs reimbursed		79,778	-
Sundry revenue		9,512	5,308
		-----	-----
Total other revenue		235,655	128,121
		-----	-----
<b>TOTAL INCOME</b>		1,330,992	1,138,341
<b>LESS: EXPENDITURE</b>	Sch 2	(1,215,950)	(1,090,138)
		-----	-----
<b>NET SURPLUS</b>		115,042	48,203
		=====	=====

# Detailed Expense Statement

for the year ended 31 December 2009  
Synergy & TaikOz Ltd

	Note	2009 \$	2008 \$
<b>SCHEDULE 2 - EXPENDITURE</b>			
Advertising and promotion		428	1,129
Amortisation		-	220
Annual leave provided		116	13,670
Auditor's remuneration		6,000	5,200
Bank charges		4,346	2,964
Depreciation of plant and equipment		62,346	22,324
Computer costs		9,397	14,391
Commissions		16,086	-
Consultancy fees		500	-
Filing fees		370	105
Freight and courier		1,830	3,924
General costs		48,080	9,749
Insurance		16,897	16,106
Legal fees		1,450	700
New premises project costs		23,373	-
Performance expenses		638,593	591,210
Postage, printing and stationery		2,871	3,369
Provision for redundancies		(130)	13,330
Rehearsal venue		29,233	28,299
Salaries and wages		311,375	318,492
Staff amenities		317	119
Staff training		-	150
Subscriptions		578	173
Superannuation		28,005	28,664
Telephone		6,163	6,150
Unrealised foreign exchange deficit		-	2,737
Workers compensation insurance		7,726	6,963
		-----	-----
<b>TOTAL EXPENDITURE</b>		<b>1,215,950</b>	<b>1,090,138</b>
		=====	=====