

**WELSH NATIONAL OPERA LIMITED**

(Company limited by guarantee  
and not having a share capital)

**Report and Financial Statements**

**31 August 2010**

**REPORT AND FINANCIAL STATEMENTS**

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**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS AND TRUSTEES**

The directors are also the company's charitable trustees. The directors who served throughout the financial year, unless otherwise stated, and the committees they attend, are shown below.

	Audit	Development	Finance	HR	Nominations
Mr G T Davies, DL (Chairman)	X		X		X
Mr A G Bunker	X	X	X		X
Ms H Boulding				X	
Mr P H D Findlay				X	
Mrs C E Lewis, OBE	X		X		X
Mr D J O'Neill, CBE (retired 26 March 2010)					
Mr P S Phillips (retired 26 March 2010)					
Mrs M E D Poulton				X	
Mr M C Prichard, CBE, DL	X	X	X		X
Mr R G Thomas, OBE (retired 26 March 2010)					
Mr G A Watts	X		X		
Mr J Lorimer	X	X	X		

**SECRETARY**

Mr P Bellingham

The following directors were co-opted to the Board after the year-end:

Mr G Devlin  
 Ms F Jones  
 Ms M Richards, OBE  
 Mr S Thomas  
 Mr A Hales

**EXECUTIVE AND SENIOR MANAGEMENT TEAM**

**Executive**

John Fisher, Chief Executive and Artistic Director  
 Peter Bellingham, Managing Director  
 Lothar Koenigs, Music Director

**Senior management**

Isabel Murphy, Director of Artistic Administration  
 Peter Harrap, Chorus and Orchestra Director  
 Jan Michaelis, Technical Director  
 James Wynne, Finance Director  
 Rhian Hutchings, MAX Director  
 Alison Dunnett, Director of Development & Communications

**COMPANY DETAILS**

**Company number** - 454297  
 Registered in England and Wales

**Registered office**  
 Wales Millennium Centre  
 Bute Place  
 Cardiff CF10 5AL

**Charity number** - 221538

**PROFESSIONAL ADVISERS**

**Auditors**

Deloitte LLP  
 Cardiff

**Solicitors**

Eversheds LLP  
 1 Callaghan Square  
 Cardiff CF10 5BT

**Bankers**

National Westminster Bank plc  
 26 Park Place  
 Cardiff CF10 3QH

Lloyds Bank plc  
 31 Queen Street  
 Cardiff CF10 2AG

## **VISION, MISSION AND VALUES**

### **Vision**

A culture in which there is widespread belief among people from all backgrounds that opera can be for them.

### **Mission**

We want to encourage as many people as possible to share our own passion for opera by attending performances or participating in our activities. We will achieve this by taking world-class opera to new and existing audiences across the UK and by staging productions and activities that will surprise, delight and provoke those audiences.

### **Values**

As a company we are passionate, accessible, ambitious, collaborative, nurturing, adventurous, approachable, welcoming, excellent, professional.

## **STRATEGIC PRINCIPLES**

- We will provide a wide programme of opera experiences for the widest possible public.
- We will be accessible to our audiences in terms of attitude, price, geography and participation.
- Excellence will be at the heart of everything we do.
- Our opera will be achieved through an ensemble company, combining a thrilling fusion of music and theatre, underpinned by vocal, choral and orchestral excellence.
- We will extend the range and reach of the company by responding creatively and flexibly to the diverse communities we serve, often challenging established perceptions of opera.
- We will do everything we can to increase audiences for WNO specifically and opera generally.
- We recognise the responsibility we have, as a large organisation, to support professional development and share resources. We will bring a collaborative spirit to our relationships with other arts organisations in Wales and beyond.
- We will be financially responsible at all times and we will maximise our earned and contributed income in order to extend the value of the public funding investment that we receive.
- We believe that valuing, developing and investing in our staff is critical to the company's success and will seek to be as creative in the management of the company as we are on stage.
- WNO is proud of its Welsh roots, and seeks to be a cultural ambassador for Wales, both in the UK and overseas.

## **DIRECTORS' REPORT**

The directors of Welsh National Opera Limited are pleased to submit their report together with the audited financial statements of the group for the year ended 31 August 2010.

## **REFERENCE AND ADMINISTRATIVE DETAILS**

The reference and administrative details of the company, and the details of the directors of the company, who are also its members and charitable trustees, are shown on page 1.

## **STRUCTURE, GOVERNANCE AND MANAGEMENT**

### **Structure**

Welsh National Opera Limited (WNO) was incorporated as a company limited by guarantee and not having a share capital on 19 May 1948. The company is a registered charity and is regarded as such by HM Revenue & Customs, enabling it to benefit from the tax exemptions afforded to charities.

The charity is governed by its Memorandum and Articles of Association adopted on 19 May 1948 and last amended on 27 October 1997.

### **Governance**

The Board is responsible for approving overall policies, plans and organisation. It meets four times per year and delegates appropriate matters to a Finance Committee, an Audit Committee, an HR Committee, a Development Committee and a Nominations Committee. Four Finance Committee meetings and three Audit Committee meetings are planned each year. The other Committees determine their own frequency for meeting subject to the requirement to meet at least twice each year.

The Board's membership includes those with appropriate professional experience and knowledge of arts administration. All new directors are provided with an induction to the company and given guidance as to the role and responsibilities of being both a charity trustee and a company director.

The Nominations Committee assesses the skill base required by the Board of WNO and seeks to secure applications accordingly. Directors are appointed by the members of the Board at the annual general meeting of the company, after nomination by a member, as required by the company's Articles of Association. Directors may be appointed to fill a casual vacancy or as an addition to the existing Board until the next annual general meeting at which they will be eligible for re-election. Directors may expect to serve two consecutive terms of three years and are eligible to serve a third term if approved by the Board following a review by the Nominations Committee. An extension of office beyond this nine-year period will be considered only in specific and exceptional circumstances, which should be recorded by the Board, such extension to be made by election for one year only. The Chairman of the company may expect to serve for two successive terms of three years from his/her appointment as Chairman irrespective of how long they have served as a director prior to appointment.

### **Management**

The Chief Executive and Artistic Director has overall responsibility for the artistic direction and management of the company; the Managing Director is responsible for the company's business and operations management and the Music Director is jointly responsible for the company's artistic direction.

The senior management team comprises departmental directors with responsibility for artistic administration, chorus and orchestra, WNO MAX, development and communications, technical and finance.

The company has a permanent full-time orchestra and chorus and, for each production, engages appropriate producers, designers and principal singers.

## **DIRECTORS' REPORT (continued)**

### **Risk management**

The Board has continued to develop its risk management and internal controls following best practice. The Board has a formal risk management procedure to assess major strategic, business and operational risks, and a comprehensive business continuity plan has been completed. This has involved identifying the major types of risks the company faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying means of mitigation. Each risk has been made the responsibility of a member of the senior management team and is reviewed on a regular basis. As part of this process, the Board has also reviewed the adequacy of the charity's current internal financial and operational controls.

### **Directors' interests in related bodies**

Directors have no interests in the related bodies shown in note 20 to the financial statements.

### **Objectives**

The objectives of Welsh National Opera Limited are to engage in all aspects of staging opera and educational activity together with a wide range of related activities including concerts, recordings and publications.

Welsh National Opera has a permanent company of 230 people including musicians, singers, craftspeople, technicians and administrators. Collectively we are passionate about opera and want to encourage as many people as possible to share our passion by taking opera to new as well as existing audiences within Wales, across the UK and beyond. We do this because we know that the opera we create has the potential to inspire emotions, challenge perceptions and touch lives. Together, our award-winning community and education programme, WNO MAX, our world-class main-scale productions and our broadcast and digital activities enable us to reach and engage with more people than ever before.

### **Public benefit**

The directors have considered the Charity Commission's guidance on public benefit when reviewing the company's aims and objectives and in planning future activities. In particular, the directors have considered how the planned activities will contribute to the company's aims and objectives that they have set.

Welsh National Opera's public benefits are covered in the vision, mission and values on page 2.

Our activities are planned in advance of the year being reported and from the outset of the planning stage consideration is given to the likely public benefits of those activities and how they fulfil the company's vision. The details of the activities carried out, including activities aimed at encouraging specific audience groups, are shown in the achievements section below.

A member of staff is available at all of our performances and events to respond to participant or audience issues. Feedback and participation from audiences is encouraged in our programmes, through our website and through activities outside the main productions.

Children participate in many of our productions and WNO MAX activities; our staff are fully trained and checked for their work with children, who both enjoy and contribute to the company.

Our beneficiaries are 'the widest possible public', and to encourage audiences and participants we perform in easily accessible theatres in major towns and cities in England and Wales. Our MAX department encourages audiences through activities in communities and schools. Our marketing and website encourage audiences from all walks of life and our pricing policy is based on a commitment to affordability wherever we perform, both through affordable prices to opera performances and free activities.

The directors received no remuneration for their roles as directors in the year (year to August 2009 - £nil).

## **DIRECTORS' REPORT (continued)**

### **ACHIEVEMENTS AND PERFORMANCE**

#### **Productions and Performances**

In the year to 31 August 2010, WNO presented 2 new mainscale productions, 1 hired production new to WNO, 5 revival productions, 29 MAX projects, 20 orchestral concerts and 2 opera broadcasts.

The new mainscale productions were:

- *La traviata* – this new production, directed by David McVicar, who was making his debut with WNO, was a co-production with Scottish Opera and Gran Teatre de Liceu, Barcelona. The production featured Alfie Boe and Greek soprano Myrto Papatanasiu.
- *Die Meistersinger von Nürnberg* – this was one of the most significant productions in WNO's history, a landmark production for WNO's Music Director Lothar Koenigs and also a showcase for Bryn Terfel making his debut in the role of Hans Sachs. It also saw the return to WNO of director Richard Jones, whose previous productions of *Hansel and Gretel*, *The Queen of Spades* and *Wozzeck* have all become mainstays of the company's repertoire. The production attracted attention from around the world and was universally acclaimed for both the production and the musical qualities.

In addition to the new productions, WNO also brought a production of *The Abduction from the Seraglio* to WNO audiences from the USA, originally created by the opera companies in Houston, Boston, Colorado, Kansas City, Minnesota and Opera Pacific.

Revivals presented during the year were: *Madam Butterfly*, *Wozzeck*, *Tosca*, *Carmen* and *Rigoletto*.

Once again, vocal, choral and orchestral excellence was at the heart of the company's high artistic standards, with many high quality vocal performances.

The company featured on BBC TV and Radio during the year, with *Die Meistersinger von Nürnberg* broadcast live on Radio 3 and shown later that evening on BBC Four, as part of the BBC Proms season. Radio 3 also recorded *Rigoletto* for transmission later in 2010.

The Orchestra has a well-established presence in the prestigious International Concert Series at St David's Hall, Cardiff. Lothar Koenigs conducted two of three concerts, with repertoire including Brahms' Symphony No 2, Mahler's Symphony No 1 and Strauss' Four Last Songs. Andrew Litton conducted the third concert in a programme, which featured Paul Watkins as soloist in the Elgar Cello Concerto as well as Walton's Crown Imperial and First Symphony. Harry Bicket returned to the company to conduct Handel's Messiah at St David's Hall, and Lothar Koenigs conducted a performance of Beethoven's Ninth Symphony at the Wales Millennium Centre, featuring the Orchestra and Chorus of WNO joined by a Community Choir of eighty singers; this performance was WNO's contribution to Wales Millennium Centre's fifth birthday celebrations.

## **DIRECTORS' REPORT (continued)**

### **WNO MAX**

WNO MAX connects company and community, creating innovative and inclusive work of high quality. We deliver memorable and powerful experiences which impact lives, change perceptions of the company and create a sense of ownership of WNO as a whole. WNO MAX is constantly pushing creative boundaries and developing new relationships. It actively invests in and engages the company and the wider community to create greater understanding of our work.

MAX projects may have a nominal charge attached to them. This charge is a commitment fee and is set in relation to the context in which the project is being delivered. The charges can be waived if a group or school are very keen to take part in a project but cannot find the funding to do so.

MAX provided 29 projects with a wide range of different opportunities to engage with opera and WNO in schools and communities throughout Wales and our touring regions in England. Key projects included:

- Welsh National Youth Opera Master Classes, Workshops and Tasters – a series of workshops and masterclasses exploring opera as a practical artform. Young people aged 14–25 were invited to attend the series, which also explored backstage work and orchestral playing. Taster sessions for the group took place across Wales in February 2010.
- A Real Princess – a newly commissioned opera for four year olds, which toured alongside the mainscale spring tour. The opera was performed in venues and in schools by members of the WNO Chorus and Orchestra. The pupils who attended also enjoyed a workshop exploring the themes of the opera.
- The Boy Who Went to the West Wind – a one-day primary music project which visited primary schools alongside the mainscale autumn tour. Pupils learned about wind instruments and took part in a performance at the end of the day with members of the WNO orchestra and chorus.
- Meisterfringe – a series of talks and debates set around the summer run of Meistersinger and giving the audience the chance to find out more about the opera, it's composer and the performance.
- The Song Contest of the Birds and Beasts – a large-scale primary oratorio performed by children from four schools in Birmingham and members of the Ex Cathedra Junior Academy. The final performance of this new commission by Mervyn Burtch and Simon Rees took place on the main stage at the Birmingham Hippodrome.
- Beethoven's Ode to Joy – a concert performance at Wales Millennium Centre to celebrate the centre's fifth birthday, performed by the WNO Chorus and Orchestra and 80 community singers.
- Shelf Life – a community singing performance project in collaboration with National Theatre Wales and Volcano Theatre Company, performed by 60 community singers at the Old Library in Swansea.
- Search for Sounds – a film and music project made with participants from Butetown. The film told the story of Pan, who visited Butetown with his magical bag collecting sounds.
- The Journey – a large-scale community oratorio performed in Blaenafon and Treorchy in June 2010. The oratorio brought together all the songs that were written through the Street Songs project, and was performed by seven community choirs from across the Valleys and a small amateur orchestra.
- Street Songs: No Strings – a puppetry and song writing project which took place in Glen Boi Primary School in Mountain Ash. Pupils worked with a composer, writer, puppeteer, filmmaker and vocal animateur to make a DVD of Billy and the Dragon.
- Open House Llandudno – a day of free events, concerts and workshops in Venue Cymru in Llandudno.
- BANG! – WNO MAX joined forces with the Urdd, Academi and BBC National Orchestra of Wales to run two creative residential weeks, one through the medium of English and one in Welsh.
- The WNO Singing Club for 10–14 year olds gave a spring performance of Black Spider by Judith Weir in the Weston Studio and gave concert performances of Britten's Friday Afternoons at WMC and at local care homes.
- WNO continued to provide its audio description service to tour venues this year. One production was audio described in each season, with a touch tour being offered before each audio described performance. Links have been made in each venue with the blind and partially sighted communities.

## **DIRECTORS' REPORT (continued)**

### **Attendances**

WNO reached live audiences of 181,000 (2009 – 172,000) supplemented by broadcast and digital audiences of approximately 187,000, to reach 368,000 in total (2009 – 397,000).

#### Live audiences

WNO mainscale opera performances drew audiences of over 137,500 during the year (2009 – 116,000). There were 99 performances (2009 – 105) across venues in Birmingham, Bristol, Cardiff, Liverpool, Llandudno, Oxford, Milton Keynes, Plymouth, Southampton and Swansea, and the company continued to draw strong audiences at its home in the Wales Millennium Centre where 48,500 (2009 – 45,000) saw the company perform, representing 92% of available capacity (2009 – 81%).

WNO MAX programmes reached over 17,200 participants (2009 – 18,000) and audiences for performances and open days estimated at 13,600 (2009 – 15,000).

Concert performances by the Orchestra of WNO at engagements and venues around the UK included the BBC Proms, the Welsh Proms, Hall for Cornwall, Truro and St David's Hall, Cardiff. These engagements reached an audience of around 13,000 (2009 – 23,000), reduced by the availability of the orchestra this year.

#### Broadcast and digital audiences

In addition to live audiences, WNO reached an estimated 187,000 viewers (2009 – 224,000) with its broadcast and digital media content. This was made up as follows:

- An estimated 100,000 viewers saw the televised broadcast on BBC4 of *Die Meistersinger von Nürnberg* at the BBC Proms, approximately 0.6% of the entire TV share for that evening. (2009 - 176,000 viewers watched *Otello* on S4C).
- 29,000 viewers accessed WNO-generated digital media content across online platforms such as iTunes, Vimeo, YouTube, Facebook and Twitter (2009 – 25,000)
- 58,000 views of WNO digital media content at [wno.org.uk](http://wno.org.uk) and [wno3.org.uk](http://wno3.org.uk) (2009 – 20,000)

This figure was supplemented by wider audiences, which cannot be accurately audited, including the audience for the BBC Proms radio broadcast on Radio 3 of *Die Meistersinger von Nürnberg*, and for films made by WNO MAX which were screened in cinemas, a variety of venues and online.

An audio recording of our production of *Rigoletto* was also made by Radio 3 and was broadcast in October 2010, and a CD of *The Sacrifice* by James MacMillan was issued on the Chandos record label.

### **WNO overseas**

WNO's reputation for excellence extends worldwide and this strengthens our role as an ambassador for Wales. In addition to the UK role that we fulfil each year through our touring programme, we regularly work with international partners.

Last year we attended the Smithsonian Festival in Washington in the USA and this year we continued to work with trustees in the USA to operate a fundraising charity called the American Friends of Welsh National Opera Inc. This was launched with a private recital in New York given by Bryn Terfel and John Fisher.

During the year we co-produced *La traviata* with Scottish Opera and Gran Teatre del Liceu in Barcelona and our existing productions of *Ariadne auf Naxos*, *Falstaff*, *Jephtha*, *Queen of Spades* and *The Coronation of Poppea* were hired out and performed overseas in the USA, Spain, Denmark and Germany.

International mainscale touring remains an ambition for the company, but no plans have been agreed for the coming year.

## **DIRECTORS' REPORT (continued)**

### **Trading subsidiary**

Our trading subsidiary, Cardiff Theatrical Services Limited, enables WNO to maintain its own excellent set making facilities and continues to build sets for many of the major UK opera houses. The subsidiary enjoyed a busy year and fully recovered from the losses suffered last year, as the business expanded the available capacity and concentrated on developing new customers. As a result, turnover increased by 40% which led to an operating profit of £121,000 (2009 operating loss of £94,000). A gift aid payment of £36,000 (2009 – nil) to Welsh National Opera Limited was included in the accounts for the year. Major customers this year included Glyndebourne Opera, English National Opera, the Royal Opera House, the BBC, Cameron Mackintosh Ltd and Opera North.

### **Equal opportunities**

The company is committed to a policy of equal opportunities in its employment practices.

The company does not own or manage any of its performing venues, but monitors facilities for disabled patrons and encourages the theatre owners to improve facilities where necessary.

Full consideration is given to the employment and training of disabled persons as permitted by the conditions of employment.

### **Employee involvement**

During the year, regular meetings took place with employees and their representatives to improve their knowledge and understanding of the company's performance and the financial and economic factors that affect it, and also to enable the company to take into account the view of employees when making decisions likely to affect employees' interests. The company continues to invest in staff training and development, and operates a staff appraisal system. Projects such as our public open day 'Open House' and the activity of WNO MAX allow company staff and artists to take on roles outside their normal jobs and develop as individuals.

### **Health and Safety**

The company has a developed health and safety policy and practice, and health and safety continues to be a standing agenda item at all Board meetings. The Health and Safety Committee, with management and employee representation, meets regularly to ensure the implementation of the company's policy.

## **DIRECTORS' REPORT (continued)**

### **FINANCIAL REVIEW**

The consolidated statement of financial activities for the company and its subsidiary are shown on page 15. In the year, the group achieved a net surplus of £448,000 (2009 – £195,000); this surplus arose both from increases in box office and trading income and continued reductions in support costs.

Last year the company took steps to restrict expenditure while maintaining output and commenced a review of the company's operations to develop sustainable plans for high quality of output into the future. This work is ongoing, as uncertainties remain over public sector funding, which accounted for 62% of WNO's revenue in the year (2009 – 64%).

The economic situation continued to affect both voluntary income (notably from trusts, foundations and corporate supporters) and investment income. Voluntary income fell by 12% to £1,055,000 (2009 – £1,200,000), almost half the budget set before the banking crisis. Sustain funding receivable in the year of £510,000 from the Arts Councils in England and Wales allowed the company to continue to deliver the planned output despite the known difficulties in raising voluntary income.

### **Principal sources of income**

#### **Grant income**

The continuing support from Arts Council England was supplemented with £360,000 of Sustain funding to cover the shortfalls in development and investment income in 2009/10 resulting from the economic downturn.

The Arts Council of Wales' core support was supplemented with a £140,000 Beacon Award for the year to March 2009 to support work on a number of community projects in Wales, and £150,000 of Sustain funding.

#### **Box office and other charitable income**

Income from box office and charitable activities increased by 32% to £3,506,000 (2009 – £2,654,000) as audiences increased to 84.6% of available capacity from 68.5%. This improvement was in part due to the repertoire selected, our marketing approach and the public's renewed appetite for live entertainment.

Other charitable income of £593,000 (2009 – £861,000) is derived from hiring productions to other companies, broadcast fees, concert fees, and charges for transport services. This income fell in the year mainly due to our resources being fully occupied on our own operatic output throughout the year and therefore less available for commercial work, and lower broadcast income than in the previous year.

#### **Development income**

Like all major arts institutions, WNO relies on the support of individuals, trusts and foundations and corporate sponsors to be able to achieve its aspirations.

During the year the company raised £1,055,000 (2009 – £1,200,000) of voluntary income, including legacy income and endowments, the reduction being due to the effects of the economic downturn on the trusts and corporate sponsors who support us.

Voluntary donations remain a key source of income for WNO as they provide the company with stability and confidence to continue pursuing our ambitious repertoire plans. We recognise the contributions of our supporters in a variety of ways, from the organisation of fundraising events, listing of their contributions in programmes through to named supporters of productions and acknowledgements on the website.

### **Expenditure**

Expenditure this year increased to £18,613,000 (2009 – £17,829,000).

Costs of productions rose by 8% to £7,950,000 (2009 – £7,355,000) and technical and touring costs rose by 2% to £5,723,000 (2009 – £5,638,000), both as a result of adding a third new production in the year and the unusual scale of *Die Meistersinger von Nürnberg*.

Overheads and depreciation fell by 2% to £2,009,000 (2009 – £2,059,000) as a result of management efforts to generate savings in the light of the economic climate.

**DIRECTORS' REPORT (continued)**

**FINANCIAL REVIEW (continued)**

Trading costs rose by 23% as a result of improvements in trading conditions, generating additional profits for the group of £121,000 (2009 - losses of £94,000).

There were no significant investments in fixed assets during the current year.

**Cash and investments**

The company holds all its cash in the major UK clearing banks; it did not suffer investment losses in the financial crisis but is continuing to earn low investment returns on its funds. The finance committee regularly reviews the company's banking arrangements.

At the year end the company held bank and cash balances of £7,017,000 (2009 – £6,628,000) including restricted, endowment and designated funds of £3,251,000 (2009 – £3,648,000) and grant income received in advance of £2,778,000 (2009 – £2,691,000).

**Policy on reserves**

The company currently seeks to maintain a minimum level of free reserves of £1,000,000, equating to approximately 20 days of our annual expenditure. This provides the company with a short-term safety net in the event of unforeseen shortfalls in income and is based on a risk assessment of all the company's sources of income. This level of reserves is considered by the board and our public funders to be the minimum acceptable level of free reserves to provide for the stability of the company.

Details of free reserves are shown in note 14 to the financial statements.

**Pension**

The company operates a defined benefit pension scheme for administrative and technical staff established on 6 April 1997. The scheme was closed to new entrants and future accrual on 5 April 2009. The scheme is administered by Kerr Henderson and audited by Deloitte LLP.

An actuarial gain of £702,000 (2009 – £2,840,000 loss) arose in revaluing the defined benefit pension scheme between the balance sheet dates. In addition, a surplus of £22,000 (2009 – £29,000) was created by differences between the Financial Reporting Standard (FRS) 17 and the pension fund's own actuarial assessment of ongoing service costs and is included in net incoming resources before taxation.

The deficit based on the assumptions required by FRS 17 shows a pension fund deficit at 31 August 2009 of £2,870,000 (2009 – £3,550,000) (see note 18).

The Board will continue to review the valuations of the pension scheme and take appropriate steps to ensure that the pension scheme is adequately funded to provide for benefits as they fall due on the basis of advice from the scheme actuary. The actuarial valuation of the pension scheme as at 5 April 2009 showed a deficit of £2,187,000; the next actuarial valuation is due as at 5 April 2012.

In line with guidance from the Charity Commission, the Board has reconsidered the impact of the pension fund deficit on the reserves of the company. On the basis of advice from the scheme actuary the Board considers that the company should be able to make sufficient provision from its future operations to provide for the pension liabilities as they fall due.

**DIRECTORS' REPORT (continued)**

**Plans for future periods and going concern**

The company has plans for a strong year of operatic and community output in the year to August 2011, including new productions of *Fidelio*, *Die Fledermaus* and *Così fan tutte*. The autumn season is already proving to be popular with our audiences. Provisional planning is underway for our performances to August 2013. While the level of income from the Arts Councils and from our other funders is not assured, the strength of our reserves and strong levels of other income gives management time to schedule appropriately in our medium term plans.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in note 1 of the financial statements.

**AUDITORS**

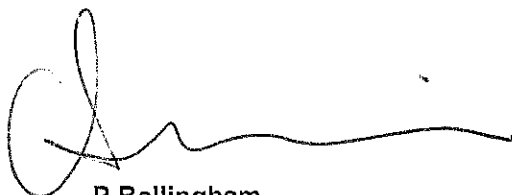
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by:



**P Bellingham**  
**Secretary**

Date 16-12-2010

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors of Welsh National Opera Limited, who are also the charity's trustees, are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
WELSH NATIONAL OPERA LIMITED  
(Company limited by guarantee and not having a share capital)**

We have audited the group and parent charity financial statements of Welsh National Opera Limited for the year ended 31 August 2010 which comprise the Group Statement of Financial Activities, the Group Note of Historical Cost Surpluses and Deficits, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors' (who are also the trustees of the charity for the purposes of charity law) responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept adequate accounting records, if the charity's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of directors' remuneration specified by law are not made.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and charitable company's circumstances, consistently applied and adequately disclosed.

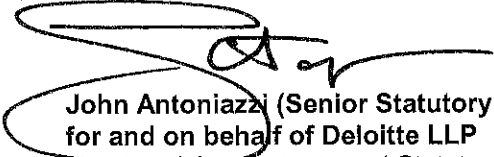
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
WELSH NATIONAL OPERA LIMITED**  
(Company limited by guarantee and not having a share capital)  
(continued)

**Opinion**

In our opinion:

- the financial statements give a true and fair view of the state of the group and the parent charitable company's affairs as at 31 August 2010 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report is consistent with the financial statements.



**John Antoniazzi (Senior Statutory Auditor)**  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Cardiff, United Kingdom

Date 13 July 2011

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**

Including the income and expenditure account and statement of recognised gains and losses

	Note	Un- restricted funds £'000	Restricted funds £'000	Endow- ment fund £'000	Year to 31 August 2010 £'000	Year to 31 August 2009 £'000
<b>INCOMING RESOURCES</b>						
Incoming resources from charitable activities	2a	16,025	-	-	16,025	15,356
Incoming resources from generated funds						
Voluntary income	2b	905	128	-	1,033	1,155
Legacy income		22	-	-	22	45
Trading income	19	1,914	-	-	1,914	1,364
Investment income		51	7	9	67	104
<b>TOTAL INCOMING RESOURCES</b>		<b>18,917</b>	<b>135</b>	<b>9</b>	<b>19,061</b>	<b>18,024</b>
<b>RESOURCES EXPENDED</b>						
Charitable activities	2c	15,912	410	9	16,331	15,802
Costs of generating funds						
Costs of generating voluntary income		477	-	-	477	552
Trading costs	19	1,793	-	-	1,793	1,458
Governance costs		12	-	-	12	17
<b>TOTAL RESOURCES EXPENDED</b>		<b>18,194</b>	<b>410</b>	<b>9</b>	<b>18,613</b>	<b>17,829</b>
<b>NET INCOMING RESOURCES before taxation</b>	3	<b>723</b>	<b>(275)</b>	<b>-</b>	<b>448</b>	<b>195</b>
Taxation	5	-	-	-	-	-
<b>NET INCOMING RESOURCES before other recognised gains and losses</b>		<b>723</b>	<b>(275)</b>	<b>-</b>	<b>448</b>	<b>195</b>
Actuarial gain/(loss) arising from defined benefit pension scheme	18	702	-	-	702	(2,840)
<b>NET INCOME/(EXPENDITURE)</b>		<b>1,425</b>	<b>(275)</b>	<b>-</b>	<b>1,150</b>	<b>(2,645)</b>
Transfers between funds		-	-	-	-	-
Fund balance brought forward		1,322	1,177	961	3,460	6,105
Fund balance carried forward		2,747	902	961	4,610	3,460

All resources are derived from continuing operations.

**NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS**

	Year to 31 August 2010 £'000	Year to 31 August 2009 £'000
Reported surplus on ordinary activities before taxation	448	195
Difference between historical cost and actual depreciation charges for the year	<u>18</u>	<u>18</u>
Historical cost surplus on ordinary activities before taxation	<u>466</u>	<u>213</u>
Historical cost surplus for the year after taxation	<u>466</u>	<u>213</u>

**WELSH NATIONAL OPERA LIMITED**  
 (Company limited by guarantee and not having a share capital)  
 Year ended 31 August 2010

<b>CONSOLIDATED BALANCE SHEET</b>	Note	31 August 2010 £'000	31 August 2009 £'000
<b>FIXED ASSETS</b>			
Tangible assets	7	<u>3,266</u>	<u>3,419</u>
<b>CURRENT ASSETS</b>			
Stocks	8	45	28
Debtors	9	1,574	1,446
Cash at bank and in hand	10	<u>7,132</u>	<u>6,675</u>
		8,751	8,149
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(4,287)</u>	<u>(4,308)</u>
<b>NET CURRENT ASSETS</b>		<u>4,464</u>	<u>3,841</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		7,730	7,260
<b>CREDITORS: amounts falling due after more than one year</b>	12	<u>(250)</u>	<u>(250)</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		7,480	7,010
Defined benefit pension fund liability	18	<u>(2,870)</u>	<u>(3,550)</u>
<b>NET ASSETS INCLUDING PENSION FUND LIABILITY</b>		<u><u>4,610</u></u>	<u><u>3,460</u></u>
<b>FUNDS</b>			
Restricted funds	15	902	1,177
Endowment funds	16	961	961
Unrestricted funds			
Income and expenditure account	14	2,093	2,208
Revaluation reserve	14	1,686	1,704
Designated funds	14	1,388	510
Other unrestricted fund	14	<u>450</u>	<u>450</u>
Unrestricted funds excluding pension liability		5,617	4,872
Pension reserve	18	<u>(2,870)</u>	<u>(3,550)</u>
Total unrestricted funds	14	<u>2,747</u>	<u>1,322</u>
<b>TOTAL CHARITY FUNDS</b>		<u><u>4,610</u></u>	<u><u>3,460</u></u>

The financial statements of Welsh National Opera Limited, company registered number 454297, were approved by the Board of Directors and authorised for issue on 16 December 2010.

Signed on behalf of the Board of Directors



**G T Davies**  
Chairman



**G A Watts**  
Director

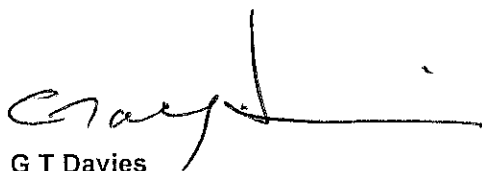
**WELSH NATIONAL OPERA LIMITED**  
 (Company limited by guarantee and not having a share capital)  
 Year ended 31 August 2010

**COMPANY BALANCE SHEET**

	Note	31 August 2010 £'000	31 August 2009 £'000
<b>FIXED ASSETS</b>			
Tangible assets	7	<u>3,266</u>	<u>3,419</u>
<b>CURRENT ASSETS</b>			
Stocks	8	21	28
Debtors	9	1,587	1,383
Cash at bank and in hand	10	<u>7,017</u>	<u>6,628</u>
		8,625	8,039
<b>CREDITORS:</b> amounts falling due within one year	11	<u>(4,190)</u>	<u>(4,142)</u>
<b>NET CURRENT ASSETS</b>		<u>4,435</u>	<u>3,897</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		7,701	7,316
<b>CREDITORS:</b> amounts falling due after more than one year	12	<u>(250)</u>	<u>(250)</u>
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>		7,451	7,066
Defined benefit pension fund liability	18	<u>(2,870)</u>	<u>(3,550)</u>
<b>NET ASSETS INCLUDING PENSION FUND LIABILITY</b>		<u>4,581</u>	<u>3,516</u>
<b>INCOME FUNDS</b>			
Restricted funds	15	902	1,177
Endowment fund	16	961	961
Unrestricted funds			
Income and expenditure fund	14	2,064	2,264
Revaluation reserve	14	1,686	1,704
Designated fund	14	1,388	510
Other unrestricted funds	14	<u>450</u>	<u>450</u>
Unrestricted funds excluding pension liability		5,588	4,928
Pension reserve	18	<u>(2,870)</u>	<u>(3,550)</u>
Total unrestricted funds	14	<u>2,718</u>	<u>1,378</u>
<b>TOTAL CHARITY FUNDS</b>		<u>4,581</u>	<u>3,516</u>

The financial statements of Welsh National Opera Limited, company registered number 454297 were approved by the Board of Directors and authorised for issue on 16 December 2010.

Signed on behalf of the Board of Directors



**G T Davies**  
Chairman



**G A Watts**  
Director

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**  
**Year ended 31 August 2010**

**CONSOLIDATED CASH FLOW STATEMENT**

	Note	Year to 31 August 2010 £'000	Year to 31 August 2009 £'000
Net cash inflow from operating activities	See below	436	529
Returns on investments and servicing of finance:			
Interest receivable		67	104
Capital expenditure and financial investment:			
Purchase of tangible fixed assets		(46)	(123)
Increase in cash in the year	See below	<u>457</u>	<u>510</u>

**NET CASH FLOW FROM OPERATING ACTIVITIES**

	31 August 2010 £'000	31 August 2009 £'000
Operating surplus:		
Net income /(expenditure) for the year	1,150	(2,645)
Exclude interest receivable	(67)	(104)
	<u>1,083</u>	<u>(2,749)</u>
Non cash items:		
Depreciation	199	223
Movement in pension reserve	(680)	2,811
	<u>(481)</u>	<u>3,034</u>
Movements in working capital:		
Movement in stocks	(17)	37
Movement in debtors	232	345
Movement in creditors	(21)	(138)
Movement in grants receivable	(360)	-
	<u>(166)</u>	<u>244</u>
Net cash inflow from operating activities	<u>436</u>	<u>529</u>

**ANALYSIS OF NET CASH MOVEMENTS**

	31 August 2010 £'000	31 August 2009 £'000
Opening cash at bank and in hand (being net funds)	6,675	6,165
Cash inflow in the year	457	510
Closing cash at bank and in hand (being net funds)	<u>7,132</u>	<u>6,675</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards and Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005). The principal accounting policies adopted, which have been consistently applied throughout both financial periods, are described below.

#### **Basis of preparation**

The financial statements are prepared under the historical cost convention as modified by the revaluation of long leasehold and freehold properties. The charity has availed itself of paragraph 3 of schedule 4 of the Companies Act 2006 and adopted the Companies Act formats to reflect the special nature of the charity's activity.

#### **Going concern**

The group's activities and future plans are set out in the directors' report.

The group has no external borrowing facilities and manages its activities with positive unrestricted bank balances. The group's forecasts and projections, taking account of reasonably foreseeable changes in income and expenditure, show that the group should be able to continue to operate on this basis.

Grant funding represents the group's largest income stream and are committed by Arts Council England and the Arts Council of Wales until March 2012.

The directors review and manage short-term fluctuations in our other income streams: box office, commercial and development income.

The company also relies on support from other funders including individuals, trusts, foundations and corporate bodies for maintaining the high standards and diversity of its output.

Based on the above, the directors believe that the group is well placed to manage its business risks successfully, despite the current uncertain economic outlook.

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **Basis of consolidation**

The group financial statements consolidate the financial statements of Welsh National Opera Limited and its wholly owned subsidiary, Cardiff Theatrical Services Limited, for the year ended 31 August 2010. The results of the subsidiary for the year are set out in note 19.

#### **Fixed assets and depreciation**

The company revalues its freehold land and buildings and long leasehold premises every five years. The following policies of depreciation, based on cost or valuation, have been adopted in the preparation of these financial statements:

Long leasehold premises	Depreciated over the remaining period of the leases
Freehold property – land	Not depreciated
Freehold property – buildings	1% per annum on a straight-line basis
Vehicles	12.5% to 25% per annum on a straight-line basis
Equipment, fixtures and fittings	4% to 25% per annum on a straight-line basis

Costs of costumes, props and scenery of opera productions are written off in full at the time of the first performance of the production by company.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES (continued)

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value and consist of work-in-progress, goods for re-sale and consumables.

#### **Prepayments for next season**

This represents payments made in respect of productions to be presented in the next financial period. The expenditure is written off on the same basis as new productions (see below).

#### **New productions, revivals and rehearsals**

The company's share of the costs of sets, wardrobe and wigs in connection with new productions is charged in full to the relevant production's initial tour.

Where a tour spans two financial years, all production and rehearsal expenses for that tour, together with relevant sponsorship and co-producer contributions, are amortised evenly over the total number of performances of the tour.

#### **Grants**

Revenue grants are credited to the statement of financial activities in the period to which they relate.

Capital grants, in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005), are accounted for within restricted funds. Accordingly, this fund is reduced by the depreciation arising on the tangible fixed assets acquired with the grant.

#### **Donations and bequests**

Unrestricted donations and bequests are credited to income on a receivable basis.

#### **Operating leases**

Rentals costs under operating leases are charged to the statement of financial activities in equal annual amounts over the period of the leases.

#### **Pensions accounting policy**

The group operates a defined benefit pension scheme and contributes to further defined contribution schemes. The scheme was closed to new entrants and future accrual with effect from 5 April 2009.

For defined contribution schemes: the pension cost charge against profits under FRS 17 represents the contributions payable to the pension scheme in respect of the accounting period.

For the defined benefit scheme: Note 17 sets out full disclosures in accordance with FRS 17 'Retirement Benefits'.

The scheme provides benefits based on a Career Average arrangement. Amounts are charged to expenditure to spread the cost of pensions over employees' working lives at WNO.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Any pension scheme surplus or deficit is recognised in full. The movement on the scheme surplus or deficit is split between operating charges, finance items and actuarial gains and losses.

**NOTES TO THE FINANCIAL STATEMENTS**

**1. ACCOUNTING POLICIES (continued)**

**Fund accounting**

The company is responsible for several categories of funds requiring separate disclosure:

Unrestricted funds - funds that may be spent at the discretion of the directors in furtherance of the objectives of the company.

Restricted funds - donations, gifts, grants and legacies received the use of which is restricted to purposes specified by the donor. Such purposes are within the overall aims of the organisation.

Endowment funds - assets that must be held permanently by the company, but with earned income expendable subject to the restrictions specified by the donor.

**Irrecoverable VAT**

Any irrecoverable VAT is charged to the statement of financial activities, or capitalised as part of the cost of the asset where appropriate.

**Expenditure**

All expenditure is accounted for on an accruals basis. The majority of costs are directly attributable to specific activities. Certain shared costs are apportioned to activities in furtherance of the objects of the charity.

Costs of generating voluntary income - these are fundraising and publicity costs including the costs of staff members who are engaged directly in fundraising and the cost of specific activities to encourage the raising of donations.

Governance costs - these costs include the cost of the audit of the financial statements and all expenses incurred in relation to the Board of directors.

Where costs are not directly attributable to any department, they have been apportioned according to the activities carried out by relevant staff.

**NOTES TO THE FINANCIAL STATEMENTS**

**2. ANALYSIS OF CHARITABLE ACTIVITY**

	Un- restricted funds £'000	Restricted funds £'000	Endow- ment fund £'000	Year to 31 August 2010 £'000	Year to 31 August 2009 £'000
<b>(a) Incoming resources from charitable activities</b>					
<b>Charitable activities</b>					
Box office and similar income	3,506	-	-	3,506	2,654
WNO MAX community programme	24	-	-	24	50
Income from other charitable activity	593	-	-	593	861
Property rental income	89	-	-	89	180
	<u>4,212</u>	<u>-</u>	<u>-</u>	<u>4,212</u>	<u>3,745</u>
<b>Grants receivable</b>					
Arts Council England - core funding	6,657	-	-	6,657	6,515
Arts Council England - Sustain	360	-	-	360	450
Arts Council of Wales - core funding	4,506	-	-	4,506	4,506
Arts Council of Wales - Beacon	140	-	-	140	140
Arts Council of Wales - Sustain	150	-	-	150	-
	<u>11,813</u>	<u>-</u>	<u>-</u>	<u>11,813</u>	<u>11,611</u>
	<u>16,025</u>	<u>-</u>	<u>-</u>	<u>16,025</u>	<u>15,356</u>

**(b) Voluntary income**

Voluntary income comprises income given by supporters of Welsh National Opera Limited to the company. Donors include individuals, trusts and foundations, corporate sponsors, Friends of Welsh National Opera and others.

**(c) Expenditure on charitable activities**

	Un- restricted funds £'000	Restricted funds £'000	Endow- ment fund £'000	Year to 31 August 2010 £'000	Year to 31 August 2009 £'000
<b>Charitable activities</b>					
Productions and artists	7,531	410	9	7,950	7,355
Technical and touring	5,723	-	-	5,723	5,638
WNO MAX programme	649	-	-	649	750
Support costs	1,810	-	-	1,810	1,836
Depreciation	199	-	-	199	223
	<u>15,912</u>	<u>410</u>	<u>9</u>	<u>16,331</u>	<u>15,802</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**3. NET INCOME AND EXPENDITURE**

<b>(a) Net incoming resources is stated after charging:</b>	Year to 31 August 2010 £'000	Year to 31 August 2009 £'000
Rentals under operating leases – other	177	175
Depreciation – owned assets	199	223
Auditors' remuneration as auditors	14	14
Other non-audit fees paid to the auditors	2	2

**(b) Net income for the parent company**

A separate statement of financial activities has not been included in respect of Welsh National Opera Limited. Included in the consolidated statement of funds are the following amounts in respect of Welsh National Opera Limited:

	Year to 31 August 2010 £'000	Year to 31 August 2009 £'000
Total incoming resources	17,147	16,660
Net surplus / (deficit) for the year	418	(2,551)
Actuarial gain/(loss) on defined benefit scheme (see note 18)	702	(2,840)
Unrestricted surplus/(deficit) including actuarial gain/loss in the pension scheme	1,065	(2,681)

**NOTES TO THE FINANCIAL STATEMENTS**

**4. EMPLOYEE COSTS AND NUMBERS**

<b>Group and Company</b>	Year to 31 August 2010 £'000	Year to 31 August 2009 £'000
Employee costs during the year (including temporary staff) amounted to:		
Wages and salaries	7,904	7,701
Social security costs	800	726
Other pension costs	569	468
	<u>9,273</u>	<u>8,895</u>
	Number	Number
Average numbers of permanent employees during the period:		
Artists	105	104
Production and technical	85	90
Administration	42	44
	<u>232</u>	<u>238</u>

During the year, the company also employed 195 temporary and casual staff (2009 – 203) paying total wages and salaries of £1,032,000 (2009 – £920,000); the cost increase arose from the use of the extra chorus members hired in the year. On 5 April 2009, the company's defined benefit scheme was closed to new entrants and future accrual (see note 18).

Employees with total emoluments greater than £60,000 fell into the following bands:

Group and Company	Year to 31 August 2010 Number	Year to 31 August 2009 Number
£60,000 - £69,999	1	2
£70,000 - £79,999	-	-
£80,000 - £89,999	1	1
£110,000 - £119,999	1	1

All employees earning more than £60,000 participated in the Welsh National Opera defined benefit pension scheme until it closed to future accrual in April 2009.

**Directors**

The directors received no remuneration for their roles as directors in the year (2009 - £nil). Expenses of £1,942 were reimbursed to three directors during the year (August 2009 - £1,125 reimbursed to five directors).

**NOTES TO THE FINANCIAL STATEMENTS**

**5. TAXATION ON ORDINARY ACTIVITIES**

Welsh National Opera Limited is a company limited by guarantee and is a registered charity. The company is subject to the taxation relief applicable to charities.

The company has various sources of income although, as all income is applied in furtherance of the objectives of the charity, it is exempt from corporation tax (ICTA 1988 s505 (1) (c) and (e)).

Its wholly owned subsidiary, Cardiff Theatrical Services Limited, is however subject to tax. No corporation tax arose in the current year as a result of the Gift Aid donation payable by Cardiff Theatrical Services Limited to Welsh National Opera Limited. No tax was payable in the year to 31 August 2009 as a result of the trading losses incurred in the subsidiary.

	Year to 31 August 2010 £'000	Year to 31 August 2009 £'000
<b>Current taxation</b>		
United Kingdom corporation tax:		
Current tax on income for the year at 28% (2009 – 28%)	-	-
	<u>          </u>	<u>          </u>

The difference between the current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the surplus before tax is as follows:

Surplus on ordinary activities before tax	448	195
	<u>          </u>	<u>          </u>
Tax on surplus on ordinary activities before tax at 28% (2009 – 28%)	125	55
<b>Factors affecting charge for the year</b>		
Non-taxable/allowable income and expenditure	(125)	(55)
	<u>          </u>	<u>          </u>
<b>Current tax charge for year</b>	-	-
	<u>          </u>	<u>          </u>

**6. OPERATING LEASE COMMITMENTS**

The company and group was committed to making the following payments during the next year in respect of operating leases on land and buildings:

	31 August 2010 £'000	31 August 2009 £'000
Leases which expire after five years	25	23
Leases which expire in less than five years	152	152
	<u>          </u>	<u>          </u>

**NOTES TO THE FINANCIAL STATEMENTS**

**7. TANGIBLE FIXED ASSETS**

Group and company	Long leasehold premises £'000	Freehold property £'000	Vehicles £'000	Equipment fixtures & fittings £'000	Total £'000
<b>Cost or valuation</b>					
At 1 September 2009	1,900	1,100	665	2,030	5,695
Additions	-	-	-	46	46
At 31 August 2010	1,900	1,100	665	2,076	5,741
<b>Depreciation</b>					
At 1 September 2009	108	71	579	1,518	2,276
Charge for the year	20	11	38	130	199
At 31 August 2010	128	82	617	1,648	2,475
<b>Net book value</b>					
At 31 August 2010	1,772	1,018	48	428	3,266
At 31 August 2009	1,792	1,029	86	512	3,419

Cooke & Arkwright, Chartered Surveyors, professionally valued the long leasehold premises and freehold property on an open market valuation basis at 31 August 2010. The directors are of the opinion that the values of the long leasehold premises and freehold premises as at 31 August 2010 are not materially different to the carrying values in the financial statements.

**Comparable amounts determined under the historical cost convention**

Group and Company	Long leasehold premises £'000	Freehold property £'000	Vehicles £'000	Equipment fixtures & fittings £'000	Total £'000
Historical cost	1,016	187	665	2,076	3,944
Accumulated depreciation	79	20	617	1,648	2,364
<b>Net book value</b>					
At 31 August 2010	937	167	48	428	1,580
At 31 August 2009	949	168	86	512	1,715

**8. STOCKS**

	Group 31 August 2010 £'000	Group 31 August 2009 £'000	Company 31 August 2010 £'000	Company 31 August 2009 £'000
Raw materials	45	28	21	28

Stocks comprise materials held in the workshops for use in building sets and scenery for sale to third party customers.

**NOTES TO THE FINANCIAL STATEMENTS**

**9. DEBTORS**

	Group 31 August 2010 £'000	Group 31 August 2009 £'000	Company 31 August 2010 £'000	Company 31 August 2009 £'000
<b>Amounts falling due within one year</b>				
Trade debtors	497	481	261	112
Amounts owed by group undertakings	-	-	248	343
Other debtors	414	104	415	67
Prepayments and accrued income	663	861	663	861
	<u>1,574</u>	<u>1,446</u>	<u>1,587</u>	<u>1,383</u>

**10. CASH AT BANK AND IN HAND**

	Group 31 August 2010 £'000	Group 31 August 2009 £'000	Company 31 August 2010 £'000	Company 31 August 2009 £'000
Cash at bank and in hand	<u>7,132</u>	<u>6,675</u>	<u>7,017</u>	<u>6,628</u>

The company has no borrowings or overdraft facilities.

At the end of August the company had received its full annual grant to 31 March, therefore at 31 August 2010 cash includes deferred grant income of £2,778,000 (2009 - £2,691,000).

Also included in the above balances are the company's restricted and endowment funds which amounted to £1,863,000 (2009 - £2,138,000). These funds are held on specific restrictions and cannot be used by the company for general purposes.

**11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group 31 August 2010 £'000	Group 31 August 2009 £'000	Company 31 August 2010 £'000	Company 31 August 2009 £'000
Trade creditors	100	164	100	164
Other creditors	240	236	223	204
- including taxation and social security				
Amounts owed to group undertakings	-	-	-	71
Accruals	884	906	884	906
Deferred grant income	2,778	2,691	2,778	2,691
Other deferred income	285	311	205	106
	<u>4,287</u>	<u>4,308</u>	<u>4,190</u>	<u>4,142</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	Group 31 August 2010 £'000	Group 31 August 2009 £'000	Company 31 August 2010 £'000	Company 31 August 2009 £'000
Other creditors	<u>250</u>	<u>250</u>	<u>250</u>	<u>250</u>

Other creditors comprise £250,000, which is the minimum amount payable to Wales Millennium Centre Limited (WMC) in respect of the long lease of the premises at Wales Millennium Centre.

A further payment may be due to WMC triggered by the sale of a freehold premises or, if required by WMC, on the basis of a valuation on or after September 2010. This additional payment would be for the excess of the sale proceeds (or valuation) of WNO's freehold property over £1,500,000 up to a maximum extra payment of £832,000 (a maximum total settlement to WMC of £1,082,000).

**13. CALLED UP SHARE CAPITAL**

The company is limited by guarantee to the extent of £10 per member, the maximum number of members being 30. The actual number of members at 31 August 2010 was 9 (2009 – 11).

**NOTES TO THE FINANCIAL STATEMENTS**

**14. UNRESTRICTED FUNDS**

Group	Opening balance £'000	Incoming resources £'000	Amounts released £'000	Actuarial losses £'000	Transfers £'000	Closing balance £'000
Income and expenditure	2,208	18,942	(18,175)	-	(882)	2,093
Revaluation reserve	1,704	-	-	-	(18)	1,686
Designated fund	510	-	(22)	-	900	1,388
ACE stabilisation	450	-	-	-	-	450
	<u>4,872</u>	<u>18,942</u>	<u>(18,197)</u>	<u>-</u>	<u>-</u>	<u>5,617</u>
Pension reserve	(3,550)	-	(22)	702	-	(2,870)
Total unrestricted funds	<u>1,322</u>	<u>18,942</u>	<u>(18,219)</u>	<u>702</u>	<u>-</u>	<u>2,747</u>

Company	Opening balance £'000	Incoming resources £'000	Amounts released £'000	Actuarial losses £'000	Transfers £'000	Closing balance £'000
Income and expenditure	2,264	17,065	(16,383)	-	(882)	2,064
Revaluation reserve	1,704	-	-	-	(18)	1,686
Designated fund	510	-	(22)	-	900	1,388
ACE stabilisation	450	-	-	-	-	450
	<u>4,928</u>	<u>17,065</u>	<u>(16,405)</u>	<u>-</u>	<u>-</u>	<u>5,588</u>
Pension reserve	(3,550)	-	(22)	702	-	(2,870)
Total unrestricted funds	<u>1,378</u>	<u>17,065</u>	<u>(16,427)</u>	<u>702</u>	<u>-</u>	<u>2,718</u>

The designated fund comprises: amounts set aside for expenditure on media exploitation of £138,000 (2009 – £160,000) and a reserve held to safeguard new productions within our three year planning horizon of £1,250,000 (2009 – £350,000).

'ACE stabilisation' refers to the Arts Council of England stabilisation reserve, which forms part of the company's free reserves but is held separately from the income and expenditure account, as it was specifically provided to allow for short-term fluctuations in reserves. On the balance sheet it is categorised as 'Other unrestricted funds'.

The directors' report refers to the company's free reserves (SORP GL 51); these are calculated as set out below:

Calculation of free reserves:	31 August 2010 £'000	31 August 2009 £'000
Total unrestricted funds	2,747	1,322
Exclude pension reserve	2,870	3,550
Exclude designated fund	(1,388)	(510)
Exclude fixed asset reserve	53	61
Less fixed assets	<u>(3,266)</u>	<u>(3,419)</u>
Free reserves	<u>1,016</u>	<u>1,004</u>

Welsh National Opera's board currently sets a target minimum level of free reserves of £1,000,000, equating to approximately 20 days of our annual expenditure. This provides the company with a short-term safety net in the event of unforeseen shortfalls in income and is based on a risk assessment of all the company's sources of income. This level of reserves is considered by the Board and our public funders to be the minimum acceptable level of free reserves to provide for the stability of the company.

**NOTES TO THE FINANCIAL STATEMENTS**

**15. RESTRICTED FUNDS**

Group and Company	Opening balance £'000	Incoming resources £'000	Amounts released £'000	Transfers £'000	Closing balance £'000
Friends of WNO	152	91	(150)	-	93
RW Pethybridge	304	4	-	-	308
Seligman Trust	57	-	-	-	57
C Ball Bursary	35	3	(1)	-	37
Schaefer Bursary	29	-	-	-	29
Parry Family Bursary	21	1	-	-	22
Meistersinger funds	164	-	(164)	-	-
Special reserve	86	-	-	-	86
Fixed asset reserve	61	-	(8)	-	53
Arts Council stabilisation grant	241	-	(40)	-	201
Other	27	36	(47)	-	16
<b>Total restricted funds</b>	<b>1,177</b>	<b>135</b>	<b>(410)</b>	<b>-</b>	<b>902</b>

Restricted funds are only for use under conditions set out by the donors, such as for specific productions or to support particular types of musical or community activity.

The fixed asset reserve represents grants received from the Arts Council of Wales Lottery Fund and other bodies for the acquisition of specific fixed assets. This is reduced annually by the associated depreciation charge on those assets.

The special reserve was set up in 1991 as a response to a funding crisis. As such, the monies received from donors were amalgamated into this reserve account and are only to be used in emergencies. Incoming resources represents interest on the funds held at bank and specific donations received.

The Arts Council stabilisation grant reserve represents funds received in 2007 from both Arts Councils of England and Wales for specific stabilisation, efficiency and management projects that are ongoing.

**16. ENDOWMENT FUNDS**

Group and Company	Opening balance £'000	Interest income £'000	Amounts released £'000	Closing balance £'000
Mary Warner Trust	911	8	(7)	912
Sir John Moores Award	50	1	(2)	49
<b>Total endowment funds</b>	<b>961</b>	<b>9</b>	<b>(9)</b>	<b>961</b>

The Sir John Moores Award fund is a permanent endowment held for the granting of an annual award for the career development of a young artist.

The Mary Warner Trust is a permanent endowment created under the terms of a legacy, and managed by a defined group of trustees for the objects set out in the gift: for the training and development of tenors of Welsh origin.

**NOTES TO THE FINANCIAL STATEMENTS**

**17. ANALYSIS OF NET ASSETS BETWEEN FUNDS**

<b>Group</b>	Unrestricted funds £'000	Restricted funds £'000	Endowment fund £'000	31 August 2010 £'000
Tangible fixed assets	3,213	53	-	3,266
Net current assets	2,654	849	961	4,464
Pension reserve	(2,870)	-	-	(2,870)
Creditors due after one year	(250)	-	-	(250)
<b>Net assets</b>	<u>2,747</u>	<u>902</u>	<u>961</u>	<u>4,610</u>
<b>Company</b>				
Tangible fixed assets	3,213	53	-	3,266
Net current assets	2,625	849	961	4,435
Pension reserve	(2,870)	-	-	(2,870)
Creditors due after one year	(250)	-	-	(250)
<b>Net assets</b>	<u>2,718</u>	<u>902</u>	<u>961</u>	<u>4,581</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**18. PENSION SCHEME**

**Composition of the scheme**

The group operates its own pension scheme, the Welsh National Opera Pension Scheme, a defined benefit pension scheme in the UK, for administrative and technical staff.

The scheme was closed to new entrants and future accrual with effect from 5 April 2009.

A formal actuarial valuation took place on 5 April 2009 using the projected unit credit method. It was assumed that investment return would be 5.2% for post retirement and 6.2% for pre retirement and that retail price inflation would be 3.0% per annum. The market valuation of the asset was £5,722,000 at 5 April 2009. Based on the actuarial value of the assets at 5 April 2009 the level of funding, i.e. the ratio of the assets to the liabilities, based on the expected salaries at retirement, was 73% at that date.

The valuation used for FRS 17 disclosures has been based on a full assessment of the liabilities of the scheme as at 5 April 2009.

The principal assumptions used by the independent qualified actuaries to calculate the liabilities under FRS 17 are set out below:

	2010	2009	2008	2007
Inflation	3.2%	3.7%	4.0%	3.4%
LPI pension increases	2.1%	2.3%	2.5%	2.4%
Discount rate for liabilities	4.9%	5.2%	6.4%	5.8%

The mortality assumptions are based on the standard mortality tables which allow for future mortality improvements. The assumptions are that a pensioner currently aged 65 will live on average for a further 21.4 years if they are male and for a further 23.3 years if they are female.

For a member who retires in 20 years time at age 65 the assumptions are that they will live on average for a further 23.3 years after retirement if they are male and for a further 25.1 years after retirement if they are female.

The assets in the scheme and the expected rate of return were:

	Long-term expected return 31 August 2010	Value 31 August 2010 £'000	Long-term expected return 31 August 2009	Value 31 August 2009 £'000	Long-term expected return 31 August 2008	Value 31 August 2008 £'000
Equities	7.75%	5,805	8.0%	5,607	8.0%	5,965
Bonds	4.0%	1,357	4.3%	1,237	5.0%	955
Cash	1.4%	71	1.3%	103	6.0%	124
		<u>7,233</u>		<u>6,947</u>		<u>7,044</u>
Present value of scheme liabilities		<u>(10,103)</u>		<u>(10,497)</u>	(7,572)	<u>(7,783)</u>
Net deficit in scheme		<u>(2,870)</u>		<u>(3,550)</u>	(1,526)	<u>(739)</u>

Welsh National Opera Limited employs a building block approach in determining the long-term rate of return on pension plan assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed long-term rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the scheme at 31 August 2010 rounded to the nearest 0.25% per annum.

**NOTES TO THE FINANCIAL STATEMENTS**

**18. PENSION SCHEME (continued)**

**Analysis of the amount charged to operating surplus**

	31 August 2010 £'000	31 August 2009 £'000
Current service cost and operating charge	-	166
	-	166

As the scheme is closed to new entrants, the annual service cost is now nil. However in future, the pension cost may also be affected by any past service costs that are incurred, or profits or losses on any curtailments or settlements that take place in the year.

**Analysis of the amount credited to financing of provisions**

	31 August 2010 £'000	31 August 2009 £'000
Expected return on pension scheme assets	435	489
Interest on pension scheme liabilities	(537)	(502)
	(102)	(13)

**Analysis of the amount recognised in the statement of financial activities (SOFA)**

	31 August 2010 £'000	31 August 2009 £'000
Actuarial gains/(losses) on scheme assets	677	(2,065)
Experience losses arising on the scheme liabilities	(66)	-
Changes in assumptions underlying the present value of the scheme liabilities	91	(775)
	702	(2,840)

**Movement in deficit during the year**

	31 August 2010 £'000	31 August 2009 £'000
Current service cost	-	(166)
Contributions paid by the employer	80	208
Curtailement	-	-
Other finance income	(102)	(13)
	(22)	29
Net service income included in investment returns on SOFA	(22)	29
Actuarial gain/(loss) recognised in SOFA	702	(2,840)
	680	(2,811)
Reserve movement in year	680	(2,811)
Opening deficit in scheme	(3,550)	(739)
	(2,870)	(3,550)

**NOTES TO THE FINANCIAL STATEMENTS**

**18. PENSION SCHEME (continued)**

History of experience gains and losses	31 August 2010 £'000	31 August 2009 £'000	31 August 2008 £'000
Difference between expected and actual returns on scheme assets:			
Amount	677	(2,065)	(792)
Percentage of scheme assets	9%	(27%)	11%
Experience gains and losses on scheme liabilities:			
Amount	(66)	-	(13)
Percentage of present value of scheme liabilities	1%	0%	0%
Changes in assumptions underlying the present value of the scheme liabilities:			
Amount	91	(775)	240
Percentage of present value of scheme liabilities	1%	(11%)	3%
Total amount recognised in SOFA:			
Amount	702	(2,840)	(565)
Percentage of present value of scheme liabilities	7%	(36%)	8%

**NOTES TO THE FINANCIAL STATEMENTS**

**19. ADDITIONAL INFORMATION ON SUBSIDIARY**

Subsidiary	Country of registration	Activity	Proportion of £1 ordinary shares held
Cardiff Theatrical Services Limited	England and Wales	Sale of theatrical sets, costumes and properties to external parties	100%

Welsh National Opera Limited has only one subsidiary, Cardiff Theatrical Services Limited, which was acquired for £nil on 1 April 1989.

The share capital of Cardiff Theatrical Services Limited comprises 100 ordinary shares of £1.

Cardiff Theatrical Services Limited sells theatrical sets to customers other than Welsh National Opera Limited. These theatrical sets are produced within a production division of Welsh National Opera Limited and transferred to Cardiff Theatrical Services Limited on a fully costed basis.

The trading results of the subsidiary are shown below:

	Year to 31 August 2010 £'000	Year to 31 August 2009 £'000
<b>TURNOVER</b>	1,914	1,364
Cost of sales	(1,791)	(1,457)
<b>GROSS PROFIT/(LOSS)</b>	123	(93)
Administration expenses	(2)	(1)
<b>OPERATING PROFIT/(LOSS)</b>	121	(94)
Interest receivable and similar income	-	-
Gift Aid to parent company	(36)	-
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	85	(94)
Tax on profit/(loss)	-	-
<b>PROFIT/(LOSS) RETAINED IN SUBSIDIARY</b>	85	(94)
The aggregate of the assets, liabilities and funds was:		
Assets	374	523
Liabilities	(344)	(579)
Funds/(deficit)	30	(56)

**20. RELATED PARTIES**

Welsh National Opera Limited has connections to the following independently registered charities:

Friends of Welsh National Opera (503538)

Welsh National Opera Benevolent Trust (1085756)

**APPENDIX:**

**5 YEAR HISTORY (UNAUDITED)**

<b>WNO output</b>	2009/10	2008/09	2007/08	2006/07 17 months	2005/06
Number of main scale opera productions	8	8	8	11	9
Number of new productions	3	2	3	5	4
Number of main scale performances	99	105	107	135	113
Orchestral concerts	9	20	11	29	24
TV and radio broadcast - mainscale opera	2	2	3	1	4
Live audiences	181,300	173,000	195,000	260,000	177,000
Estimated total audience reached	368,300	397,000	310,000	n/a	n/a

<b>Historical financial activity (group only)</b>	2009/10	2008/09	2007/08	2006/07 17 months	2005/06
	£'000	£'000	£'000	£'000	£'000
Income from charitable activity (including box office)	4,212	3,745	3,853	4,851	4,226
Operating income	701	65	200	141	(381)
Unrestricted legacy income	22	-	614	-	-
Income/(expenditure) from operations	723	65	814	141	(381)
Taxation	-	-	-	-	-
Pension movement	702	(2,840)	(565)	1,350	(320)
Unrestricted funds movement	1,425	(2,775)	249	1,491	(701)
Restricted funds movement	(275)	106	(414)	248	660
Endowment funds movement	-	24	890	1	2
Net income/(expenditure)	1,150	(2,645)	725	1,740	(39)