

**WELSH NATIONAL OPERA LIMITED**

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

**Report and Financial Statements**

**1 April 2006**



**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

**REPORT AND FINANCIAL STATEMENTS 2006**

<b>CONTENTS</b>	<b>Page</b>
<b>Officers and professional advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>3</b>
<b>Supporters of Welsh National Opera</b>	<b>8</b>
<b>Statement of directors' responsibilities</b>	<b>9</b>
<b>Independent auditors' report</b>	<b>10</b>
<b>Consolidated statement of financial activities</b>	<b>11</b>
<b>Note of historical cost surpluses and deficits</b>	<b>12</b>
<b>Consolidated balance sheet</b>	<b>13</b>
<b>Company balance sheet</b>	<b>14</b>
<b>Consolidated cash flow statement</b>	<b>15</b>
<b>Notes to the financial statements</b>	<b>16</b>

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS/TRUSTEES**

	<b>Finance &amp; General Purpose Committee</b>	<b>Audit Committee</b>	<b>Remuneration Committee</b>	<b>Nominations Committee</b>
The Rt. Hon. The Lord Davies of Llandinam				
Mr P H D Findlay (appointed 24 November 2005)				
Mr W E Hüsselby, OBE, DL	X			
Mr A R Lewis, CBE, DL (Chairman - resigned 24 April 2006)				
Mrs C E Lewis, OBE	X		X	X
Baroness G McIntosh				
Mr D J O'Neill, CBE				
Mr A E Peterson (appointed 19 September 2005)				
Mr P S Phillips	X	X		
Mrs M E D Poulton				
Mr M C Prichard, CBE, DL				
Mr G T Davies (appointed 7 September 2006)	X		X	X
Mr R G Thomas, OBE	X	X		X
Mr G A Watts (appointed 14 November 2005)		X		

**METHOD OF ELECTION OF DIRECTORS**

Directors, who are also the trustees of the charity for the purposes of charity law, are appointed by the members 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.

**EXECUTIVE AND SENIOR MANAGEMENT TEAM**

**Executive**

John Fisher            General Director (appointed 1 May 2006)  
 Anthony Freud        General Director (resigned 31 December 2005)  
 Carlo Rizzi            Music Director  
 Peter Bellingham      Executive Director

**Senior management**

Sarah Alexander      MAX Director  
 Andrew Gambrell     Finance Director  
 Peter Harrap          Chorus and Orchestra Director  
 Perryn Leech          Technical Director  
 Isabel Murphy         Director of Opera Planning  
 Lucy Shorrocks        Director of Marketing  
 Lucy Stout             Director of Development

**SECRETARY**

Mr A P Gambrell

**REGISTERED IN ENGLAND AND WALES**

Company Number 454297

**REGISTERED CHARITY NUMBER**

221538

**REGISTERED OFFICE**

Wales Millennium Centre  
 Bute Place  
 Cardiff  
 CF10 5LA

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

**OFFICERS AND PROFESSIONAL ADVISERS (continued)**

**BANKERS**

National Westminster Bank Plc  
26 Park Place  
Cardiff  
CF10 3QH

**SOLICITORS**

Eversheds LLP  
1 Callaghan Square  
Cardiff  
CF10 5BT

**AUDITORS**

Deloitte & Touche LLP  
Chartered Accountants  
Blenheim House  
Fitzalan Court  
Newport Road  
Cardiff  
CF24 0TS

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

## **DIRECTORS' REPORT**

The Board of directors has pleasure in submitting its annual report and the audited financial statements of the group for the period ended 1 April 2006 (referred to below as the year).

### **OBJECTIVES AND ACTIVITIES**

Welsh National Opera Limited (WNO) believes opera to be a great art form and great entertainment for everyone to enjoy. We want to lead others to share our belief.

WNO contributes to the cultural enrichment of the nation, regions and cities to which we tour by:

- o Producing and touring world class opera;
- o Creating a diverse programme of performances, events, and community and education projects that reach the widest possible public.

The objects clause of the company's memorandum of association enables the company to engage in all aspects of staging opera and educational activity together with a wide range of related activities including concerts, recordings and publications.

### **ACHIEVEMENTS AND PERFORMANCE**

#### *Summary*

WNO is Europe's busiest touring opera company. During the year to 1 April, 9 major productions were performed to an audience of over 142,000 in 113 performances in Wales, England and Scotland.

The innovative MAX programme complemented the main operatic performances with over 50,000 participation opportunities for a range of ages, communities and capabilities. Together with the 24 concert performances by the WNO orchestra in venues ranging from mainstream classical auditoria to leisure centres and schools, WNO MAX performed to an audience of over 35,000.

The year under review was the first full year of performances at Wales Millennium Centre (WMC). In accordance with WNO's long term strategy £400,000 of reserve funding, designated in 2004, was allocated to support the exceptional new productions of Don Carlos, Flying Dutchman, Merry Widow and Magic Flute presented in the year and enable the presentation of a specially commissioned community oratorio The Most Beautiful Man from the Sea based on a short story by Gabriel Garcia Marquez. The latter involved a chorus of 450 of the local community and two performances in the Donald Gordon Theatre. This investment has enabled a secure start to WNO's move to WMC allowing WNO to significantly increase audiences, increase revenue and ensure that as far as possible price is not a barrier to attending opera.

#### *Mainscale Opera*

During the year under review, the company staged nine large-scale productions. The four new productions presented during the year were Don Carlos, Flying Dutchman, Merry Widow and Magic Flute and *Iolanta* was performed in concert.

*Rigoletto*, *The Barber of Seville*, *Jephtha* and *The Marriage of Figaro* were all successfully revived during the year.

#### *Enhancing Access*

WNO believes in being accessible. This is achieved by attitude, geographical reach (23% of the population of Wales and England is within the WNO catchment area) and price.

WNO has also been able to use its residency at Wales Millennium Centre in Cardiff to be able to provide affordable seats throughout the auditorium. The top price seat of £35 is complemented by £5 seats being available at every performance.

The success of the year generated significant radio and television exposure. Two of the four new productions were televised with S4C broadcasting *Flying Dutchman* in Wales and England via S4C digital with the BBC broadcasting *Merry Widow* nationwide. WNO participated in the BBC Proms with a concert performance of *Iolanta* broadcast on Radio 3. The 2005 WNO St David's Day Gala was broadcast by S4C during the period.

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

*WNO MAX*

WNO MAX seeks to maximise the resources of Welsh National Opera to electrify and enrapture, through participation in and experience of live opera and embraces everything beyond the mainscale work of the company. It is fully integrated into the company's activities and encompasses the education and community ethos.

Projects are devised which will enhance the company's accessibility to all. The WNO company members, opera as an art form and the current repertoire are viewed as the central elements to stimulate a range of interrelated performance and participatory activities. The work includes pre-show talks, orchestral ensemble projects, large-scale opera with young people, creative residencies, newly commissioned chamber opera, orchestral concerts and large scale touring across Wales.

WNO MAX projects build relationships with a broad and diverse range of people who are involved as participants in schools, colleges and communities and as audience at events across a wide range of venues.

Key projects undertaken in the year were:

- **The Tailor's Daughter** - a new commission composed by Brian Irvine to a libretto by Greg Cullen directed by John Doyle performed in the Weston Studio by talented young singers and musicians from Welsh National Youth Opera. "ASTOUNDING! That is about the only word to describe an utterly stunning performance by the Welsh National Youth Opera" Anthony Sicluna, South Wales Echo
- **Magic Voices** - 200 primary school children from the Rhondda performed Magic Voices - a new composition by John O'Hara to a libretto by Helen Griffiths inspired by Mozart's The Magic Flute. Performances took place at the Parc & Dare Theatre in Treorchy, South Wales.
- **The Most Beautiful Man from the Sea** - a community choir of 450 amateur singers plus members of the Chorus and the entire Orchestra of Welsh National Opera performed this new oratorio by Orlando Gough and Richard Chew (libretto by Gwyneth Lewis) on the main stage in the Donald Gordon Theatre at Wales Millennium Centre.
- **Tour of Wales** - The tour consisted of preparatory workshops and concerts for both primary and secondary schools. The Magician's Cat concerts included music about the enchanted, magic and sorcery. It was created by award-winning childrens' author Berlie Doherty and composer Julian Philips and gave over 3,500 primary school children their first experience of the spine-tingling excitement of a live orchestral performance. MacMillan Live was a concert for secondary schools and colleges of further education and was an amazing opportunity for these young people to learn about and hear the music of one of our most celebrated contemporary composers - James MacMillan - and to see him conduct the Orchestra of WNO and talk about his work. The tour visited Fishguard, Deeside, Porthmadog, Aberystwyth and Port Talbot.
- **Dolffin** - The second of a trilogy of newly commissioned bi-lingual operas for primary school children and families to raise awareness of conservation issues through music and drama - Land, Sea, Sky. All three operas will be written by Gwyneth Lewis and designed by MAX Jones. Dolffin was composed by Julian Philips and celebrates the dolphin as one of the greatest treasures of Caridgan Bay

In addition MAX provided a wide range of projects in schools and in communities throughout Wales and in our touring regions in England.

*Sponsorship and Development*

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 under review the company successfully raised over £1m and together with restricted income brought forward contributed the targeted £1.5 million to the activities of the year.

A list of the major supporters of WNO is provided on page 3.

**Future Activities**

Strategically 2006 was a crucial year for WNO. The move to WMC, the move towards finalisation of the ACE stabilisation programme and the ever changing operatic audience created the need for WNO to review its future artistic and financial strategies to ensure that WNO continues to be world class, relevant and financially stable. This

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

process has resulted in a revised touring pattern and a new style Summer season presented in Cardiff and Birmingham. WNO will be able to present a wider range of repertoire whilst being less reliant on core work. Enormous opportunities are presented to develop the WNO MAX programme during the Summer period enabling greater performances outside of the traditional theatre venues.

The 52 weeks to 31 March 2007 will see ten productions staged by WNO in 108 performances in 10 venues across Wales and England. The Company will also tour to Hong Kong as part of the Hong Kong Arts Festival.

#### **FINANCIAL REVIEW**

The group seeks to balance unrestricted income and expenditure in each year subject to agreed support from the designated fund (see note 14) in the context of the company's reserves policy and the actuarial assessment of the ongoing pension service cost (see note 17).

The group incurred a deficit in terms of the net incoming/outgoing resources of its unrestricted funds of £381,209 (2005 – deficit of £239,000). Of this deficit £400,000 (2005 - £100,000) was planned for through the designated fund created to support new productions and media exploitation from 2003 to 2005. A further £132,000 of this deficit was created by differences between the FRS17 and the Pension Fund's own actuarial assessment of ongoing service cost.

The company suffered a further actuarial loss on the defined benefit pension scheme of £320,000.

Taking the above into account the movement on the company's income and expenditure reserve is as follows:

	£
Net Outgoing Resources	(381,209)
Actuarial loss on defined benefit pension scheme	<u>(320,000)</u>
Net Movement for Year	(701,209)
<i>Funded by:</i>	
Designated Fund Transfer	400,000
Revaluation Fund Transfer	17,928
Pension Reserve	<u>452,000</u>
Net increase on Income and Expenditure Reserve	<u>168,719</u>

Due to timing differences in the receipt and expenditure of restricted funds, the group's restricted funds increased by £660,440.

The principal sources of funding for the company are box office and ticket income, sponsorship and development income and grants from Arts Council Wales and Arts Council England. The Company's subsidiary, Cardiff Theatrical Services Limited, broke even through the sale of sets to third parties.

Key points of note are:

- Box office income generated £3,240,000 (2005 - £2,666,000).
- Total development income (donations and subscriptions) exceeded £2m and together with restricted income brought forward contributed £1.4m to the activities undertaken in the year.

#### **Reserves**

The Board seeks to build sufficient free reserves to allow for the management of short-term and unexpected reductions in income or increases in expenditure. This level of reserves is currently expressed as an average of 10% shortfall in the budgeted annual development and box office income. On current budgets this approximates £400,000. The Board will continue to review and monitor its policy.

At 1 April 2006, free reserves stood at a deficit of £287,000 (2005 – deficit of £375,000).

The company has allocated a further £450,000 of its future agreed support as part of the Arts Council England Stabilisation scheme to unrestricted reserves upon drawdown during the following two financial years. The Board anticipates that further free reserves will be created over the following two financial years for the company to meet the requirements of the current reserves policy.

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

In line with guidance from the Charity Commission the Board has considered 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 is able to make sufficient provision from its future operations to provide for the pension liabilities as they fall due and that, consequently, the pension deficit disclosed under the requirements of FRS17 does not require a designation of free current reserves to meet the liability.

**Trading Subsidiary**

The company has a wholly owned subsidiary undertaking, Cardiff Theatrical Services Limited, which sells theatrical sets to customers other than the Welsh National Opera Limited. During the year, the subsidiary made a profit before tax of £1,127. In 2005 the subsidiary generated a profit of £133,095 of which £128,095 was Gift Aided to WNO, leaving a net retained profit of £5,000.

The Board has reviewed the operations of the subsidiary company and is regularly monitoring its performance.

**Pension Arrangements**

The company continues its own pension scheme for administrative and technical staff established on 6 April 1997. The scheme is administered by Kerr Henderson Bacon and Woodrow and will be audited by Deloitte & Touche LLP.

The deficit based on the assumptions required by FRS 17 shows a pension fund deficit at 31 March 2006 of £1.526m (2005 - £1.074m) (see note 17).

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.

**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 and Customs, enabling it to benefit from the tax exemptions afforded to charities.

**Governance**

A Nominations Committee assesses the skill base required by the Board of WNO and seeks to secure applications accordingly. Directors, who are also the trustees of the charity for the purposes of charity law, are appointed by the members 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 retire at the 5<sup>th</sup> AGM following appointment and are available for re-election.

The Board's membership includes those with appropriate professional experience and knowledge of arts administration. All new trustees 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 current directors, who served throughout the financial year unless otherwise stated, are as set out on page 1. The Lord Davies of Llandinam, Mr W E Husselby and Mrs C E Lewis retire by rotation and Mr W E Husselby and Mrs C E Lewis, being eligible, offer themselves for re-election. The members of the Board appointed during the year, Mr P H D Findlay, Mr G Talfan Davies and Mr G A Watts offer themselves for re-election.

The Board is responsible for approving overall policies, plans and organisation. It meets six times per year and delegates appropriate matters to a Finance and General Purposes Committee, an Audit Committee, a Nominations Committee and a Remuneration Committee.

**Management**

The General Director is responsible for the management of the company and, together with the Musical Director, for its artistic direction.

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

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

**Risk Management**

The Board has continued to develop its risk management and internal control practices following best practice. The Board has introduced 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' interests in related bodies are shown in note 22 to the accounts.

**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, wheelchair access, etc, and encourages the theatre owners to improve facilities where necessary. In partnership with touring venues the company is investigating methods of improving access to WNO productions.

**Employee Involvement**

During the year, regular meetings took place with employees and their representatives to assist their knowledge and understanding of the company's performance and the financial and economic factors which affect it, and also to enable the company to take into account the view of the employees when making decisions likely to affect employees' interests. The group continues to invest in staff training and development programmes, and administers a staff appraisal system.

**Health and Safety**

The company has a developed Health & Safety Policy and Practice. The Health & Safety Committee, with management and employee representation, meets regularly to ensure the implementation of the company's policy.

**Disabled Persons**

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

**AUDITORS**

In the case of the persons who are directors of the company at the date when this report is approved:

- so far as the directors are aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- the directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

Deloitte & Touche LLP have indicated their willingness to continue in office as the company's auditors and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

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



A P Gambrell  
Secretary

28 September 2006

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

**SUPPORTERS OF WELSH NATIONAL OPERA**

**FUNDING BODIES**

Arts Council Wales  
Wales Assembly Government  
Arts Council England

**INDIVIDUALS, TRUSTS & FOUNDATIONS**

Garfield Weston Foundation  
Friends of WNO  
*WNO Partnership*  
Colwinston Charitable Trust  
The Foyle Foundation  
Dr David Speller  
The Gwendoline and Margaret Davies Charity  
Arts Council of Northern Ireland  
The Mercers' Company  
Thelma Justham  
Dunard Fund  
The Millenium Stadium Charitable Trust  
Alan and Maggie Peterson  
Mathew Prichard  
Atlantic Foundation  
Chris Ball  
G C Gibson Charitable Settlement  
Jenour Foundation  
The Joyce Fletcher Charitable Trust  
The John Ellerman Foundation  
Leonard Chadwick Charitable Trust  
The Millichope Foundation  
Simon Gibson Charitable Trust  
Mr John Ward

**CORPORATE SPONSORS**

Coutts & Co  
Associated British Ports  
Scottish Power  
Scottish Widows  
Adam & Company  
Hugh James Solicitors  
Berwin Leighton Paisner  
First Great Western  
Cogent Elliott Ltd  
Admiral Group plc  
Corus

**FIRST NIGHT CLUB**

Atradius  
Cardiff Gate Business Park Ltd  
Culver Insurance Brokers Ltd  
TACP  
Dragonfly Executive Air Charter  
Maskreys Ltd

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the report and financial statements. The directors have chosen to prepare the financial statements for the company in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view, in accordance with UK GAAP, of the state of affairs of the company and of the group and of the profit or loss of the group for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985, the Charities Act 1993 and Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005). They are also responsible for safeguarding the assets of the company 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 financial statements of Welsh National Opera Limited for the period ended 1 April 2006 which comprise the consolidated statement of financial activities, the consolidated summary income and expenditure account, the note of historical cost surpluses and deficits, the balance sheets, the consolidated cash flow statement and the related notes 1 to 23, which 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 section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the 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 company and the 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**

As described in the statement of directors' responsibilities, the directors, who are also the trustees of the charity for the purposes of charity law, are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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 and are properly prepared in accordance with the Companies Act 1985. We also report on the consistency of the directors' report with the financial statements, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the directors' report and other information contained within the annual report as described in the contents section for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

**Basis of 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 estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the charitable company and the group, 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.

**Opinion**

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charitable company and the group as at 1 April 2006 and of the group's incoming resources and application of resources, including its income and expenditure, in the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the directors' report is consistent with the financial statements.

*Deloitte & Touche LLP*

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Cardiff

28 September 2006

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**

INCLUDING INCOME AND EXPENDITURE ACCOUNT AND STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

**Period Ended 1 April 2006**

	Note	Unrestricted funds £	Restricted funds £	Endowment fund £	Total 2006 £	As restated Year to 31 March 2005 £
<b>INCOMING RESOURCES</b>						
Incoming resources from charitable activities	2	14,636,385	103,092	-	14,739,477	13,986,311
Incoming resources from generated funds						
Voluntary income	2	768,685	1,660,325	-	2,429,010	1,058,655
Activities for generating funds						
Trading income	2	657,100	-	-	657,100	1,300,756
Catering and other income		-	-	-	-	68,637
Investment income		80,630	23,932	1,726	106,288	130,828
<b>TOTAL INCOMING RESOURCES</b>		<u>16,142,800</u>	<u>1,787,349</u>	<u>1,726</u>	<u>17,931,875</u>	<u>16,545,487</u>
<b>RESOURCES EXPENDED</b>						
Charitable activities	3	15,456,355	1,126,909	-	16,603,264	14,753,662
Costs of generating funds						
Costs of generating voluntary income		373,320	-	-	373,320	252,139
Trading costs		655,972	-	-	655,972	1,167,388
Catering and other costs		-	-	-	-	48,261
Governance costs		18,362	-	-	18,362	14,310
<b>TOTAL RESOURCES EXPENDED</b>		<u>16,524,109</u>	<u>1,126,909</u>	<u>-</u>	<u>17,650,918</u>	<u>16,235,760</u>
<b>NET (OUTGOING)/INCOMING RESOURCES BEFORE TAXATION</b>		<u>(381,209)</u>	<u>660,440</u>	<u>1,726</u>	<u>280,957</u>	<u>309,727</u>
Taxation	7	-	-	-	-	-
<b>NET (OUTGOING) / INCOMING RESOURCES BEFORE OTHER RECOGNISED GAINS AND LOSSES</b>		<u>(381,209)</u>	<u>660,440</u>	<u>1,726</u>	<u>280,957</u>	<u>309,727</u>
Actuarial loss on defined benefit pension scheme	17	(320,000)	-	-	(320,000)	(55,000)
<b>NET (EXPENDITURE) / INCOME FOR THE PERIOD</b>	14, 15	<u>(701,209)</u>	<u>660,440</u>	<u>1,726</u>	<u>(39,043)</u>	<u>254,727</u>
<b>Fund balance brought forward</b>		<u>2,608,410</u>	<u>1,026,900</u>	<u>43,549</u>	<u>3,678,859</u>	<u>3,424,132</u>
<b>Fund balance carried forward</b>		<u>1,907,201</u>	<u>1,687,340</u>	<u>45,275</u>	<u>3,639,816</u>	<u>3,678,859</u>

All resources are derived from continuing operations.

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

**NOTE OF HISTORICAL COST SURPLUSES AND DEFICITS**

**Period ended 1 April 2006**

	2006	As restated
	£	Year to 31
		March 2005
		£
Reported surplus on ordinary activities before taxation	280,957	309,727
Difference between an historical cost depreciation charge and the actual depreciation charge for the period	17,928	17,928
	<u>298,885</u>	<u>327,655</u>
Historical cost deficit on ordinary activities before taxation	<u>298,885</u>	<u>327,655</u>
	<u>298,885</u>	<u>327,655</u>
Historical cost deficit for the period retained after taxation	<u>298,885</u>	<u>327,655</u>

**WELSH NATIONAL OPERA LIMITED**  
(Company limited by guarantee and not having a share capital)

**CONSOLIDATED BALANCE SHEET**  
**1 April 2006**

		1 April 2006 £	As restated 31 March 2005 £
<b>FIXED ASSETS</b>			
Tangible assets	9	3,647,068	3,593,856
<b>CURRENT ASSETS</b>			
Stocks	10	761,560	522,285
Debtors	11	1,729,411	1,690,003
Cash at bank and in hand	21	737,255	752,809
		<u>3,228,226</u>	<u>2,965,097</u>
<b>CREDITORS: amounts falling due within one year</b>	12	(1,709,478)	(1,806,094)
<b>NET CURRENT ASSETS</b>		1,518,748	1,159,003
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>			
Defined benefit pension fund liability	17	(1,526,000)	(1,074,000)
<b>NET ASSETS INCLUDING PENSION FUND LIABILITY</b>		3,639,816	3,678,859
		<u>3,639,816</u>	<u>3,678,859</u>
<b>CAPITAL FUNDS</b>			
Called up share capital	13	-	-
<b>INCOME FUNDS</b>			
Restricted funds	15	1,687,340	1,026,900
Endowment fund	15	45,275	43,549
Unrestricted funds			
Income and expenditure unrestricted fund	14	1,477,796	1,309,077
Revaluation reserve	14	1,765,405	1,783,333
Designated fund	14	190,000	590,000
		<u>3,433,201</u>	<u>3,682,410</u>
Unrestricted funds excluding pension liability		3,433,201	3,682,410
Pension reserve	17	(1,526,000)	(1,074,000)
		<u>1,907,201</u>	<u>2,608,410</u>
Total unrestricted funds		1,907,201	2,608,410
		<u>1,907,201</u>	<u>2,608,410</u>
<b>TOTAL CHARITY FUNDS</b>		3,639,816	3,678,859
		<u>3,639,816</u>	<u>3,678,859</u>

These financial statements were approved by the Board of Directors on 28 September 2006.  
Signed on behalf of the Board of Directors

  
R G Thomas  
Director

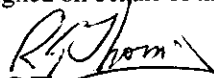
  
P S Phillips  
Director


**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

**COMPANY BALANCE SHEET**  
**1 April 2006**

	Note	1 April 2006 £	As restated 31 March 2005 £
<b>FIXED ASSETS</b>			
Tangible assets	9	3,647,038	3,593,856
<b>CURRENT ASSETS</b>			
Stocks	10	761,560	522,285
Debtors	11	1,757,593	1,761,516
Cash at bank and in hand		645,441	558,903
		<u>3,164,594</u>	<u>2,842,704</u>
<b>CREDITORS: amounts falling due within one year</b>	12	(1,684,113)	(1,720,890)
<b>NET CURRENT ASSETS</b>		1,480,481	1,121,814
<b>NET ASSETS EXCLUDING PENSION LIABILITY</b>			
Defined benefit pension fund liability	17	(1,526,000)	(1,074,000)
		<u>3,601,519</u>	<u>3,641,670</u>
<b>NET ASSETS INCLUDING PENSION FUND LIABILITY</b>			
<b>CAPITAL FUNDS</b>			
Called up share capital	13	-	-
<b>INCOME FUNDS</b>			
Restricted funds	15	1,687,340	1,026,900
Endowment fund	15	45,275	43,549
<b>Unrestricted funds</b>			
Income and expenditure unrestricted fund	14	1,439,499	1,271,888
Revaluation reserve	14	1,765,405	1,783,333
Designated fund	14	190,000	590,000
		<u>3,394,904</u>	<u>3,645,221</u>
Unrestricted funds excluding pension liability		3,394,904	3,645,221
Pension reserve	17	(1,526,000)	(1,074,000)
Total unrestricted funds		<u>1,868,904</u>	<u>2,571,221</u>
<b>TOTAL CHARITY FUNDS</b>		<u>3,601,519</u>	<u>3,641,670</u>

These financial statements were approved by the Board of Directors on 28 September 2006.  
Signed on behalf of the Board of Directors

  
R G Thomas  
Director

  
P S Phillips  
Director

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

**CONSOLIDATED CASH FLOW STATEMENT**  
**Period ended 1 April 2006**

	Note	2006 £	As restated Year to 31 March 2005 £
<b>Net cash inflow/(outflow) from operating activities</b>	19	152,335	(3,062,505)
<b>Returns on investments and servicing of finance</b>			
Interest received		106,288	130,828
Interest paid		-	(14,443)
		<u>106,288</u>	<u>116,385</u>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(274,177)	(222,579)
<b>Financing</b>			
Repayment of hire purchase contracts		-	(6,983)
<b>Decrease in cash in the period</b>	20,21	<u>(15,554)</u>	<u>(3,175,682)</u>

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

**NOTES TO THE FINANCIAL STATEMENTS**

**Period ended 1 April 2006**

**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 years, 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 1985 and adopted the Companies Act formats to reflect the special nature of the charity's activity.

**Fixed assets and depreciation**

Freehold land and buildings and long leasehold premises were valued at 6 January 2003. The company intends to revalue these assets each five years. Subsequent additions and other assets are stated at cost.

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 land	Not depreciated
Freehold buildings	Depreciated over 100-year life
Short-term leasehold premises	Depreciated over the remaining period of the leases
Rehearsal rooms	4% on a straight-line basis
Vehicles	12 ½% to 25% per annum on a straight-line basis
Fixtures and fittings	4% to 25% per annum on a straight-line basis
Musical instruments and armoury	10% per annum on a straight-line basis

Costumes and scenery of opera productions, which are included within musical instruments and armoury, are written down to nominal book value of £1 per production where the production is held in storage for possible future use.

Assets acquired for more than £1,000 are capitalised and depreciated on a straight-line basis where the asset will not require upgrading. Where the equipment will require upgrading before the end of its life, the expenditure is written off in the year of acquisition. Assets acquired for less than £1,000 are written off in the year of acquisition.

**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-producers' 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 based 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.

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

**NOTES TO THE FINANCIAL STATEMENTS**

**Period ended 1 April 2006**

**1. ACCOUNTING POLICIES (continued)**

**Donations and bequests**

Donations and bequests are credited to income on a receivable basis.

**Hire purchase contracts and operating leases**

Assets held under hire purchase contracts and the related hire purchase obligations are recorded in the balance sheet at the fair value of the assets at the inception of the contracts. The amounts by which the hire purchase payments exceed the recorded obligations are treated as finance charges which are amortised over the terms of the contract to give a constant rate of charge on the remaining balance of the obligation.

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

**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.

**Pensions accounting policy**

The group operates a defined benefit pension scheme and contributes to further defined contribution schemes.

For the defined contribution schemes, the pension cost charge against profits under FRS17 represents the contributions payable to the pension scheme in respect of the accounting period.

The defined benefit scheme provides benefits based on a Career Average arrangement.

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/deficit is split between operating charges, finance items and actuarial gains and losses.

Amounts are charged to expenditure so as to spread the cost of pensions over employee's working lives at WNO.

Note 17 sets out full disclosures in accordance with Financial Reporting Standard 17 "Retirement Benefits".

**Basis of consolidation**

The group financial statements consolidate the financial statements of Welsh National Opera Limited and of its wholly-owned subsidiary, Cardiff Theatrical Services Limited, for the financial period ended 1 April 2006. Note 2 (d) shows the results of the subsidiary for the period ended 1 April 2006.

**Fund accounting**

The company is responsible for various funds, which require separate disclosure, and are as follows:

Unrestricted funds

Funds which are expendable at the discretion of the directors in furtherance of the objectives of the company.

Restricted funds

Donations, gifts, grants and legacies received whose use is restricted to purposes specified by the donor. Such purposes are within the overall aims of the organisation.

Endowment funds

Endowment funds represent those assets which must be held permanently by the company. Interest earned is expendable subject to the restrictions specified by the donor.

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Period ended 1 April 2006**

**1. ACCOUNTING POLICIES (continued)**

**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.

Fund-raising and publicity costs. These costs are incurred in relation to staff members who are engaged directly in fund-raising and also the cost of specific publicity campaigns for the raising of donations.

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

**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.

**2. ANALYSIS OF INCOMING RESOURCES**

	Unrestricted funds £	Restricted funds £	Endowment fund £	Total 2006 £	Total 2005 £
<b>(a) Incoming resources from charitable activities</b>					
<b>Charitable activities</b>					
Income from performing, co-productions and hires	4,126,415	-	-	4,126,415	3,543,622
Education and community programmes	28,684	-	-	28,684	43,213
Other income	71,298	-	-	71,298	-
<b>Grants receivable</b>					
Arts Council England	6,080,868	-	-	6,080,868	5,658,922
Arts Council of Wales	4,329,120	-	-	4,329,120	4,084,855
Arts Council England Stabilisation Grant	-	103,092	-	103,092	655,999
	<u>14,636,385</u>	<u>103,092</u>	<u>-</u>	<u>14,739,477</u>	<u>13,986,611</u>
	Unrestricted funds £	Restricted funds £	Endowment fund £	Total 2006 £	Total 2005 £
<b>(a) Voluntary income</b>					
Sponsorship and donations	<u>768,685</u>	<u>1,660,325</u>	<u>-</u>	<u>2,429,010</u>	<u>876,905</u>

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

**NOTES TO THE FINANCIAL STATEMENTS**

**Period ended 1 April 2006**

**2. ANALYSIS OF INCOMING RESOURCES (continued)**

**(d) Net income from parent company**

A separate statement of financial activities has not been included in the financial statements in respect of Welsh National Opera Limited. The total incoming resources of the company for the period amounted to £17,124,775 (2005 - £15,244,731) while the net deficit for the period was £175,372 (2005 - net surplus of £249,727).

The company's unrestricted deficit including the actuarial loss/surplus in the pension scheme in the period was £837,558 (2005 - net surplus of £418,109). £400,000 of this deficit was anticipated from the Designated Fund (2005 - £100,000) and £452,000 (2005 - £663,000 surplus) was a result of movements on the pension reserve.

**(e) Net income from trading activities of subsidiary**

The company has a 100% wholly owned trading subsidiary, Cardiff Theatrical Services Limited, which it acquired for nil consideration on 1 April 1989. 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 are shown below:

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>TURNOVER</b>	657,100	1,300,756
Cost of sales	(656,260)	(1,167,388)
	<hr/>	<hr/>
<b>GROSS PROFIT</b>	840	133,368
Administration expenses	(2,745)	(2,751)
Other operating income		-
	<hr/>	<hr/>
<b>OPERATING (LOSS)/PROFIT</b>	(1,905)	130,617
Interest receivable and similar income	3,032	2,478
Gift Aid to parent company	-	(128,095)
	<hr/>	<hr/>
<b>PROFIT BEFORE TAXATION</b>	1,127	5,000
Tax on profit	-	-
	<hr/>	<hr/>
<b>PROFIT RETAINED IN SUBSIDIARY</b>	<u>1,127</u>	<u>5,000</u>
The aggregate of the assets, liabilities and funds was:		
Assets	344,410	457,406
Liabilities	(306,094)	(420,217)
	<hr/>	<hr/>
Funds	<u>38,316</u>	<u>37,189</u>

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Period ended 1 April 2006**

**3. ANALYSIS OF CHARITABLE EXPENDITURE**

	Performances, co-productions and hires £	Education & community programmes £	Total 2006 £	Total 2005 £
Direct costs	15,286,708	542,702	15,829,410	14,204,008
Depreciation	220,966	-	220,966	169,568
Support costs	532,774	20,114	552,888	380,086
	<u>16,040,448</u>	<u>562,816</u>	<u>16,603,264</u>	<u>14,753,662</u>

**4. EMPLOYEE NUMBERS AND COSTS**

	2006 £	2005 £
Employee costs during the period (including casuals) amounted to:		
Wages and salaries	7,258,995	7,092,251
Social security costs	655,922	655,011
Other pension costs	397,005	389,109
	<u>8,311,922</u>	<u>8,136,371</u>
	No.	No.
Average number of persons employed (including casuals):		
Permanent - Artists	116	111
- Production and technical	105	103
- Administration	47	45
	<u>268</u>	<u>259</u>
Temporary - Artists	25	39
- Production and technical	23	22
- Administration	0	3
	<u>48</u>	<u>64</u>
Total	<u>316</u>	<u>323</u>

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Period ended 1 April 2006**

**4. EMPLOYEE NUMBERS AND COSTS (continued)**

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

	<b>2006</b>	<b>2005</b>
	<b>No.</b>	<b>No.</b>
£60,000 - £69,999	-	1
£70,000 - £99,999	2	1
	<u>          </u>	<u>          </u>

All employees earning more than £60,000 participated in the Welsh National Opera defined benefit pension scheme.

The directors received no remuneration in the period (2005 - £nil). Expenses were reimbursed to four directors during the period (2005 - five), totalling £5,063 (2005 - £1,710).

**5. BANK CHARGES AND INTEREST PAYABLE**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Bank interest	-	160
Hire purchase interest	-	154
Bank charges	11,482	14,129
	<u>11,486</u>	<u>14,443</u>

**6. NET INCOMING RESOURCES**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Net incoming resources is stated after charging</b>		
Rentals under operating leases - other	177,598	233,039
Depreciation – owned assets	220,966	174,089
Auditors' remuneration as auditors	14,022	12,600
	<u>          </u>	<u>          </u>

**7. TAX ON (DEFICIT)/SURPLUS 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 reliefs 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 current tax arose in the current period, and in the prior year a gift aid donation was paid by Cardiff Theatrical Services Limited to Welsh National Opera Limited to eliminate the tax liability.

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>Current taxation</b>		
United Kingdom corporation tax:	-	-
Current tax on income for the period at 30%	-	-
	<u>          </u>	<u>          </u>

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

**NOTES TO THE FINANCIAL STATEMENTS**

**Period ended 1 April 2006**

**7. TAX ON (DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES (continued)**

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

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
(Deficit)/surplus on ordinary activities before tax	<u>(39,043)</u>	<u>254,727</u>
Tax on (deficit)/surplus on ordinary activities before tax at 30%	(11,713)	76,418
<b>Factors affecting charge for the year</b>		
Non-taxable/allowable income and expenditure	11,499	(77,368)
Small companies tax relief	<u>214</u>	<u>950</u>
<b>Current tax charge for year</b>	<u>-</u>	<u>-</u>

**8. OPERATING LEASE COMMITMENTS**

At 1 April 2006, the group was committed to making the following payments during the next year in respect of operating leases:

	<b>Land and buildings</b>
	<b>£</b>
Leases which expire after five years	<u>177,598</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Period ended 1 April 2006**

**9. TANGIBLE FIXED ASSETS**

Group and Company	Long leasehold premises £	Freehold property £	Short-term leasehold premises £	Rehearsal rooms £	Vehicles £	Fixtures and fittings £	Instruments and armory £	Total £
<b>Cost or valuation</b>								
At 1 April 2005	1,650,000	1,100,000	85,307	228,657	643,173	1,671,110	214,655	5,592,902
Additions	-	-	-	-	94,750	169,676	9,752	274,178
Disposals	-	-	(85,307)	-	-	-	-	(85,307)
At 1 April 2006	1,650,000	1,100,000	-	228,657	737,923	1,840,786	224,407	5,781,773
<b>Depreciation</b>								
At 1 April 2005	31,428	22,000	85,307	128,868	489,691	1,081,575	160,177	1,999,046
Charge for the period	15,714	11,000	-	7,791	52,953	116,365	17,173	220,996
Disposals	-	-	(85,307)	-	-	-	-	(85,307)
At 1 April 2006	47,142	33,000	85,307	136,659	542,644	1,197,940	177,350	2,134,735
<b>Net book value</b>								
At 1 April 2006	1,602,858	1,067,000	-	91,998	195,279	642,846	47,057	3,647,038
At 31 March 2005	1,618,572	1,078,000	-	99,789	153,482	589,535	54,478	3,593,856

The long leasehold premises and freehold property were professionally valued by Cooke & Arkwright, Chartered Surveyors, on an open market valuation basis at 6 January 2003.

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

Group and Company	£	£	£	£	£	£	£	£
Cost	726,355	186,815	85,307	228,657	737,923	1,840,786	224,407	4,030,250
Accumulated depreciation	35,969	13,077	85,307	136,659	542,643	1,197,939	177,350	2,188,544
<b>Net book value</b>								
At 1 April 2006	690,386	173,738	-	91,998	195,280	642,846	47,057	1,841,706
At 31 March 2005	697,304	175,606	-	99,789	153,482	589,535	54,478	1,770,194

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

**NOTES TO THE FINANCIAL STATEMENTS**

**Period ended 1 April 2006**

**10. STOCKS**

	<b>Group and Company</b>	
	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Raw materials	45,568	46,494
Work-in-progress	703,852	457,056
Consumables	12,140	18,735
	<b>761,560</b>	<b>522,285</b>

**11. DEBTORS**

	<b>Group 2006</b>	<b>Company 2006</b>	<b>Group 2005</b>	<b>Company 2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Amounts falling due within one year:</b>				
Trade debtors	286,116	144,355	515,403	267,379
Amounts owed by group undertakings	-	166,730	-	319,537
Other debtors:				
Grants receivable	150,875	150,879	125,330	125,330
Other debtors	105,442	108,596	448,376	448,376
	256,317	259,475	573,706	573,706
Prepayments and accrued income	1,187,008	1,187,033	600,894	600,894
	<b>1,729,441</b>	<b>1,757,593</b>	<b>1,690,003</b>	<b>1,761,516</b>

Prepayments and accrued income include accrued box-office income of £595,282 (2005 - £236,462) due from various theatres across the country.

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

	<b>Group 2006</b>	<b>Company 2006</b>	<b>Group 2005</b>	<b>Company 2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade creditors	523,731	524,685	269,464	269,464
Other creditors including taxation and social security	241,236	241,236	342,465	342,341
Accruals and deferred income	944,511	918,192	1,194,165	1,109,085
	<b>1,709,478</b>	<b>1,684,113</b>	<b>1,806,094</b>	<b>1,720,890</b>

Included within accruals and deferred income are the following amounts relating to deferred income:

	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
	165,131	26,014	258,503	173,423

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Period ended 1 April 2006**

**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 1 April 2006 was 12 (2005 – 11).

**14. UNRESTRICTED FUNDS**

	Income and expenditure fund £	Revaluation reserve £	Designated fund £	Pension reserve £	Total 2006 £	Total 2005 £
<b>Group</b>						
Opening balance	1,309,077	1,783,333	590,000	-	3,682,410	3,922,301
Adjustment on adopting FRS17	-	-	-	(1,074,000)	(1,074,000)	(1,737,000)
Adjusted balances brought forward	1,309,077	1,783,333	590,000	(1,074,000)	2,608,410	2,185,301
Net (outgoing) / incoming resources	(701,209)	-	-	-	(701,209)	423,109
Designated fund transfer	400,000	-	(400,000)	-	-	-
Revaluation reserve transfer	17,928	(17,928)	-	-	-	-
Pension reserve transfer	452,000	-	-	(452,000)	-	-
Closing balance	<u>1,477,796</u>	<u>1,765,405</u>	<u>190,000</u>	<u>(1,526,000)</u>	<u>1,907,201</u>	<u>2,608,410</u>
	£	£		£	£	£
<b>Company</b>						
Opening balance	1,271,888	1,783,333	590,000	-	3,645,221	3,890,112
Adjustment on adopting FRS17	-	-	-	(1,074,000)	(1,074,000)	(1,737,000)
Adjusted balance brought forward	1,271,888	1,783,333	590,000	(1,074,000)	2,571,221	2,153,112
Net (outgoing) / incoming resources	(702,317)	-	-	-	(702,317)	418,109
Designated fund transfer	400,000	-	(400,000)	-	-	-
Revaluation reserve transfer	17,928	(17,928)	-	-	-	-
Pension reserve transfer	452,000	-	-	(452,000)	-	-
Closing balance	<u>1,439,499</u>	<u>1,765,405</u>	<u>190,000</u>	<u>(1,526,000)</u>	<u>1,868,904</u>	<u>2,571,221</u>

The designated fund was set up to represent planned future expenditure on performance support and media exploitation.

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Period ended 1 April 2006**

**15. RESTRICTED AND ENDOWMENT FUNDS**

Group and Company	Friends of WNO £	ACE Grant £	Fixed asset reserve £	Special reserve £	Garfield Weston £	RW Pethybridge (deceased) £	Other £	Total Restricted funds £	Sir John Moores Endowment Fund £
Opening balance	67,575	367,157	126,901	82,586	-	217,355	165,326	1,026,900	43,549
Incoming resources in the year	90,869	103,092	9,873	3,273	1,200,000	8,622	371,620	1,787,349	1,726
Amounts released	(100,000)	(363,358)	(19,614)	-	(400,000)	-	(243,937)	(1,126,909)	-
Closing balance	<u>58,444</u>	<u>106,891</u>	<u>117,160</u>	<u>85,859</u>	<u>800,000</u>	<u>225,977</u>	<u>293,009</u>	<u>1,687,340</u>	<u>45,275</u>

The Friends of WNO reserve represents amounts donated to Welsh National Opera to fund future activities.

The ACE Grant reserve represents stabilisation funds received from the Arts Council of England for specific projects.

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 charged on such assets acquired.

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 Garfield Weston reserve represents donations received, the use of which is restricted as part of the terms of acceptance. The income is to be allocated towards new productions and costs incurred by the education department of the company.

RW Pethybridge Deceased Trust represents amounts bequeathed to the charity, the use of which is restricted as part of the terms of acceptance. The trust is to be used for the benefit of disabled and elderly persons in Wales and prisoners in Welsh prisons or in a manner consistent with the company's general objectives.

Other restricted funds include the Young Artists' Training Fund, the Chris Ball Bursary Fund and the National Opera Studio Fund, and also income through sponsorship where the donor has stipulated that the money be spent on specific productions.

The use of the Sir John Moores Endowment Fund is restricted to the granting of an annual award for the career development of a young artist. Only the interest income earned by the fund can be used.

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Period ended 1 April 2006**

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

<b>Group</b>	<b>Unrestricted funds £</b>	<b>Restricted funds £</b>	<b>Endowment fund £</b>	<b>Total £</b>
Tangible fixed assets	3,529,908	117,160	-	3,647,068
Net current assets	(97,007)	1,570,180	45,575	1,518,748
Pension reserve	(1,526,000)	-	-	(1,526,000)
<b>Net assets</b>	<b>2,024,061</b>	<b>1,687,340</b>	<b>45,575</b>	<b>3,756,976</b>
<b>Company</b>	<b>Unrestricted funds £</b>	<b>Restricted funds £</b>	<b>Endowment fund £</b>	<b>Total £</b>
Tangible fixed assets	3,529,908	117,160	-	3,647,068
Net current assets	(135,274)	1,570,180	45,575	1,480,481
Pension reserve	(1,526,000)	-	-	(1,526,000)
<b>Net assets</b>	<b>1,868,634</b>	<b>1,687,340</b>	<b>45,575</b>	<b>3,601,549</b>

**17. 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. A formal actuarial valuation took place on 6 April 2003 using the projected unit method. It was assumed that investment return would be 5.7% for post retirement and 6.7% for pre retirement, that earnings increase would be 4.1% per annum and that retail price inflation would be 2.6% per annum. The market valuation of the asset was £2,650,000 at 5 April 2003. Based on the actuarial value of the assets at 5 April 2003 the level of funding, i.e. the ratio of the assets to the liabilities, based on the expected salaries at retirement, was 68% at that date. In determining the long-term company contribution rate, the deficit disclosed at the valuation has been taken into account and the change effected in this year from a final salary scheme to a CARE arrangement.

A full actuarial valuation of the scheme was carried out as at 6 April 2003 for the purposes of the disclosures required under FRS 17. This has been updated to 31 March 2006 by a qualified independent actuary. The major assumptions used by the actuary were:

	<b>2006</b>	<b>2005</b>	<b>2004</b>
Rate of increase in salaries	N/A	N/A	4.00% pa
Discount rate	4.90%	5.40% pa	5.50% pa
Inflation assumption	3.00%	2.90% pa	2.80% pa
LPI pension increases	2.9%	2.80% pa	2.70% pa

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Period ended 1 April 2006**

**17. PENSION SCHEME (continued)**

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

	Long-term Expected Return 2006	Value 2006 £'000	Long-term expected return 2005	Value 2005 £'000	Long-term expected return 2004	Value 2004 £'000
Equities	7.5%	5,561	7.5%	4,181	7.5%	3,630
Cash	4.5%	74	4.7%	53	4.0%	131
Bonds	4.0%	411	4.5%	276	4.5%	45
		<u>6,046</u>		<u>4,510</u>		<u>3,806</u>
Present value of scheme liabilities		<u>(7,572)</u>		<u>(5,484)</u>		<u>(5,543)</u>
Net deficit in scheme		<u>(1,526)</u>		<u>(1,074)</u>		<u>(1,737)</u>

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

	2006 £'000	2005 £'000
Current service cost and operating charge	384	409
Gains on curtailment	-	(900)
	<u>384</u>	<u>(491)</u>

The projected unit valuation method has been used to arrive at the above service cost. To produce a stable future contribution rate, this valuation method assumes that the average age of the scheme membership will remain broadly constant in future due to a flow of new entrants to the scheme. If the scheme is closed to new entrants, this will not be the case and the cost of benefits accruing, as a percentage of salaries, will be expected to increase over time.

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

	2006 £'000	2005 £'000
Expected return on pension scheme assets	336	289
Interest on pension scheme liabilities	(312)	(316)
Net return	<u>24</u>	<u>(27)</u>

**WELSH NATIONAL OPERA LIMITED**  
(Company limited by guarantee and not having a share capital)

**NOTES TO THE FINANCIAL STATEMENTS**  
**Period ended 1 April 2006**

**17. PENSION SCHEME (continued)**

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

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Difference between actual and expected returns on assets	981	153
Experience gains and losses arising on the scheme liabilities	(30)	81
Changes in assumptions underlying the present value of the scheme liabilities	(1,271)	(289)
	(320)	(55)

Actuarial loss recognised in SOFA

**Movement in deficit during the year**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Deficit in scheme at beginning of the year	(1,074)	(1,737)
<b>Movement in year</b>		
Current service cost	(384)	(409)
Contributions paid by the employer	228	254
Curtailment	-	900
Other finance income	24	(27)
Actuarial loss	(320)	(55)
	(1,526)	(1,074)

**History of experience gains and losses**

	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Difference between the expected and actual return on scheme assets</b>			
Amount	981	153	615
Percentage of scheme assets	16%	3%	16%
<b>Experience gains and losses on scheme liabilities</b>			
Amount	(30)	81	58
Percentage of present value of scheme liabilities	0%	2%	1%
<b>Changes in assumptions underlying the present value of the scheme liabilities</b>			
Amount	(1,271)	(289)	(90)
Percentage of present value of scheme liabilities	(17%)	(5%)	2%
<b>Total amount recognised in SOFA</b>			
Amount	(320)	(55)	583
Percentage of present value of scheme liabilities	4%	(1%)	11%

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**Period ended 1 April 2006**

**18. 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%

The investment entirely comprises the company's subsidiary, Cardiff Theatrical Services Limited, which was acquired at £nil cost.

**19. RECONCILIATION OF NET OUTGOINGS TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES**

	2006 £	2005 £
Net outgoings	(39,043)	254,727
Interest receivable	(106,288)	(130,828)
Interest payable	-	14,443
	<hr/>	<hr/>
Operating (deficit)/surplus	(145,331)	109,456
Depreciation	220,996	174,089
Movement in stocks	(239,275)	132,322
Movement in debtors	(39,408)	(285,972)
Movement in creditors	(71,067)	(2,535,339)
Movement in grants receivable	(25,549)	(22,947)
Movement in pension reserve	452,000	(663,000)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	152,366	(3,062,505)
	<hr/> <hr/>	<hr/> <hr/>

**20. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	2006 £	2005 £
Decrease in cash in the year	(15,554)	(3,175,682)
Cash outflow from movement in funds	-	(6,983)
	<hr/>	<hr/>
Movement in net funds in the period	(15,554)	(3,182,665)
Net funds at beginning of period	752,809	3,935,474
	<hr/>	<hr/>
Net funds at end of period	737,255	752,809
	<hr/> <hr/>	<hr/> <hr/>

**WELSH NATIONAL OPERA LIMITED**  
**(Company limited by guarantee and not having a share capital)**

**NOTES TO THE FINANCIAL STATEMENTS**

**Period ended 1 April 2006**

**21. ANALYSIS OF NET FUNDS**

	Cash at bank and in hand £	Hire purchase arrangements £	Total £
At 1 April 2005	752,809	-	752,809
Cash flow	(15,554)	-	(15,554)
	<u>737,255</u>	<u>-</u>	<u>737,255</u>
At 1 April 2006	737,255	-	737,255
At 1 April 2004	3,928,491	6,983	3,935,474
Cash flow	(3,175,682)	(6,983)	(3,182,665)
	<u>752,809</u>	<u>-</u>	<u>752,809</u>
At 31 March 2005	752,809	-	752,809

The cash balance at 31 March 2004 included £2.5m grant received from the Arts Council of England as the first instalment of the revenue funding agreed for the financial year to 31 March 2005.

**22. RELATED PARTY TRANSACTIONS**

Mrs Christine Lewis received rental income from a guest artist of the Company totalling £1,925 in the year.

Mr D O'Neill is an opera singer and during the year received from the company payments for artistic activities totalling £20,000.

**23. RESTATEMENT OF PRIOR PERIOD**

The 2005 figures have also been updated to take into account FRS 17 Retirement Benefits. This has generated a reduction in resources expended of £718,000 following the change from a final salary scheme to one based on Career Average Revalued Earnings. (CARE)

The prior year figures in the Statement of Financial Activities have been restated to be consistent with the disclosures required by Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2005).