

WELSH NATIONAL OPERA LIMITED

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

Report and Financial Statements

31 August 2008

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

REPORT AND FINANCIAL STATEMENTS 2008

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WELSH NATIONAL OPERA LIMITED
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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS/TRUSTEES

	Finance Committee	Audit Committee	Remuneration Committee	Nominations Committee
Mr G T Davies, DL (Chairman)	X		X	X
Mr A G Bunker				
Ms H Boulding (appointed 27 March 2008)			X	
Mr P H D Findlay				
Mr W E Hussey, OBE, DL (resigned 30 August 2007)				
Mrs C E Lewis, OBE	X	X		X
Mr D J O'Neill, CBE				
Mr P S Phillips	X		X	
Mrs M E D Poulton			X	
Mr M C Prichard, CBE, DL	X			X
Mr R G Thomas, OBE	X	X		
Mr G A Watts		X		

SECRETARY

Mr P Bellingham

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
Peter Bellingham Executive Director

SENIOR MANAGEMENT

Phil Gibby Director of Development
Peter Harrap Chorus and Orchestra Director
Rhian Hutchings MAX Director
Jan Michaelis Technical Director
Isabel Murphy Director of Opera Planning
James Wynne Finance Director

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

INDEPENDENT AUDITORS

Deloitte LLP
Cardiff

SOLICITORS

Eversheds LLP
1 Callaghan Square
Cardiff
CF10 5BT

BANKERS

National Westminster Bank Plc
26 Park Place
Cardiff
CF10 3QH

WELSH NATIONAL OPERA LIMITED
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STATEMENT AND MANIFESTO

OUR PASSION. YOUR COMPANY.

WNO believes that opera is a living, dynamic and creative art form, which inspires emotions, challenges perceptions and touches lives.

Our statement of intent

WNO is passionate about opera and we want to encourage as many people as possible to share our passion by taking world-class opera to new and existing audiences across the UK and beyond. We aim to surprise, delight and provoke those audiences.

Our manifesto

- We will provide a wide programme of opera experiences for the widest possible public, and 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 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 on stage.
- WNO is proud of its Welsh roots, and seeks to be a cultural ambassador for Wales, both in the UK and overseas.

WELSH NATIONAL OPERA LIMITED
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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 2008.

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 250 people including musicians, singers, crafts people, 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, and our world-class main-scale productions enable us to reach and engage with more people than ever before.

ACTIVITIES AND PERFORMANCE

Productions

In the year to 31 August 2008 WNO presented 3 new mainscale productions, 5 revival productions, 2 productions in concert, 24 MAX projects, 11 orchestra concerts and 2 opera broadcasts.

The new mainscale productions were:

- The Sacrifice - a new commission from composer James MacMillan and librettist Michael Simmons Roberts. New large-scale operatic works are relatively rare (WNO's previous main-scale commission was in 1996) and this project was the culmination of almost ten years of planning and preparation.
- La Cenerentola by Rossini was the second new production of the season, a collaborative project with the opera companies in Houston, Barcelona and Geneva.
- Aida by Verdi. This was staged in the summer 2008 season and used a 60-strong community choir alongside our professional chorus and orchestra.

Revivals presented during the year were: Il Trovatore, Eugene Onegin, The Magic Flute, Hansel & Gretel, and Falstaff. Falstaff was a major revival of the classic Peter Stein production with Bryn Terfel singing the title role at some performances.

Concert performances in our theatre tours were presented of a specialist Rossini programme and a new commission from composer Errol Wallen and John Binias: Carbon 12, a Choral Symphony. This production used extensive community forces alongside our professional singers and musicians.

S4C showed a broadcast performance of Falstaff and a documentary covering the lead up to the Falstaff performance and interviews with artists. Radio 3 broadcast performances of both Falstaff and The Sacrifice.

Excellence

The company continued to receive widespread critical acclaim for its work at all levels during 2007/08. The Royal Philharmonic Society recognised the high quality of the company's work by awarding its Education Award for the MAX programme's Land, Sea, Sky Trilogy, which had been produced over the previous three years. This is the second time that the company has won this award in recent years. James MacMillan also won an RPS composition award for The Sacrifice.

The orchestra and chorus continued to draw accolades for its work during the year, in particular for The Sacrifice, Falstaff and Aida.

Enhancing Access

WNO's mission is to encourage as many people as possible to enjoy opera. Fundamental to this is our stated aspiration to be accessible through attitude, geographical reach, price and participation. We do this both through the range of competitive ticket prices and WNO MAX outreach work.

WNO has been able to use its residency at Wales Millennium Centre in Cardiff to provide affordable seats throughout the auditorium and is pleased to be able to continue with this policy. In 2007/08 the top price seat in Cardiff was £37.50 (2006/07 - £35) with a number of seats at £5 (2006/07 - £5) being available at every performance.

WELSH NATIONAL OPERA LIMITED
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DIRECTORS' REPORT (CONTINUED)

WNO MAX

WNO MAX creates innovative and inclusive work of high quality, which engages communities with WNO, opera and creativity. 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, and actively invests in and engages the company and the wider community to create greater understanding of our work.

MAX provided 24 projects with a wide range of different opportunities to engage with opera and WNO in schools and communities throughout Wales and in our touring regions in England. Key projects included:

- The Calling of Maisy Day – a fully staged production of a newly commissioned opera, composed by Brian Irvine and written by John Binias, performed by talented young singers and players from Welsh National Youth Opera.
- Twenty Women Singing – a specially commissioned performance directed by Karen Gillingham and performed by the ladies of the WNO Chorus. The production toured English and Welsh community venues in Autumn 2007 including two women's prisons in England.
- Birmingham SongLines – a song writing project with pupils from Rookery School writing songs based on Hansel and Gretel. Performances took place at Birmingham Hippodrome and also in Rookery Arts Centre.
- The Merman King – an opera film made with special needs participants from Touch Trust and two special schools and premiered at the WNO Open House in June. The opera film was directed by Richard Aylwin, with music by John O'Hara and text by Claire Williamson.
- Aida Community Choir – an opportunity for 60 community singers to take part in the summer season production of Aida in Cardiff and Birmingham.
- Bay Women Singing – a song writing and singing project for women in Cardiff Bay. The group performed its work in the WMC and also in the community.
- Carbon 12 – a newly commissioned oratorio presented as part of the summer season, and involving 180 community singers and players performing alongside the WNO Chorus and Orchestra in Cardiff and Birmingham.
- Carbon 12 song writing projects – various groups took part in song writing projects around the themes of Carbon 12. The songs were made into a CD and given out in the Carbon 12 performance programmes.
- Open House – the second Open House, offering the public a day of free workshops, concerts, talks, performances, demonstrations and talkbacks, and the opportunity to come and find out about WNO.
- BANG! – WNO MAX joined forces with the Urdd, Diversions and Hijinx Theatre Company to run two creative residential weeks – one in English medium and one in Welsh medium.
- The WNO Singing Club for 10 to 14 year olds gave a site-specific performance of the Merman King at the headquarters of the Welsh Assembly Government as well as participating in a project alongside young people and adults with special needs.

Attendances

WNO's total reach in 2007/08 was in the region of 310,000. Over 125,000 saw WNO in main-scale performances during the year.

There were 107 performances across venues in Birmingham, Bristol, Cardiff, Liverpool, Llandudno, London, Milton Keynes, Oxford, Plymouth, Southampton and Swansea. The MAX programme reached almost 17,000 participants with audiences for performances and open days estimated at 32,000. The televised broadcast of Falstaff on S4C and S4C Digital reached estimated viewer figures of 40,000 with a further 75,000 watching an associated documentary programme screened separately. The Orchestra of WNO fulfilled concert engagements at St. David's Hall, Cardiff, Warwick Castle, Barbican London and festivals in Cardiff, Llangollen and Faenol with a combined audience of around 21,000.

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DIRECTORS' REPORT (CONTINUED)

Listener figures for BBC Radio are not definable by programme. The average listener figures for the period of transmission of *The Sacrifice* and *Falstaff* broadcasts were 151,000 and 156,000 respectively. These are additional to our total reach of 310,000 referred to above.

WNO continued to draw strong audiences at its home in the Wales Millennium Centre where 48,000 saw the company perform (17 months ended September 2007 – 60,000), representing 84% of available capacity (2007 - 85%)

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 the company raised a remarkable £2,851,207 of voluntary income including legacy income and endowments (17 months ended September 2007 - £1,483,086) providing the company with stability and confidence to continue pursuing our ambitious repertoire plans for WNO. We recognise the contributions of our supporters in a variety of ways from the organisation of fund raising events, listing of their contributions in programmes through to named supporters of productions and acknowledgements on the website.

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. In 2007/08 we co-produced *La Cenerentola*, referred to above. Our production of *Hansel and Gretel* was licensed to the Metropolitan Opera in New York where it was not only performed live but also beamed to cinemas throughout the US and the UK. Our production of *Billy Budd* was produced in Houston. Although we didn't undertake any foreign touring of our own during 2007/08, we have put in place a plan to develop our international touring role over the next few years.

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. With capacity constrained by major set builds for Welsh National Opera and pressure on both selling prices and costs, profits fell when compared with the exceptional result for the previous 17 month period, from £280,264 to £92,609. These profits were transferred under Gift Aid to Welsh National Opera Limited. During the year, we worked on major sets for English National Opera, Glyndebourne, Royal Opera House, Northern Ballet, and a major rebuild of *Les Miserables* for Cameron Mackintosh.

FINANCIAL REVIEW

The statement of financial activities for the company and its subsidiary are shown on page 13. In the year, the company achieved a surplus on unrestricted funds of £813,496 (17 months ended September 2007 - £140,632) and exceptional legacy income of £613,099 (17 months ended September 2007 - £nil). The company aims to operate so as to build up and maintain in the region of £1,000,000 of free reserves. The surplus for the year takes the free reserves from a deficit of £144,000 to a surplus of £1,001,000.

Of the legacy income received, £200,000 is being designated to support a flagship new production of *Meistersinger* in 2010 and several other significant initiatives for the group that seek to raise the profile of WNO and develop the strengths of the company.

At the year end the company held sufficient reserves and cash balances to secure its short term future despite the current economic uncertainty, however the company remains dependent on its substantial support from the Arts Councils of England and Wales.

The Arts Council Wales has maintained stand still core funding until March 2009 and a £140,000 Beacon Award for the year to March 2009, leaving an overall reduction in funding in real terms. The Arts Council England has committed to annual increases of 2.7% to March 2011.

The Board continues to be wary of the impact of the economic and financial situation on box office takings and fundraising income in particular. The company held all its funds in Royal Bank of Scotland Plc at the year end, however since the year end deposits have been placed with other major UK clearing banks.

WELSH NATIONAL OPERA LIMITED
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DIRECTORS' REPORT (CONTINUED)

An unaudited summary of our income and expenditure account is shown below.

Summary unrestricted income and expenditure Group	Year to 31 August 2008 £'000	17 months to 1 September 2007 £'000
<u>Income</u>		
Grants	10,867	15,060
Box office and other charitable activities	3,693	4,637
Trading subsidiary sales	1,337	2,035
Fundraising	1,118	1,200
Legacy income	613	-
Bank interest receivable	166	291
Property rental income	161	214
Net financing adjustments for pension fund (note 18)	101	-
	<u>18,056</u>	<u>23,437</u>
<u>Expenditure</u>		
Productions and other charitable activities	15,244	20,731
Trading subsidiary costs	1,245	1,762
Fundraising and marketing	759	674
Financing adjustment for pension fund (note 18)	(5)	129
	<u>17,243</u>	<u>23,296</u>
Net unrestricted incoming resources before taxation	<u>813</u>	<u>141</u>

Unrestricted income

Income from box office and charitable activities was affected by the delivery of 2 world premieres in the year (The Sacrifice and Carbon 12) both of which achieved critical acclaim but which contributed to marginally lower overall audience capacity across all venues down to 72% from 75% in the 17 months ended 1 September 2007.

Other charitable income is derived from hiring productions to other companies, broadcast fees, commercial concert fees, and charges for transport services.

Grant income this year represented 60% of overall income, or 62% of income excluding legacy income (17 months ended September 2007 – 64%). Grants from Arts Council England increased by 2.7% in March 2008. The Arts Council of Wales core grant was not increased and the Beacon Funding award was not drawn down until after the year end.

Fund raising effort brought in unrestricted income of £1,118,000 (17 months ended 1 September 2007- £1,200,000) and restricted income of £253,000 (17 months ended 1 September 2007 - £278,000). This includes gross revenue from fund raising events (the costs of these events are included in fund raising costs).

Unrestricted Expenditure

We constantly seek opportunities to share production costs with other companies where possible, as evidenced by the four way collaboration on La Cenerentola. This principle will continue in the coming year with production costs shared on Otello and The Marriage of Figaro.

With 3 major new productions this year (5 in the 17 months ended 1 September 2007) and the relatively higher numbers of performances over the 12 month period (107 compared with 135 in the 17 month period) the costs of charitable activity increased compared with the prior period.

Restricted and Endowment Funds

The details of these funds are set out in notes 14 and 15.

During the year, restricted funds of £724,000 were spent on the activities for which they were given (17 months ended 1 September 2007 - £699,000) notably including expenditure on the new productions of The Sacrifice, Aida and Cenerentola and various MAX projects.

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DIRECTORS' REPORT (CONTINUED)

Arts Council England stabilisation grants of £450,000 were transferred to unrestricted funds following the completion of the stabilisation process. This money is shown separately within unrestricted funds as the funds are intended to provide a "reserve" for short term unexpected deficits in the company's results and are not included in the income and expenditure account.

Free Reserves

In setting the optimum level of free reserves to be held in the company the Board assesses the risks facing the income of the company, looking at each of box office income, sponsorship and donations and other income over the minimum planning period for significant changes to be made to output. On current budgets the optimum level of free reserves is estimated to be £1,000,000, this value being subject to annual review.

At 31 August 2008, free reserves stood at a surplus of £1,001,000 (1 September 2007 – deficit of £145,000), this significant improvement arises from the transfer of £450,000 Arts Council England stabilisation grant referred to above and legacy income received.

The Board will endeavour to maintain the level of reserves in the company over the coming years by allocating any future unrestricted legacy income within reserves unless the targeted levels are achieved.

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 and pending a full revaluation of the scheme as at 5 April 2009, 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.

Pension

The company continues its own defined benefit pension scheme for administrative and technical staff established on 6 April 1997. The scheme is administered by Kerr Henderson Bacon and Woodrow and audited by Deloitte LLP. The Board intends to close the defined benefit scheme to new entrants and to future accrual within the next year, with existing members becoming deferred members of the scheme.

An actuarial loss arose in revaluing the defined benefit pension scheme of £565,000 (17 months ended 1 September 2007 - £1,350,000 gain) between the balance sheet dates. In addition a surplus of £101,000 (2007 – deficit £104,000) was created by differences between the FRS17 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 2008 of £739,000 (17 months ended 1 September 2007 - £280,000) (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 2006 showed a surplus of £175,000, the next actuarial valuation is due as at 5 April 2009.

WELSH NATIONAL OPERA LIMITED
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DIRECTORS' REPORT (continued)

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.

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 fifth AGM following appointment and are eligible for re-election.

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 directors, who served throughout the financial year unless otherwise stated, are as set out on page 1.

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, a Remuneration Committee and a Nominations Committee. Four Finance Committee meetings and three Audit Committee meetings are planned each year.

Management

The General Director has overall responsibility for the artistic direction and management of the company, the Executive 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 planning, chorus and orchestra, WNO MAX, development and communications, technical and finance.

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

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' have no interests in the related bodies shown in note 19 to the financial statements.

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.

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

WELSH NATIONAL OPERA LIMITED
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DIRECTORS' REPORT (continued)

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 programmes, and administers a staff appraisal system. Projects such as our public open day 'Open House', WNO MAX and WNO Creative (our newly formed business training initiative) 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 & Safety Policy and Practice. The Health & Safety Committee, with management and employee representation, meets regularly to ensure the implementation of the company's policy.

AUDITORS

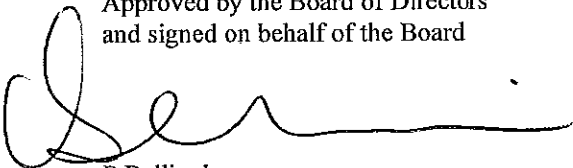
In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) 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 s234ZA of the Companies Act 1985.

Deloitte 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



P Bellingham
Secretary

11 December 2008

WELSH NATIONAL OPERA LIMITED
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STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. 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 UK 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 that 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.

WELSH NATIONAL OPERA LIMITED
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**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 charitable company financial statements (the "financial statements") of Welsh National Opera Limited for the year ended 31 August 2008 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. 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 section 235 of the Companies Act 1985. 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 responsibilities of the directors (who are also the trustees of Welsh National Opera Limited for the purposes of charity law) for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 and are properly prepared in accordance with the Companies Act 1985. 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 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 other transactions is not disclosed.

We read the directors' report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the annual report.

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 judgements 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 August 2008 and of its 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 the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Registered Auditors
Cardiff, United Kingdom

S. F. L. W. O. R.

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

Year ended 31 August 2008

	Note	Unrestricted funds £	Restricted funds £	Endowment fund £	Total Year Ended 31 August 2008 £	Total 17 months ended 1 September 2007 £
INCOMING RESOURCES						
Incoming resources from charitable activities	2a	14,719,841	-	-	14,719,841	20,579,804
Incoming resources from generated funds						
Voluntary income	2b	1,118,875	252,566	-	1,371,441	1,483,086
Legacy income		613,099	-	866,667	1,479,766	-
Activities for generating funds						
Trading income	2d	1,337,483	-	-	1,337,483	2,035,411
Investment income		267,462	57,407	23,687	348,556	291,204
TOTAL INCOMING RESOURCES		18,056,760	309,973	890,354	19,257,087	24,389,505
RESOURCES EXPENDED						
Charitable activities	3	15,222,604	723,624	-	15,946,228	21,543,422
Costs of generating funds						
Costs of generating voluntary income		759,192	-	-	759,192	678,688
Trading costs		1,244,875	-	-	1,244,875	1,761,603
Governance costs		16,593	-	-	16,593	16,014
TOTAL RESOURCES EXPENDED		17,243,264	723,624	-	17,966,888	23,999,727
NET INCOMING RESOURCES BEFORE TAXATION	3	813,496	(413,651)	890,354	1,290,199	389,778
Taxation	5	-	-	-	-	-
NET INCOMING RESOURCES BEFORE OTHER RECOGNISED GAINS AND LOSSES		813,496	(413,651)	890,354	1,290,199	389,778
Actuarial (loss)/gain on defined benefit pension scheme	17	(565,000)	-	-	(565,000)	1,350,000
NET INCOME/(EXPENDITURE) FOR THE PERIOD		248,496	(413,651)	890,354	725,199	1,739,778
Transfers between funds		450,266	(450,266)	-	-	-
Fund balance brought forward		3,397,833	1,935,459	46,302	5,379,594	3,639,816
Fund balance carried forward		4,096,595	1,071,542	936,656	6,104,793	5,379,594

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
Year ended 31 August 2008

	Year ended 31 August 2008 £	17 months ended 1 September 2007 £
Reported surplus on ordinary activities before taxation	1,290,199	389,778
Difference between an historical cost depreciation charge and the actual depreciation charge for the period	<u>18,368</u>	<u>25,398</u>
Historical cost surplus on ordinary activities before taxation	<u>1,308,567</u>	<u>415,176</u>
Historical cost surplus for the period after taxation	<u>1,308,567</u>	<u>415,176</u>

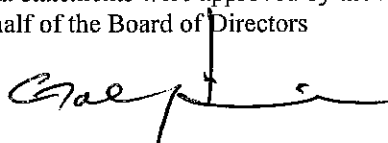
WELSH NATIONAL OPERA LIMITED
(Company limited by guarantee and not having a share capital)

CONSOLIDATED BALANCE SHEET
31 August 2008

	Note	31 August 2008 £	1 September 2007 £
FIXED ASSETS			
Tangible assets	7	3,519,254	3,721,583
CURRENT ASSETS			
Stocks	8	65,474	160,097
Debtors	9	1,790,233	1,282,239
Cash at bank and in hand		6,165,390	6,382,627
		<u>8,021,097</u>	<u>7,824,963</u>
CREDITORS: amounts falling due within one year	10	<u>(4,446,558)</u>	<u>(5,636,952)</u>
NET CURRENT ASSETS		<u>3,574,539</u>	<u>2,188,011</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		7,093,793	5,909,594
CREDITORS: amounts falling due after more than one year	11	<u>(250,000)</u>	<u>(250,000)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		6,843,793	5,659,594
Defined benefit pension fund liability	17	<u>(739,000)</u>	<u>(280,000)</u>
NET ASSETS INCLUDING PENSION FUND LIABILITY		<u>6,104,793</u>	<u>5,379,594</u>
CAPITAL FUNDS			
Called up share capital	12	-	-
INCOME FUNDS			
Restricted funds	14	1,071,542	1,935,459
Endowment fund	15	936,656	46,302
Unrestricted funds			
Income and expenditure unrestricted fund	13	2,278,190	1,747,826
Revaluation reserve	13	1,721,639	1,740,007
Designated fund	13	385,500	190,000
Other unrestricted fund	13	450,266	-
		<u>4,835,595</u>	<u>3,677,833</u>
Unrestricted funds excluding pension liability		4,835,595	3,677,833
Pension reserve	17	<u>(739,000)</u>	<u>(280,000)</u>
Total unrestricted funds	13	<u>4,096,595</u>	<u>3,397,833</u>
TOTAL CHARITY FUNDS		<u>6,104,793</u>	<u>5,379,594</u>

These financial statements were approved by the Board of Directors on 11 December 2008.
Signed on behalf of the Board of Directors

G T Davies
Director



G A Watts
Director



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

COMPANY BALANCE SHEET
31 August 2008

	Note	31 August 2008 £	1 September 2007 £
FIXED ASSETS			
Tangible assets	7	3,519,254	3,721,583
CURRENT ASSETS			
Stocks	8	65,474	160,097
Debtors	9	1,828,841	1,145,025
Cash at bank and in hand		6,097,448	6,317,465
		<u>7,991,763</u>	<u>7,622,587</u>
CREDITORS: amounts falling due within one year	10	<u>(4,455,540)</u>	<u>(5,472,873)</u>
NET CURRENT ASSETS		<u>3,536,223</u>	<u>2,149,714</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		7,055,477	5,871,297
CREDITORS: amounts falling due after more than one year	11	<u>(250,000)</u>	<u>(250,000)</u>
NET ASSETS EXCLUDING PENSION LIABILITY		6,805,477	5,621,297
Defined benefit pension fund liability	17	<u>(739,000)</u>	<u>(280,000)</u>
NET ASSETS INCLUDING PENSION FUND LIABILITY		<u>6,066,477</u>	<u>5,341,297</u>
CAPITAL FUNDS			
Called up share capital	18	-	-
INCOME FUNDS			
Restricted funds	14	1,071,542	1,935,459
Endowment fund	15	936,656	46,302
Unrestricted funds			
Income and expenditure unrestricted fund	13	2,239,874	1,709,529
Revaluation reserve	13	1,721,639	1,740,007
Designated fund	13	385,500	190,000
Other unrestricted funds	13	450,266	-
Unrestricted funds excluding pension liability		<u>4,797,279</u>	<u>3,639,536</u>
Pension reserve	17	<u>(739,000)</u>	<u>(280,000)</u>
Total unrestricted funds	13	<u>4,058,279</u>	<u>3,359,536</u>
TOTAL CHARITY FUNDS		<u>6,066,477</u>	<u>5,341,297</u>

These financial statements were approved by the Board of Directors on 11 December 2008.

Signed on behalf of the Board of Directors

G T Davies
Director



G A Watts
Director



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

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 August 2008

CASH FLOW STATEMENT

	Note	Year ended 31 August 2008 £	17 months ended 1 September 2007 £
Net cash (outflow) / inflow from operating activities	See below	(533,132)	5,544,723
Returns on investments and servicing of finance			
Interest receivable		348,556	291,204
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(32,661)	(190,555)
(Decrease) / increase in cash in the period	See below	(217,237)	5,645,372

NET CASH FLOW FROM OPERATING ACTIVITIES

	31 August 2008 £	1 September 2007 £
Operating surplus:		
Net income for the period	725,199	1,739,778
Exclude interest receivable	(348,556)	(291,204)
	376,643	1,448,574
Non cash items:		
Depreciation	234,990	366,010
Revaluation of fixed assets	-	(250,000)
Movement in pension reserve	459,000	(1,246,000)
	693,990	(1,129,990)
Movements in working capital:		
Movement in stocks	94,623	217,748
Movement in debtors	(536,759)	708,807
Movement in creditors	(1,190,394)	4,177,474
Movement in grants receivable	28,765	122,110
	(1,603,765)	5,226,139
Net cash (outflow)/inflow from operating activities	(533,132)	5,544,723

ANALYSIS OF NET CASH MOVEMENTS

	31 August 2008 £	1 September 2007 £
Opening cash at bank and in hand (being net funds)	6,382,627	737,255
Cash (outflow)/inflow in the period	(217,237)	5,645,372
Closing cash at bank and in hand (being net funds)	6,165,390	6,382,627

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 August 2008

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

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 2008. Note 2(d) shows the results of the subsidiary for the period ended 31 August 2008.

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	12½% 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.

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 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.

Donations and bequests

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2008

1. ACCOUNTING POLICIES (continued)

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.

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".

Fund accounting

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

Unrestricted funds

Funds that 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 that must be held permanently by the company. Interest earned is 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.

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 August 2008

2. ANALYSIS OF INCOMING RESOURCES

	Unrestricted funds £	Restricted funds £	Endowment fund £	Total 31 August 2008 £	Total 1 September 2007 £
(a) Incoming resources from charitable activities					
Charitable activities					
Income from performing, co- productions and hires	3,822,904	-	-	3,822,904	4,804,321
Education and community programmes	29,845	-	-	29,845	46,218
Grants receivable					
Arts Council England	6,317,288	-	-	6,317,288	8,719,282
Arts Council of Wales	4,549,804	-	-	4,549,804	6,340,946
Arts Council England Stabilisation Grant	-	-	-	-	669,037
	<u>14,719,841</u>	<u>-</u>	<u>-</u>	<u>14,719,841</u>	<u>20,579,804</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) 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 £17,919,604 (2007 - £22,349,837) while the net surplus for the period was £725,199 (2007 - £1,739,778).

The company's unrestricted surplus including the actuarial surplus in the pension scheme in the period was £248,496 (2007 - £1,490,632). This surplus includes movements on the pension reserve of £565,000 (deficit) (2007 - £1,246,000 surplus).

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 August 2008

2. ANALYSIS OF INCOMING RESOURCES (continued)

(d) 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:

	Year ended 31 August 2008 £	17 months ended 1 September 2007 £
TURNOVER	1,337,483	2,035,411
Cost of sales	(1,247,405)	(1,758,577)
	90,078	276,834
GROSS PROFIT	90,078	276,834
Administration expenses	(1,356)	(192)
	88,722	276,642
OPERATING PROFIT	88,722	276,642
Interest receivable and similar income	3,887	3,622
Gift Aid to parent company	(92,609)	(280,264)
	-	-
PROFIT BEFORE TAXATION	-	-
Tax on profit	-	-
	-	-
PROFIT RETAINED IN SUBSIDIARY	-	-
	-	-
The aggregate of the assets, liabilities and funds was:		
Assets	290,583	249,802
Liabilities	(252,267)	(211,486)
	38,316	38,316
Funds	38,316	38,316

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 August 2008

3. NET INCOME / (EXPENDITURE)

(a) Net incoming resources is stated after charging:

	Year ended 31 August 2008	17 months ended 1 September 2007
	£	£
Rentals under operating leases – other	175,319	250,592
Depreciation – owned assets	234,990	366,010
Bank interest paid	326	266
Auditors' remuneration as auditors	13,800	10,663
	<u>13,800</u>	<u>10,663</u>

(b) Charitable expenditure comprises:

	Performances, co-productions and hires £	Education & community programmes £	Total Year ended 31 August 2008 £	Total 17 months ended 1 September 2007 £
Employment and freelance artist costs	9,371,444	391,112	9,762,556	13,584,892
Technical and production costs	3,012,416	37,496	3,049,912	3,890,968
Touring and theatre costs	2,490,807	59,695	2,550,502	3,122,074
Depreciation	234,990	-	234,990	366,010
Support costs	323,613	24,655	348,268	579,478
	<u>15,433,270</u>	<u>512,958</u>	<u>15,946,228</u>	<u>21,543,422</u>

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 August 2008

4. EMPLOYEE COSTS AND NUMBERS
Group and Company

	Year ended 31 August 2008	17 months ended 1 September 2007
	£	£
Employee costs during the period (including temporary staff) amounted to:		
Wages and salaries	7,631,295	10,117,153
Social security costs	703,163	940,697
Other pension costs	410,999	572,053
	8,745,457	11,629,903
	Number	Number
Average numbers of permanent employees during the period:		
Artists	115	115
Production and technical	96	102
Administration	51	49
	262	266

During the year ended 31 August 2008, the company also employed 216 temporary and casual staff (17 months to September 2007 – 227) paying total wages and salaries of £606,000 (17 months to September 2007 – £1,114,000).

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

Group and Company	Year ended 31 August 2008	17 months ended 1 September 2007
	Number	Number
£70,000 - £79,999	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.

Directors:

The directors received no remuneration for their roles as directors in the year (17 months to September 2007 - £nil).

Expenses of £1,482 were reimbursed to five directors during the period (17 months to September 2007 – £1,834 reimbursed to three directors).

One of the directors, Mr D O'Neill received payment in this and the previous year for performance and artistic activities undertaken as an opera singer for the Welsh National Opera. All amounts paid were agreed on an arms length basis at usual artist payment rates.

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 August 2008

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 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 corporate taxation arose in either period as a result of Gift Aid donations payable by Cardiff Theatrical Services Limited to Welsh National Opera Limited.

	Year ended 31 August 2008 £	17 months ended 1 September 2007 £
Current taxation		
United Kingdom corporation tax:		
Current tax on income for the period at 28% (2007 - 30%)	-	-
	<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	725,199	1,739,778
	<u> </u>	<u> </u>
Tax on surplus on ordinary activities before tax at 28% (2007 - 30%)	203,056	521,933
Factors affecting charge for the period		
Non-taxable/allowable income and expenditure	(203,056)	(521,933)
	<u> </u>	<u> </u>
Current tax charge for period	<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 2008 £	1 September 2007 £
Leases which expire after five years	175,319	175,319
	<u> </u>	<u> </u>

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 August 2008

7. TANGIBLE FIXED ASSETS

Group and Company	Long leasehold premises £	Freehold property £	Vehicles £	Equipment fixtures & fittings £	Total £
Cost or valuation					
At 2 September 2007	1,900,000	1,100,000	802,250	2,420,078	6,222,328
Additions	-	-	-	32,661	32,661
At 31 August 2008	1,900,000	1,100,000	802,250	2,452,739	6,254,989
Depreciation					
At 2 September 2007	70,516	48,583	629,828	1,751,818	2,500,745
Charge for the year	19,000	11,000	45,096	159,894	234,990
At 31 August 2008	89,516	59,583	674,924	1,911,712	2,735,735
Net book value					
At 31 August 2008	1,810,484	1,040,417	127,326	541,027	3,519,254
At 1 September 2007	1,829,484	1,051,417	172,422	668,260	3,721,583

Cooke & Arkwright, Chartered Surveyors, professionally valued the long leasehold premises and freehold property on an open market valuation basis at 31 August 2007. The directors are of the opinion that the values of the long leasehold premises and freehold premises as at 31 August 2008 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 £	Freehold property £	Vehicles £	Equipment fixtures & fittings £	Total £
Historical cost	1,016,685	186,815	802,250	2,452,739	4,458,489
Accumulated depreciation	(56,646)	(17,592)	(674,924)	(1,911,712)	(2,660,874)
Net book value					
At 31 August 2008	960,039	169,223	127,326	541,027	1,797,615
At 1 September 2007	969,803	171,091	172,423	668,260	1,981,577

8. STOCKS

	Group and Company	
	31 August 2008 £	September 2007 £
Raw materials	44,449	43,313
Work-in-progress	21,025	108,944
Consumables and merchandise	-	7,840
	<u>65,474</u>	<u>160,097</u>

Stocks comprise materials held in the workshops for building sets and scenery that have not yet been completed and items of merchandise held for resale.

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 August 2008

9. DEBTORS

	Group 31 August 2008 £	Group 1 September 2007 £	Company 31 August 2008 £	Company 1 September 2007 £
Amounts falling due within one year				
Trade debtors	902,724	640,667	716,521	469,153
Amounts owed by group undertakings	-	-	252,268	47,425
Other debtors:				
Grants receivable	-	28,765	-	28,765
Other debtors	28,515	14,926	1,058	1,801
	<u>931,239</u>	<u>684,358</u>	<u>969,847</u>	<u>547,144</u>
Prepayments and other accrued income	858,994	597,881	858,994	597,881
	<u>1,790,233</u>	<u>1,282,239</u>	<u>1,828,841</u>	<u>1,145,025</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 31 August 2008 £	Group 1 September 2007 £	Company 31 August 2008 £	Company 1 September 2007 £
Trade creditors	371,845	266,957	371,845	266,957
Other creditors including taxation and social security	105,530	170,192	114,512	140,058
Accruals	974,317	1,345,161	974,317	1,322,187
Deferred income	2,994,866	3,854,642	2,994,866	3,743,671
	<u>4,446,558</u>	<u>5,636,952</u>	<u>4,455,540</u>	<u>5,472,873</u>

Deferred income has reduced as a result of the change in the phasing of grant funding payments by the Arts Council of England.

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 31 August 2008 £	Group 1 September 2007 £	Company 31 August 2008 £	Company 1 September 2007 £
Other creditors	250,000	250,000	250,000	250,000

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).

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2008

12. 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 2008 was 11 (2007– 11).

13. UNRESTRICTED FUNDS

Group	Opening balance £	Incoming resources £	Amounts released £	Transfers £	Closing Balance £
Income and expenditure	1,747,826	17,950,760	(17,238,764)	(181,632)	2,278,190
Designated fund	190,000	-	(4,500)	200,000	385,500
ACE stabilisation	-	-	-	450,266	450,266
Pension reserve	(280,000)	106,000	(565,000)	-	(739,000)
Revaluation reserve	1,740,007	-	-	(18,368)	1,721,639
Total unrestricted funds	3,397,833	18,056,760	(17,808,264)	450,266	4,096,595

Company	Opening balance £	Incoming resources £	Amounts released £	Transfers £	Closing Balance £
Income and expenditure	1,709,529	16,705,885	(15,993,908)	(181,632)	2,239,874
Designated fund	190,000	-	(4,500)	200,000	385,500
ACE stabilisation	-	-	-	450,266	450,266
Pension reserve	(280,000)	106,000	(565,000)	-	(739,000)
Revaluation reserve	1,740,007	-	-	(18,368)	1,721,639
Total unrestricted funds	3,359,536	16,811,885	(16,563,408)	450,266	4,058,279

The opening designated fund was set up to represent planned future expenditure on performance support and media exploitation. Of this amount £4,500 was released in the year as payments to artists in return for media rights. In the current year, £200,000 was added to the fund to safeguard new productions planned for 2009 and 2010.

At the start of the current year the company completed the stabilisation period with the Arts Council of England and drew down £450,266 from restricted funds to be held as “unrestricted reserves”. This amount forms part of the company’s free reserves but is held separately from the income expenditure account to allow for fluctuations in the level of available funds at the company.

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14. RESTRICTED FUNDS

Group and Company	Opening balance	Incoming resources	Amounts released	Transfers	Closing Balance
	£	£	£	£	£
Friends of WNO Productions	148,916	141,679	(115,000)	-	175,595
ACE Grant	775,928	16,300	(38,809)	(450,266)	303,153
Fixed asset reserve	89,373	-	(19,614)	-	69,759
Special reserve	85,863	-	-	-	85,863
Garfield Weston	275,330	3,342	(278,672)	-	-
RW Pethybridge	285,352	13,723	-	-	299,075
Seligman Trust Fund	-	57,651	(2,000)	-	55,651
Schaefer Bursary Fund	-	28,610	-	-	28,610
Parry Family Bursary	-	21,400	-	-	21,400
Other	274,697	27,268	(269,529)	-	32,436
Total restricted funds	<u>1,935,459</u>	<u>309,973</u>	<u>(723,624)</u>	<u>(450,266)</u>	<u>1,071,542</u>

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

The ACE Grant reserve represents funds received from the Arts Council of England for specific projects that have not yet been completed.

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 closing balance is entirely held in the Chris Ball Bursary Fund as all other funds have been released during the year.

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15. ENDOWMENT FUNDS

Group and Company	Opening balance	Legacy income	Interest income	Amounts released	Closing Balance
	£	£	£	£	£
Mary Warner Trust	-	866,667	21,486	-	888,153
Sir John Moores Endowment	46,302	-	2,201	-	48,503
Total endowment funds	<u>46,302</u>	<u>866,667</u>	<u>23,687</u>	<u>-</u>	<u>936,656</u>

The Sir John Moores Endowment Fund is a permanent endowment held for the granting of an annual award for the career development of a young artist. No award was made in the current year.

The Mary Warner Trust is a new permanent endowment formed under the terms of a legacy to be held for the training and development of tenors of Welsh origin.

16. ANALYSIS OF NET ASSETS BETWEEN FUNDS

Group	Unrestricted funds	Restricted funds	Endowment fund	Year ended 31 August 2008 Total
	£	£	£	£
Tangible fixed assets	3,447,066	72,188	-	3,519,254
Net current assets	1,638,529	999,354	936,656	3,574,539
Pension reserve	(739,000)	-	-	(739,000)
Creditors due after one year	(250,000)	-	-	(250,000)
Net assets	<u>4,096,595</u>	<u>1,071,542</u>	<u>936,656</u>	<u>6,104,793</u>
Company				
Tangible fixed assets	3,447,066	72,188	-	3,519,254
Net current assets	1,600,213	999,354	936,656	3,536,223
Pension reserve	(739,000)	-	-	(739,000)
Creditors due after one year	(250,000)	-	-	(250,000)
Net assets	<u>4,058,279</u>	<u>1,071,542</u>	<u>936,656</u>	<u>6,066,477</u>

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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 5 April 2006 using the projected unit method. It was assumed that investment return would be 5.3% for post retirement and 6.3% for pre retirement, that earnings increase would be 4.5% per annum and that retail price inflation would be 3.0% per annum. The market valuation of the asset was £6,055,000 at 5 April 2006. Based on the actuarial value of the assets at 5 April 2006 the level of funding, i.e. the ratio of the assets to the liabilities, based on the expected salaries at retirement, was 103% at that date.

A full actuarial valuation of the scheme was carried out as at 6 April 2006 for the purposes of the disclosures required under FRS 17. This has been updated to 31 August 2008 by a qualified independent actuary. The major assumptions used by the actuary were:

	2008	2007	2006
Rate of increase in salaries	N/A	N/A	N/A
Discount rate	6.40%	5.80%	4.90%
Inflation assumption	4.00%	3.40%	3.00%
LPI pension increases	2.50%	2.40%	2.90%

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 21.6 years if they are male and for a further 24.5 years if they are female.

For a member who retires in 2028 at age 65 the assumptions are that they will live on average for a further 22.3 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 2008	Value 31 August 2008 £'000	Long-term expected return 1 September 2007	Value 1 September 2007 £'000	Long-term expected return 1 April 2006	Value 1 April 2006 £'000
Equities	8.0%	5,965	8.0%	6,271	7.5%	5,561
Cash	6.0%	124	5.0%	104	4.7%	74
Bonds	5.0%	955	4.8%	591	4.5%	411
		7,044		6,966		6,046
Present value of scheme liabilities		(7,783)		(7,246)		(7,572)
Net deficit in scheme		(739)		(280)		(1,526)

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 2008 rounded to the nearest 0.25% per annum.

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17. PENSION SCHEME (continued)

Analysis of the amount charged to operating surplus

	31 August 2008 £'000	1 September 2007 £'000
Current service cost and operating charge	<u>319</u>	<u>595</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

	31 August 2008 £'000	1 September 2007 £'000
Expected return on pension scheme assets	532	640
Interest on pension scheme liabilities	<u>(431)</u>	<u>(551)</u>
Net return	<u>101</u>	<u>89</u>

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

	31 August 2008 £'000	1 September 2007 £'000
Difference between actual and expected returns on assets	(792)	(89)
Experience gains and losses arising on the scheme liabilities	(13)	195
Changes in assumptions underlying the present value of the scheme liabilities	<u>240</u>	<u>1,244</u>
Actuarial (loss)/gain recognised in SOFA	<u>(565)</u>	<u>1,350</u>

Movement in deficit during the period

	31 August 2008 £'000	1 September 2007 £'000
Current service cost	(319)	(595)
Contributions paid by the employer	324	402
Curtailment	-	-
Other finance income	<u>101</u>	<u>89</u>
Net service income (expense) included in investment returns on SOFA	106	(104)
Actuarial (loss)/gain recognised in SOFA	<u>(565)</u>	<u>1,350</u>
Reserve movement in period	(459)	1,246
Opening deficit in scheme	<u>(280)</u>	<u>(1,526)</u>
Deficit in scheme at the end of the period	<u>(739)</u>	<u>(280)</u>

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17. PENSION SCHEME (continued)

History of experience gains and losses	31 August 2008 £'000	1 September 2007 £'000	1 April 2006 £'000
Difference between expected and actual returns on scheme assets:			
Amount	(792)	(89)	981
Percentage of scheme assets	11.2%	(1.3%)	16%
Experience gains and losses on scheme liabilities:			
Amount	(13)	195	(30)
Percentage of present value of scheme liabilities	0%	2.7%	0%
Changes in assumptions underlying the present value of the scheme liabilities:			
Amount	240	1,244	(1,271)
Percentage of present value of scheme liabilities	3.4%	17%	(17%)
Total amount recognised in SOFA:			
Amount	(565)	1,350	(320)
Percentage of present value of scheme liabilities	8%	18.6%	4%

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

19. 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)

North Wales Friends of Welsh National Opera (502099)

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APPENDIX:

5 YEAR HISTORY (UNAUDITED)

5 year summary of WNO output	2007/08	2006/07	2005/06	2004/05	2003/04
		17 months			
Number of main scale opera productions	8	11	9	9	9
Number of new productions	3	5	4	4	3
Number of main scale performances	107	135	113	119	108
Orchestral concerts	11	29	24	25	6
TV and radio broadcast - mainscale opera	3	1	4	1	4
Opera audiences and MAX participants	173,000	260,000	177,000	144,000	138,000
Estimated total audience reached	310,000	n/a	n/a	n/a	n/a

Historical financial activity (group only)	2007/08	2006/07	2005/06	2004/05	2003/04
		17 months			
	£'000	£'000	£'000	£'000	£'000
				(restated)	
Income from charitable activity (including box office)	3,853	4,851	4,226	3,587	3,178
Operating income	200	141	(381)	(240)	(139)
Unrestricted legacy income	614	-	-	-	-
Income / (expenditure) from operations	814	141	(381)	(240)	(139)
Taxation	-	-	-	-	13
Pension movement	(565)	1,350	(320)	(1,074)	-
Unrestricted funds movement	249	1,491	(701)	(1,314)	(126)
Restricted funds movement	(414)	248	660	(170)	(285)
Endowment funds movement	890	1	2	2	(2)
Net income / (expenditure)	725	1,740	(39)	(1,482)	(413)

Free reserves calculation	August	1 Sept.	March	March	March
	2008	2007	2006	2005	2004
	£'000	£'000	£'000	£'000	£'000
Total unrestricted funds	4,097	3,398	1,907	2,608	3,922
Exclude pension reserve	739	280	1,526	1,074	-
Exclude designated funds	(386)	(190)	(190)	(590)	(690)
Exclude fixed asset reserve	70	90	117	127	102
Less fixed assets	(3,519)	(3,722)	(3,647)	(3,594)	(3,545)
Free reserves	1,001	(144)	(287)	(375)	(211)

Note: The increase in free reserves in the current year is a reflection of the £450,266 drawn down from the Arts Council of England at the completion of the stabilisation period and £613,000 of non-recurring legacy income received in the year.