



# **Annual Report and Financial Statements**

## **Year ended 31 August 2019**

### **Welsh National Opera Limited**

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

Company Number: 00454297 (England and Wales)

Charity Number: 221538

## Contents

- 2 **Charitable** Objectives, Vision, Mission and Values
- 3 Chair's Statement

## Strategic Report

- 5 Strategic Management Report
- 6 Business Environment
- 7 Business Performance
- 15 Financial Review
- 18 Directors' Report
- 21 Directors' Responsibilities Statement

## Independent Auditor's Report

- 22 Independent Auditor's Report to the Members of Welsh National Opera Limited

## Financial Statements

- 25 Consolidated Statement of Financial Activities
- 26 Consolidated Balance Sheet
- 27 Company Balance Sheet
- 28 Consolidated Cash Flow Statement

## Notes

- 29 Notes to the Financial Statements

## Reference and administrative details

- 50 Company Details
- 50 Professional Advisers
- 51 Directors and Officers

## Charitable Objectives

WNO's charitable objects are "... to promote and assist in the advancement of education so far as such promotion and assistance shall be of a charitable nature and in particular, so far as of a charitable nature, to procure and increase the appreciation and understanding of the dramatic art in all its forms in Wales and elsewhere." These words are taken from WNO's Memorandum of Association.

## Vision, Mission and Values

### WNO's Vision

A world enriched and made inclusive through the power of opera.

### WNO's Mission

WNO is a company for everyone and our work will reflect the society in which we live.

We entertain, challenge and inspire.

We are integral to the cultural lives of our communities.

We nurture creative talent so that opera can develop and grow.

As a national Company with international status, we sit at the heart of music-making in Wales and play a valuable role in the communities we serve in England. We work with our partners to discover and nurture young operatic talent, and provide the springboard for international careers. Touring is our lifeblood and we strive to present the highest quality work across our artistic programme, entertaining and inspiring audiences at our operas and concerts and providing transformative experiences through our youth, community and digital work. Building on our 70-year history and our roots in the communities of South Wales, we aim to demonstrate to future generations that opera is a rewarding, relevant and universal art form.

### WNO's Values

We are:

**Inclusive** – We have a workplace culture where all people are respected and valued.

**Collaborative** – We work as a team to achieve common goals.

**Dynamic** - We challenge ourselves creatively and encourage new ideas.

**Generous** - Our people use their talent, knowledge and skills with a generosity of spirit.

**Responsible** - We act with integrity and accountability.

## Chair's Statement

Writing this Chair's statement in the light of all that has happened since March 2020 I am struck by how quickly some things have changed, and how much less certain the short-term future of the Arts sector now looks.

2018/2019 was another incredible year for Welsh National Opera. During the year we created some of our boldest and most ambitious work. We reached further – touring across England, Wales and beyond, working in some of the most vulnerable and disadvantaged parts of our local communities - and provided even more opportunities to inspire the next generation of performers, practitioners and creative leaders.

A few months ago, I drafted the following sentence: "It seems a contradiction to say that I feel we are entering a new era as I take on the privileged role of chairing the Board of an opera company that will celebrate its 75th anniversary in 2021".

Little did I know that the new era I was heralding would so swiftly take on a new meaning. That new era will now be shaped by how the whole country, and the Arts sector in particular, recovers from the Covid-19 pandemic. Venues and performing companies are struggling for survival in a world where they have been without income for months, and are facing a challenging transition period to a future that is impossible to predict.

With a new General Director in Aidan Lang and five new board members, however, the texture and flavour of the leadership of the Company has a freshness and optimism for the future, despite the unexpected challenges that are facing us.

Our mission has always been to bring opera to as many people as possible in Wales, England and beyond. Touring is in our DNA and our work in communities, schools and outside the theatre is an important and valued element of our activity. We will continue this with an increased vigour, using the tools of technology and social media to enable people to access our work in new and varied ways as a means to attract new and varied audiences. We will also continue to inspire and attract the most talented artists of the day.

As we look back to the many successes of 2018/2019, from *War and Peace* to the FREEDOM Season, I cannot help but have bright hopes for the future of the Company.

The highlight of the Autumn Season was one of profound musical drama – Prokofiev's *War and Peace*. It was a huge undertaking and a highly successful Company achievement; the energy created on stage and in the pit was greatly appreciated by its audiences. In contrast, Rossini's *La Cenerentola* gave great joy to everyone who took part, and the WNO Orchestra and Chorus proved once again their versatility in switching between these two different musical styles every night.

In December, the Company travelled to Brno for a very special event, performing *From the House of the Dead* at the international Janáček Brno Festival. The artistic level of this performance, as well the press and public appreciation it received, could be considered as one of the highlights of WNO's international presence, representing not only WNO but also Cardiff and Wales on an international stage.

In summer 2019 we presented WNO FREEDOM, an ambitious season of operas, talks, debates, discussions, exhibitions and digital projects addressing the issues of justice, freedom and human rights.

Ranging from Jake Heggie's gritty portrayal of violence and redemption in *Dead Man Walking* to Gian Carlo Menotti's 1950 work *The Consul*, about the protagonist's desperate wait for a visa, the season could not have been more topical. Menotti's urgent appeal for more compassion and humanity shows it to be an opera for our times.

## Chair's Statement (continued)

Our Music Director Tomáš Hanus worked with Sir David Pountney and the members of WNO's Youth Opera on *Brundibár*, a piece originally performed by the children of the Theresienstadt concentration camp during the Holocaust. In the face of a Nazi regime attempting to steal their hope and prepare them only for death, *Brundibár* allowed the children to breathe, to experience human dignity, friendship and beauty. All children, no matter the circumstance, deserve to feel the sunshine that the arts and creative freedom can bestow.

As part of our FREEDOM Season, we were privileged to present a specially curated multi-media exhibition featuring international work from a wide range of acclaimed artists and filmmakers who were inspired and influenced by stories of resilience, identity, hope, liberation and displacement.

In 2018/2019, WNO embarked upon a five-year partnership with the Welsh Refugee Council. Our aim is to develop collaborative projects with local refugee and asylum seeker partner organisations; create new opportunities for musicians and artists within this community to develop and showcase their work; and to create work that is fully representative of the diverse communities we serve.

This year we continued to develop our work in health and wellbeing, providing weekly 'Come & Sing' sessions at University Hospital Wales and our regular dementia-friendly cinema screenings with Theatr Colwyn and Pontio.

In addition, we piloted our new Cradle project in Swansea, an intergenerational creative arts project designed to increase dementia awareness in young people and provide a place for those affected by dementia to spend quality time with friends and family through song.


The skills and talent of our people, both on stage and behind the scenes, which allowed us to deliver such a diverse and critically acclaimed offering will stand us in good stead in the months ahead. We are in regular contact with venues and other Arts organisations seeking collaborative ways in which the sector can demonstrate that it has the will to survive and continue to be an integral part of people's lives.

The trustees of WNO are aware of their responsibilities regarding safeguarding, health and safety, the management of risk and environmental reporting. These are referred to within the strategic report. We have now adopted the Charity Governance Code and during 2020/21 we plan to review our compliance with it.

Meanwhile our commitment to contributing to the public good, to understanding and measuring our impact, and to ensuring we are relevant to our diverse communities remain key to our success.

As we approach our 75<sup>th</sup> year, we look back with pride at what we have achieved, but also know that the future will be very different, and we have confidence that we can adapt to the challenges of an uncertain world.

Yvette Vaughan-Jones - Chair



## Strategic Report

### 1) Strategic Management Report

WNO is working to a rolling five-year business plan (for the period in this report, the 2017 – 2022 version) which details four broad goals for the whole period which will allow the company to fulfil its purpose and deliver its mission. They are:

Goal 1: Artistic - Open up opera through presentation, content, innovation and accessibility;

Goal 2: Income - Unlock our creative and artistic capital to grow our income streams;

Goal 3: Audience - Grow and diversify our audiences by creating a buzz, increasing engagement and becoming unmissable;

Goal 4: Relevance - Increase our relevance and inspire ownership throughout Wales, England and internationally.

Nine strands of business activity were planned to deliver these goals and activities for 2018/19 under each strand are described in the Business Performance/Significant Activities section. The six "external-facing" strands were Artistic Content and Presentation, Geographical Reach, Developing Talent, Audiences and Engagement, Changing Public Perceptions, and Commercial Optimisation (now renamed "Income Generation").

Three further strands of work focused on the effectiveness of the organisation to deliver the activities - Organisational Capacity and Culture, Finance, and Board.

WNO's business model is predicated on the delivery of a broad range of operatic and musical experiences across Wales, England and internationally. These activities range from full main-scale opera presented in large lyric theatres (between 1,100 and 2,500 seats), mid and small-scale opera, concerts and digital activity to a large variety of community and outreach work made up of smaller-scale events for participants. As the majority of our income (57% in 2018/19) comes from public funding, through Arts Council Wales and Arts Council England, our business planning is aligned to those bodies' goals and corporate plans, as they need their portfolio organisations to help them achieve the remit given to them by the Welsh and UK governments respectively. One of our challenges is to ensure appropriate balance between Welsh and English activity.

Our core funding helps us to preserve a full-time orchestra and full-time chorus, which, together with the technical functions, allow our main-scale operas to be mounted to the highest quality. This public income is supplemented by income from ticket sales (box office), fundraising, and some commercial activity, including international touring.

Main-scale opera is expensive to mount – ticket income does not begin to cover the expense of production – and has historically accounted for the majority of WNO's expenditure. The active decision as part of our current business plan to grow the outreach and community engagement activities of our organisation has led to the direction of more funding towards this area. This is the area of our work that allows us to make a real difference to people's lives - increasing self-confidence, overcoming isolation and engendering wellbeing as just three examples – whilst also, over the long-term, building the more diverse audiences of the future.

The overall financial aim of our five-year business plan is to increase the sustainability of the organisation by becoming more efficient and effective, and growing our own streams of income so as to make WNO less reliant on public funding into the future. We aim to reduce our reliance on public funding by 5% over the five years of our business plan.

## Strategic Report (continued)

### 2) Business Environment

#### External Factors

During the 2018/19 financial year we have noted changes in the external business environment which cannot but impact upon our business. Brexit has been with us for the duration, and we are in the transition phase prior to leaving the EU at the time of writing. More significantly, however was the declaration by the World Health Organisation on 11 March 2020 that the outbreak of the coronavirus (Covid-19) was a global pandemic and this announcement was followed shortly after by the immediate closure of all venues across the UK. This led to the cancellation of the final six weeks of the Spring 2020 tour and with the imposition of social distancing measures the curtailment of any rehearsals for the Summer tour and its subsequent cancellation.

#### Risk Management

The organisations strategic risk register is reviewed twice a year by the Senior Management Team. The Audit & Risk Committee also reviews it twice a year and the Board of Trustees on an annual basis. Details of all the strategic risks and mitigations can be found within the Strategic Report section on page 16.

The Audit & Risk Committee review has resulted in some additional strategic risks being added to the list, which relate to the people risks that the organisation faces, such as the availability of sufficiently skilled and committed staff and artists. Linked to the people risks are the challenges posed by having three separate collective agreements in place, which primarily affect members of the orchestra, chorus and technical teams.

In the light of the global pandemic a subset of risks covering the impact of the Covid-19 virus has been developed and is under regular review.

**Transition:** As was highlighted in the 2017/18 report the year ended 31 August 2019 was the first year of transition period. Both Sir David Pountney, the Artistic Director and Leonora Thomson, the Managing Director, left the organisation as planned at the end of August 2019. Aidan Lang, the new General Director joined the organisation on 1 July 2019; in a change to the previous business model he is responsible for both the artistic and business leadership of the organisation.

The Board is aware of the risks posed by change at a senior level in the Company and has mitigated the risks through a thorough recruitment process, phasing the changes and doing considerable preparatory work with Aidan Lang before he started. Provision has been made for all costs associated with the transition.

In addition to the above-mentioned changes, there were a number of changes to the composition of the Board. Three Trustees have stepped down from the Board during 2019 and there were three new appointments made before 31 August 2019 and a further six during the Autumn of 2019. Details of all are given in the Directors' and Officers' table shown on page 51 of this report.

**Brexit:** This continues to be of concern to the organisation as we are likely to feel the effects of leaving the European Union in three areas: firstly the ease with which we can deliver and collect productions (e.g. sets/costumes) from European opera houses; secondly the engagement – sometimes at very short notice – of EU principal singers/conductors; thirdly the effect it might have on our non-UK EU members of staff.

The trustees can confirm there have been no reportable Serious Incidents during this period and are aware of the renewed guidance given by the Charity Commission on safeguarding, governance, complaints handling, staff engagement and public trust in charities.

## Strategic Report (continued)

### Risk Management

#### Strategic risks

In addition to the people related risks and the transition-risk, the strategic risks that impact on the organisation can be grouped into those relating to financial stability and sustainability, such as pressure on box office income, fundraised income, commercial income and pension scheme assets/(liabilities) and those that relate to the artistic quality of the output and matters that may cause reputational damage to the organisation.

### 3/ Business Performance

As with the previous financial year WNO's business performance was based on the nine strands of activity described below, which together will deliver on the four Goals cited in the Strategic Management section (page 5). Progress has been broadly positive in major areas, although challenges remain and forward plans are having to be re-evaluated in the light of the global pandemic that struck early in 2020.

#### Strand 1: Artistic Content and Presentation

##### Mainscale

Autumn 2018 saw the staging of three operas – Prokofiev's *War and Peace*, Verdi's *La Traviata* and Rossini's *La Cenerentola*. Whilst *War and Peace* in particular received some excellent reviews and was enjoyed by our core audience, the overall audience numbers were 6.3% below forecast, achieving only 33,851 tickets sold against a target of 36,127.

In parallel with the mainscale Autumn productions there were seven further performances of our specially commissioned mid-scale "music-hall opera", *Rhondda Rips It Up!*, based on the extraordinary and inspiring life of the Welsh Suffragette, Margaret Haig Mackworth, Lady Rhondda. Featuring an all-female cast and creative team, the piece was first performed in Newport in June 2018 and then toured across England and Wales in small regional theatres, engaging new audiences for the Company and receiving critical acclaim in the process.

The Spring 2019 programme featured the second part of our "Verdi Trilogy" *Un ballo in maschera* alongside Mozart's *Magic Flute* and Donizetti's *Roberto Devereux*. The final part of the "Verdi Trilogy" *Vepres Siciliennes* was staged in Spring 2019. Overall the Spring season sold better than the Autumn, with total ticket sales 5.2% ahead of forecast, with 36,083 tickets sold against a target of 34,315.

Summer 2019 featured a continuation of our mid-scale tour of smaller regional theatres across England and Wales with the staging of a new production of Donizetti's *Don Pasquale*, directed by Daisy Evans and featuring her new English translation the reimagined opera was set around a Cardiff kebab van. The production toured between 25<sup>th</sup> May and 13 July and ran for 15 performances, and delighted and amused audiences at all the venues.

At the same time in Cardiff we delivered our FREEDOM Season, a season of operas, talks and exhibitions exploring the theme of human rights. There were powerful and thought-provoking performances of Jake Heggie's *Dead Man Walking*, *The Consul* by Menotti, *The Prisoner* by Dallapiccola and Act 2 of *Fidelio* by Beethoven on the main stage in the Donald Gordon Theatre. The Weston Studio saw three moving performances of *Brundibár*, a children's opera written by the Krasa, first performed in 1942 at the Jewish orphanage in Prague then again in September 1943 by many of the chorus and cast with Hans Krasa at the Theresienstadt Concentration Camp. The production had a particular poignancy for WNO's Music Director Tomáš Hanus as his mother was one of the few survivors of Theresienstadt.



## Strategic Report (continued)

The talks that surrounded the operatic performances whilst attracting limited numbers of people shone the spotlight on important issues and were complemented by a number of exhibitions in the foyer of the Wales Millennium Centre which again caused people to stop and think.

The WNO Orchestra continues to perform a significant number of concerts; performing on stage rather than in the pit provides the valuable opportunity for our orchestral musicians to develop by tackling more difficult repertoire with our Music Director, Tomáš Hanus, and other major conductors. Two concert tours were undertaken, the “self-drive” *A Night in Vienna* which our leader, David Adams, conducts from his leader’s seat, and a Summer concert tour across Wales.

Although the turnover in our full-time orchestra and chorus is not very high, we are also aware that we need to do our utmost to ensure we recruit talented players and singers from diverse backgrounds.

Altogether, our main-scale opera, mid-scale opera and orchestral concerts reached an audience of over 105,000 in 125 live performances, with a further 120,000 people reached through TV and radio broadcasts and 53,000 social media followers.

Our Youth and Community programme continued right across the year, and in 2017/18 we took a deliberate decision to invest more heavily in this area of our work and this additional investment level was maintained in 2018/19, as it is through this work that we can reach those who do not currently have a connection to opera. The programme reached over 40,000 people.

### Strand 2: Geographical Reach

Touring is in our DNA and we are experts in the field and in 2018/19 we visited 36 touring venues. For our main-scale opera, for our Autumn and Spring tours, we rehearse our productions over five or six weeks at our home the Wales Millennium Centre - also our flagship venue - and then give a fortnight of performances there, before packing the sets into our fleet of trailers and taking them around the country. This year – as in previous years – the main-scale tour went to our regular touring venue partners: Birmingham Hippodrome, Southampton Mayflower, Venue Cymru Llandudno, Bristol Hippodrome, Plymouth Theatre Royal, Liverpool Empire, Oxford New Theatre and Milton Keynes Theatre, and for the first time, Norwich Theatre Royal.

We endeavoured to reach more Welsh and English venues with our new mid-scale opera and our orchestral touring, and achieved this. Additional towns and cities visited through this work included Aberdare, Aberystwyth, Bangor, Birmingham, Brecon, Cardiff, Colwyn Bay, Hereford, London, Milford Haven, Mold, Newport, Newtown, Norwich, Oxford, Shrewsbury, St Asaph, St David’s, Swansea, Swindon, Winchester and Yeovil.

Work outside the UK is becoming a more significant part of WNO’s strategy. We are finding that we can earn commercial fees for our work and at the same time, as one of Wales’ flagship brands, represent Wales in the wider world, which is an increasingly important priority for Welsh Government.

In December 2018, we gave two performances of our highly-acclaimed production of Janacek’s *From the House of the Dead* at the Brno Music Festival in the Czech Republic.

## Strategic Report (continued)

### Strand 3: Developing Talent

As part of our ongoing commitment to developing new talent, the FREEDOM Season brought together every element of the performing company, from our stunning WNO Chorus and Orchestra to our Community Chorus and award-winning WNO Youth Opera.

As WNO approaches its 75th year, the Company plans to bring together and expand the existing talent development programme, cementing the commitment to finding, nurturing, and developing talent across the whole Company, and encouraging participation and engagement with the Company to those from diverse backgrounds. A new Programme Manager for talent development will be recruited to lead this initiative, focusing on developing clear progression routes from grassroots level right through to nurturing young talent and professional development. A commitment to equality of opportunity is central to each initiative and will be at the heart of the overall programme.

Professor Rolf Olsen has chosen to honour the memory of his wife Shirley with a £500,000 gift to create the Shirley and Rolf Olsen Bursary which will support young singers joining the WNO Associate Artists scheme from 2020/2021.

### Strand 4: Audiences and Engagement

Our mainscale Autumn and Spring tours played to a total audience of 69,934 from 65 performances. This was slightly lower than the total of 71,365 from 69 performances in 2017/18 but represented an increase in average attendance from 1,034 to 1,076 per performance. The FREEDOM season in summer played to 2,414 people, including three sold-out performances of *Brundibár*.

At midscale, *Rhondda Rips it Up!* played to 2,666 people across seven performances in Autumn 2018, followed by *Don Pasquale* playing to 4,540 people across 15 performances in Summer 2019. In most places we have established a strong audience for our midscale work and will continue to build on it. Orchestral concerts enjoyed mixed success, largely mirroring the sales pattern of 2017/18. We are working with the Cardiff Orchestral Consortium on a data-driven project ahead of Beethoven 250 celebrations in 2020.

2018/19 saw a further iteration of the Audiences Strategy and the creation of an Audience Development Action Plan that maps out actions to reach new audiences who are 'open to persuasion', re-engaging lapsed bookers and of course retaining our existing audience. During this year the marketing team was strengthened with the creation of a Digital Content Officer position as well as putting Audience Insight at the heart of the team through elevating those responsibilities.

Ticket sales for the 65 mainscale performances across Autumn and Spring totalled £1,951,408 (net), with an average ticket price achieved of £35.11. This compared with ticket sales of £1,779,211 (net) from 69 performances in 2017/18 which had an average ticket price of £31.17. The 13% increase in average ticket price did include some additional transaction charges and accounts for some of this jump.

## Strategic Report (continued)

### Strand 5: Changing Public Perception

This strand of our business plan acknowledges that opera has a perception problem which we are tackling in a number of ways.

In Summer 2019 we presented WNO FREEDOM, an ambitious Season of operas, talks, debates, discussions, exhibitions and digital projects addressing the issues of justice, freedom and human rights. Join us, as we take a look at some of the many highlights.

We know, through our outreach and engagement work, that people are able to engage wholeheartedly and easily with the art form when they are introduced to it in ways that relate to them. Therefore we have put increasing investment into our youth and community work and have specifically agreed with Arts Council England that we will expand our programme into three key “hub” areas in England, i.e. Birmingham, Plymouth and Southampton.

In 2018/2019, WNO embarked upon a five-year partnership with the Welsh Refugee Council. Our aim is to develop collaborative projects with local refugee and asylum seeker partner organisations; create new opportunities for musicians and artists within this community to develop and showcase their work; and to create work that is fully representative of the diverse communities we serve.

This year we continued to develop our work in health and wellbeing, providing weekly Come & Sing sessions at University Hospital Wales and our regular dementia-friendly cinema screenings with Theatr Colwyn and Pontio. In addition, we piloted our new Cradle project in Swansea, an intergenerational creative arts project designed to increase dementia awareness in young people and provide a place for those affected by dementia to spend quality time with friends and family through song.

### Strand 6: Income Generation

We aim to increase our commercial sources of income as part of our financial strategy to become more sustainable by relying less on public funding. The combination of giving fewer main-scale performances than in previous years and the lower than expected performance the box office in the Autumn 2017 season meant that our box office income dropped to a low of £2 million in the year to August 2017; however, in the year it increased to £2.2m. We aim to build this back up significantly over the coming years, through a combination of increased pricing and increasing the numbers of main-scale shows slightly.

In the past six years our development income has fluctuated between £1.2 million and £2 million mostly due to variations in the artistic programme. This year it came in at £2.2m against a target of £1.8m, the additional income being due in no small part to the generosity of our major donors and the Trusts and Foundations that support our work. Whilst we are confident of increasing this in future years, there is no doubt that external factors are now making this a more challenging area of the business; businesses are much less ready to sponsor, trusts and foundations have fewer funders and very many more applications and individuals are making calls on their income. Of those external factors the Covid-19 pandemic has had the most significant impact on income expectations and after assessing the impact of possible income reduction scenarios, the directors have concluded that the charity has a reasonable expectation that there are adequate resources to continue to operate for at least 12 months from the date of signing of the financial statements and have continued to prepare the financial statements on a going concern basis.

## Strategic Report (continued)

We continue to raise commercial income through Cardiff Theatrical Services (CTS) and the challenge for this commercial subsidiary now is to improve margins on the work. Set hire also brings some income in although this is a rather unpredictable source. A commercial strategy for our other technical assets (e.g. transport, costume and props) remains closely linked to the future strategy for CTS. Overseas touring, as mentioned in the geographical reach section, is a potential growth area over the next few years with significant plans in the pipeline.

### **Strand 7 – Organisational Capacity and Culture**

In order to become a more efficient and effective organisation, the Company needs to make significant changes to its operation. There are several ongoing activity streams to effect change:

A new integrated planning process is being developed, with the intention of extending our planning horizon, which will be supported by a significant investment in new software. We have been working on the cross-organisational process mapping, and the scoping and tender requirements were put together this year for the new system. This process and system will form the backbone of the operation into the future. The new process will also allow us to monitor and evaluate our work better, as will the introduction of Arts Council England's Impact and Insight Tool Kit in April 2019.

WNO has been developing more professional HR processes for the past few years. In March 2017 we rolled out 27 new and revised policies, and followed these up during the year with a Management Development training programme for all of our managers.

WNO recognises three unions: we need to revise our collective agreements with them and have started with the chorus agreement but this has taken longer than originally envisaged. We had also said we would prioritise the Technical Stage Crew agreement but this has been put on hold until we can be clearer about the shifting pattern of work in the forthcoming Summer seasons. Our next major project for Human Resources is to establish a new Performance Development Framework, which also will entail job evaluation across the organisation.

Increasing the diversity of our workforce is a significant issue which we need to work on, and we established a baseline during this year with a snapshot diversity survey. This showed we have a workforce which is significantly older than any other Arts Council England National Portfolio Organisation, and which is less diverse than many.

### **Strand 8 – Finance**

Having been running at an operating deficit in recent years we had originally aimed to achieve a breakeven budget by 2018/19. During the year it was agreed that this would not be possible for 2018/19 but that it should be by the end of 2020/21. We have also forecast that our proportion of ACE/ACW funding will be 5% lower by 2022/23. During the 2017/18 year we successfully reapplied to be an ACE National Portfolio Organisation with the same amount of funding for the four-year period April 2018 – March 2022 and reconfirmed our Arts Council of Wales funding for 2017/18 and 2018/19.

## Strategic Report (continued)

### Strand 9 – Board

The WNO Board met six times during 2018/19, after a decision was taken to increase the numbers of meetings from four to six per year. Since the start of the Covid-19 pandemic the Board has met more frequently to consider the implications of the evolving situation. In July 2017 the Board commissioned a Skills and Diversity Audit which reported in September 2017 and a Board Effectiveness Review which reported in December 2017. The Skills audit showed that the gaps were opera expertise, audiences/digital and fundraising. The diversity audit showed that the WNO Board was low on women trustees, those from a BAME background and people with a disability.

In February 2019 three new trustees were appointed who fulfilled the opera expertise and audiences/digital roles; these replaced the three resignations during the financial year 2018/19; there were a further six trustee appointments in October 2019 and one further resignation at the end of a third term, details of which can be found in Directors' and Officers' note on page 51 of this report. All the appointments were made following an open and transparent recruitment and selection process, which included the use of advertising and recruitment and selection specialists.

### Key Performance Indicators

Currently the Board reviews our seven over-arching KPIs twice a year but a fuller dashboard of performance indicators needs to be devised for the rest of the period of the business plan.

### Collaborations

WNO is at the centre of the arts community across our touring regions. In 2018/2019 we worked with a huge number of arts organisations to reach more people and make the case for the arts. Our relationships with other opera companies internationally help us to stage great opera.

During 2018/2019 we collaborated with:

- Theatre Bonn
- Israeli Opera
- Lyric Opera of Chicago
- Michigan Opera Theatre
- Janáček Brno 2018 Festival

We also play a leading role in the collaboration between the Wales National Arts Companies.

## Strategic Report (continued)

### Subsidiaries

WNO has two wholly-owned subsidiaries. Details of both are included in note 18.

**Cardiff Theatrical Services Limited** was established in 1984 as the in-house workshop for WNO, and has a reputation for building outstanding quality scenery for some of the World's leading performing arts companies, visitor attractions and exhibitions.

During 2018/19 CTS provided services for many different organisations including:

Almeida Theatre Company, ATG Productions Ltd, Atlanta Ballet, Cameron Mackintosh, Chichester Festival Theatre, EHP West End 2017 Ltd, English National Opera, English Touring Opera, Houston Grand Opera, Good Chance Theatre, Glyndebourne Festival Opera, Kiln Theatre, Mint Motion, MM! The Party Ltd, Music Theatre Wales, National Theatre, Nick Grace Management Ltd, Northampton Theatre Trust Ltd, Opera North, Oxford Playhouse, Royal Horticultural Society, Royal Opera House, Royal Shakespeare Company, Rydell Productions Ltd, SFP Shows Ltd, Sheffield Theatres, Wales Millennium Centre, Young Vic.

**WNO Productions Limited** was set up in 2014 to create and prepare theatrical productions for the Welsh National Opera Group of companies.

## Strategic Report (continued)

### Public benefit

Welsh National Opera's public benefits are covered by its vision and values as shown on page 2.

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

Our activities are planned in advance of the year being reported and from the outset of the planning stage consideration is given to the likely public benefits of those activities and how they fulfil the Company's mission. The details of the activities carried out, including activities aimed at encouraging specific audience groups, are shown in the business performance strand 1 review under the Artistic Content and Presentation section.

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

Children and young people participate in many of our productions and activities; all our projects involving young people are supported by suitably qualified professionals and artists.

We aim to be of benefit to the widest possible public; to encourage audiences and participants we perform in easily accessible theatres in major towns and cities in England and Wales. Our Youth and Community department encourages audiences through activities in communities and schools. Marketing output and our website encourage audiences from all walks of life and our pricing policy is based on a commitment to affordability wherever we perform, both through affordable prices to opera performances and free activities.

### Environmental sustainability

The Company monitors its energy consumption and environmental impact and recycles its productions and sets extensively. The Company has incentives in place for staff to minimise their environmental impact while travelling and encourages rail use whenever possible.

### Welsh language

The Welsh Language Standards (No. 2) Regulations ('the Regulations') specify service delivery standards; policy making standards; operational standards; and record keeping standards.

Welsh National Opera is one of 32 organisations to which the Regulations are specifically applicable and as such the organisation has been fully compliant with the Standards since the end of July 2017.

## Strategic Report (continued)

### Financial review

The Consolidated Statement of Financial Activities for the Group and its subsidiaries is shown on page 25.

Overall the Group's activities resulted in net outgoing resources of £876,000 (2018 - outgoing resources of £35,000).

#### Income

Total incoming resources increased by £1,737,000 (10.3%) to £18,605,000 (2018 – £16,868,000) as a result of an increase in box office, legacies, donations and fundraising income in the year.

#### Expenditure

Overall expenditure this year increased by £2,806,000 (15.50%) to £20,913,000 (2018 – £18,107,000). This comprised an increase in mainscale opera expenditure of £1,985,000, Youth & Community expenditure of £424,000, Trading expenditure of £349,000 and Fundraising expenditure of £48,000.

Expenditure on charitable activities rose by £2,409,000 (15.4%) and now accounts for 86% of all expenditure (2018 – 86%).

#### Subsidiaries

**Cardiff Theatrical Services Limited** enables WNO to maintain its own excellent set-making facilities and continues to build sets for many other clients. The subsidiary made a profit after taxation of £189,171 (2018 - profit of £2,233) during the year after contributing an appropriate share of premises and overhead costs to WNO. This profit is gifted to the parent company WNO (see note 18)

**WNO Productions Limited** was formed in 2014 to create and prepare theatrical productions for the Group.

Details of both subsidiaries are included in note 18.

#### Fixed assets, investments and cash

Fixed assets purchased during the year amounted to £92,000 (2018 - £45,000) including replacement vehicles, computers and lighting equipment.

After investing the funds referred to above, at the year-end the group held cash at bank of £2,217,000 (2018 – £4,444,000) including a production reserve of £1,393,000 (2018 – £1,606,000).

The Group holds its cash in major UK clearing banks. The Investment Committee regularly reviews the Group's banking arrangements and investment policy and in May 2014 it invested £2,332,000 of reserves which are held for the long term (over three years) into an investment portfolio. For the year to 31 August 2019 the portfolio returned income of 2.89% which is in line with target income of between 2.8% and 3.5% per annum. These investments, which are openly traded investments and securities are classified as fixed asset investments with a market value of £2,836,000 at year-end (see note 7b).

#### Pension

Group employees contributed to a defined contribution pension scheme; the Group's defined benefit scheme was closed to new entrants and future accrual on 5 April 2009 but continues to be maintained by the trustees for its pensioners (see note 17). The deficit on the defined benefit scheme amounted to £1,807,000 at 31 August 2019 (2018 – surplus of £14,000) with an actuarial loss of £1,712,000 shown in the year (2018 - gain of £1,263,000). These movements reflect the changes in the valuation of the actual assets and estimated liabilities in the scheme, and do not represent crystallised net liabilities.



## Strategic Report (continued)

### Risk management

The Board ensures there are effective arrangements in place for the management of risk and internal controls at the Group. The systems in place are designed to manage risk to an appropriate level, including use of controls appropriate to the scale and output of the charity.

The Audit & Risk Committee formally reviews the adequacy of the charity's internal financial and operational controls and the Group's risk register to assess major strategic, business and operational risks on a continuous basis. A comprehensive business continuity plan is in place and the Audit Committee reviews insurance cover annually to ensure it is adequate. The major risks the Group faces and their potential impact as currently identified are set out below:

<u>Key strategic risk</u>	<u>Action / mitigation</u>
Public funding	The Group relies on funding from both Arts Council England and Wales to operate in its current form. Representatives from both Councils attend Board meetings and the Company submits its plans to the Arts Councils prior to their being implemented.
Financial stability	Due to the reliance on public funding and the long lead time in operatic productions, the Company has designated a production reserve to enable future output to be planned with confidence. A restructuring reserve has also been established to enable investment in change.
Financial risks	Funding, box office, investment markets, pension costs and inflation all have the potential to affect the Company's results. A minimum level of free reserves of £2.5m has been set by the Board to protect the Company from short-term volatility in these areas.
Reputational risks	WNO's reputation for artistic quality is both a strength and a risk to the Company; by its nature not all artistic risks will succeed in the eyes of our audiences, so the professionalism of the Company and the excellence of our venues are important to retaining long-term loyalty to WNO; both are regularly reviewed.
Disaster recovery	The Company maintains a disaster recovery plan, the IT elements of which were strengthened in the year through collaboration with the Wales Millennium Centre on IT matters.
Health and safety	The Company has an established health and safety policy and practices, and health and safety continues to be a standing agenda item at all Board meetings. The Company's executive Health and Safety Committee includes employee representation and meets regularly to review and monitor the implementation of the Company's policies.

## Strategic Report (continued)

### Reserves

As at 31 August 2019 the total funds held by the Group stood at £6,766,000 (2018 - £9,854,000); of this total £2,361,000 was classed as restricted or endowed funds (2018 - £2,530,000) leaving unrestricted funds totalling £4,405,000 (2018 - £7,324,000).

The Group has set a minimum level of free reserves of £2,500,000. This provides the Group with a short-term safety net in the event of unforeseen shortfalls in income and is based on a risk assessment of all the Group's sources of income. This level of reserves is considered by the Board to be the appropriate acceptable level of free reserves to provide for the stability of the Group.

The calculation of free reserves is shown below and shows free reserves of £2,500,000 (2018 - £3,368,000); the remaining unrestricted reserves have been designated to support the planning of our artistic output in future years and to enable strategic change.

In line with guidance from the Charity Commission, the Board has considered the impact of the pension fund deficit on the reserves of the Group and considers that the Group should be able to make sufficient provision from its future operations to provide for the pension liabilities as they fall due.

### Free reserves

This refers to the Group's free reserves which are calculated as directed by SORP as follows:

At 31 August	2019 £'000	2018 £'000 (Restated)*
<b>Total unrestricted funds</b>	<b>4,405</b>	<b>7,324</b>
Exclude designated funds - restructuring reserve (Note 13)	(672)	(672)
Exclude designated funds – production reserve (Note 13)	(1,393)	(1,606)
Less fixed assets	(1,647)	(1,664)
Exclude pension reserve	1,807	(14)
<b>Free reserves</b>	<b>2,500</b>	<b>3,368</b>

\*The prior year was restated as a result of the calculation including revaluation reserve amounts which were already adjusted within the fixed assets total.

## Directors' Report

### Governance and Management

The Company is a registered charity constituted as Company Limited by Guarantee and does not have share capital (See note 12).

The reference and administrative details of the Company are shown on page 50, and the details of the Directors of the Company, who are also its members and charitable trustees, are shown on page 51.

### Governance

As required by the Company's Articles of Association, directors are appointed by the members of the Company at the annual general meeting of the Company, after nomination by a member. The Board's membership is drawn from Wales, London and the English regions. Between them directors possess the range of expertise, skills and experience necessary to carry out the full remit of the Board's responsibilities.

New directors are provided with an induction to the Group and given guidance as to the role and responsibilities of being both a charity trustee and a company director. A copy of the Governance Code is provided for each director as part of the induction process.

The Board is responsible for approving overall policies, plans and organisation.

Directors may expect to serve two consecutive terms of three years in office and are eligible to serve a third term if approved by the Board, following a review by the Nominations Committee. An extension of office beyond three terms is only considered in exceptional circumstances. The Chair of the Group is expected to serve for two terms of office irrespective of how long they have served as a director prior to appointment, if relevant.

The directors who held office during the year and up to the date of signing of the Financial Statements are listed in the Group Details section beginning on page 51.

### Directors' interests

Directors have no interests in the Group or the related bodies shown in note 19 to the Financial Statements. Directors received no remuneration as directors in the year (2018 - £nil).

### Senior Management

The Executive Team is made up of the General Director, plus the Music Director both of whom report directly to the Board.

The Senior Management Team comprises departmental directors with responsibility for artistic administration, chorus and orchestra, engagement and partnerships, development, communications and strategy, technical operations, marketing and sales, and finance. This team reports to the General Director.

Note 4 contains details of the arrangements in relation to Senior Management remuneration.

### Employee involvement

During the year meetings took place with employees and their representatives to share an understanding of the Group's performance and the financial and economic factors that affect it. These meetings enable the Group to take into account the views of employees when making decisions likely to affect their interests. The Group also continues to invest in staff training and development, and operates a staff appraisal system.

## Directors' Report (continued)

### Equal opportunities and diversity

The Group is committed to a policy of equal opportunities in its employment practices. The Group does not own or manage any of its performing venues, but monitors facilities for disabled patrons and encourages the theatre owners to improve facilities where necessary. Full consideration is given to the employment and training of disabled persons as permitted by the conditions of employment. It is Company policy to ensure that continued employment is offered, wherever possible, to employees who become disabled during the course of their employment.

The Group is currently reviewing its Equality Policy and creating a new, robust Diversity Action Plan which will move the Group forward in the areas of artistic, workforce and audience diversity.

### Post balance sheet events

The outbreak of the novel coronavirus (Covid-19) was confirmed to be a global pandemic by the World Health Organisation on 11 March 2020. This resulted in several measures being taken globally by governments to protect the wellbeing of the population. The most significant from a WNO perspective was the closure of all theatres from 16 March 2020 which led to the cancellation of the Spring tour with six weeks of the tour remaining and the subsequent cancellation of the Summer tour.

The Company continues to follow government guidance to safeguard our people and everyone who comes into contact with it. Our continued focus is to: (i) Deliver our charitable objectives, and (ii) Ensure the wellbeing and safety of staff. With no clear indication as to when live performances nor even group rehearsals might be able to resume the Company is focusing on its digital output and continuing as much work as possible through that medium.

Given the timing of the financial year-end these events are considered to be non-adjusting post balance sheet events, whose financial impact on these statements cannot be estimated

The post balance sheet non-adjusting events arising from the financial consequences of the Covid-19 pandemic have been considered. Future cash flow forecasts and a number of scenarios have been prepared and the Board of Directors considers that there are sufficient cash resources for at least the next 12 months from the date of signature of the financial statements to manage any foreseeable downturn in the UK and global economy and the closure of the majority of venues until 2021.

### Going concern

The directors have assessed the Company's ability to continue as a going concern taking into account the financial impacts of Covid-19. The directors have considered several factors when forming their conclusions as to whether the use of the going concern basis is appropriate when preparing these financial statements including liquidity, cash resources, liabilities and the support available from the various government initiatives including the Coronavirus Job Retention Scheme.

Like many organisations, our financial position has been, and will continue to be, impacted by the financial impacts of Covid-19. The cancellation of events, a potential slowdown of donations and the overall slowdown of the economy and their impact on income have all been factored into the financial modelling, which has been reviewed on a regular basis since the lockdown of venues began.

## Directors' Report (continued)

After assessing the impact of possible income reduction scenarios, which assume that funding from the Arts Council's will continue, as based on current discussions and the latest information available the directors have no reason to believe that the funding will not be at an appropriate level, the directors have concluded that the charity has a reasonable expectation that there are adequate resources to continue to operate for at least 12 months from the date of signing of the financial statements and have continued to prepare the financial statements on a going concern basis.

## Auditor

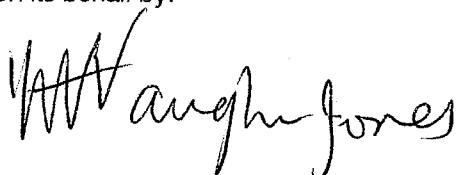
Each of the persons who is a director at the date of approval of this report confirms that:

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

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

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

The Directors' Report and the Strategic Report were approved by the Board of Directors and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Yvette Vaughan-Jones', with a stylized, cursive script.

Yvette Vaughan-Jones, Chair

28 August 2020

## Directors' Responsibilities Statement

The directors (who are also trustees of Welsh National Opera Ltd for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

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

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

In so far as the directors are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# Independent Auditor's Report to the Members of Welsh National Opera Limited

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

## Opinion

In our opinion the financial statements of Welsh National Opera Limited (the 'charitable company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 August 2019 and of the group's incoming resources and application of resources, including the group's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of financial activities;
- the consolidated and parent charitable company balance sheets;
- the consolidated cash flow statement; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and of the parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the trustees' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and the parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

# **Independent Auditor's Report to the Members of Welsh National Opera Limited (continued)**

## **Other information**

The trustees are responsible for the other information. The other information comprises the information included in the Annual Report of Directors and Trustees, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

## **Responsibilities of trustees**

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



# Independent Auditor's Report to the Members of Welsh National Opera Limited (continued)

## Report on other legal and regulatory requirements

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the trustees' report, which includes the strategic report and the directors' report prepared for the purposes of company law for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report included within the trustees' report.

### Matters on which we are required to report by exception

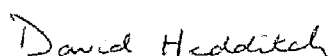
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

### Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's 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.



David Hedditch (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Cardiff, UK

28 August 2020

# Consolidated Statement of Financial Activities

Including the income and expenditure account and statement of recognised income and expense

Years to 31 August:	Note	Unrestricted funds £'000	Restricted funds £'000	Endowed funds £'000	Total 2019 £'000	Total 2018 £'000
<b>Income from:</b>						
Charitable activities	<b>2a</b>	2,921	-	-	2,921	2,746
Donations		479	1,159	500	2,138	1,310
Legacies		268	-	-	268	62
General grants	<b>2a</b>	10,657	-	-	10,657	10,657
Trading income		2,536	-	-	2,536	2,002
Investment income		38	2	45	85	91
<b>Total income</b>		<b>16,899</b>	<b>1,161</b>	<b>545</b>	<b>18,605</b>	<b>16,868</b>
<b>Expenditure on:</b>						
Charitable activities		16,668	1,358	-	18,026	15,617
Raising funds		538	-	-	538	490
Trading expenditure		2,349	-	-	2,349	2,000
<b>Total expenditure</b>	<b>2b</b>	<b>19,555</b>	<b>1,358</b>	<b>-</b>	<b>20,913</b>	<b>18,107</b>
Net (losses)/gains on investments	<b>7b</b>	(12)	(1)	(16)	(29)	68
<b>Net (expenditure)/income before tax</b>		<b>(2,668)</b>	<b>(198)</b>	<b>529</b>	<b>(2,337)</b>	<b>(1,171)</b>
Taxation	<b>18</b>	1,461	-	-	1,461	1,136
<b>Net (expenditure)/income for the year</b>	<b>3</b>	<b>(1,207)</b>	<b>(198)</b>	<b>529</b>	<b>(876)</b>	<b>(35)</b>
Release from reserves		-	-	-	-	(576)
Transfer to WNO Endowment Fund		-	-	(500)	(500)	-
Actuarial (losses)/gains in the defined benefit pension scheme	<b>17</b>	(1,712)	-	-	(1,712)	1,263
<b>Net movement in funds</b>		<b>(2,919)</b>	<b>(198)</b>	<b>29</b>	<b>(3,088)</b>	<b>652</b>
Fund balance brought forward		7,324	828	1,702	9,854	9,202
<b>Fund balance carried forward</b>		<b>4,405</b>	<b>630</b>	<b>1,731</b>	<b>6,766</b>	<b>9,854</b>

All resources are derived from continuing operations. The notes on pages 29 to 49 form part of these financial statements.

No separate income and expenditure account is presented for the parent Company in accordance with the provisions of s.408 of the Companies Act 2006. The total income for the parent company is £18,835,000 (2018 - £19,374,000). The result reported in the accounts of the parent Company is a deficit of £4,548 (2018 - surplus £2,221).

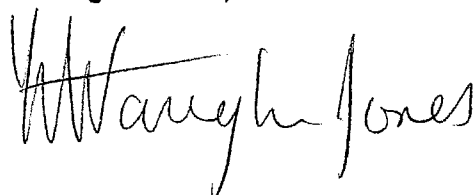
**Consolidated Balance Sheet****As at 31 August 2019**

	Note	31 August 2019 £'000	31 August 2018 £'000
Fixed assets			
Tangible assets	7a	1,647	1,664
Investments	7b	<u>2,836</u>	<u>2,867</u>
		<b>4,483</b>	<b>4,531</b>
Current assets			
Stocks	8	41	35
Debtors	9	4,490	2,718
Cash and bank deposits	10	<u>2,217</u>	<u>4,444</u>
		<b>6,748</b>	<b>7,197</b>
Creditors: amounts falling due within one year	11	<u>(2,658)</u>	<u>(1,888)</u>
<b>Net current assets</b>		<b><u>4,090</u></b>	<b><u>5,309</u></b>
<b>Total assets less current liabilities</b>		<b>8,573</b>	<b>9,840</b>
<b>Net assets excluding pension liability</b>		<b>8,573</b>	<b>9,840</b>
Defined benefit pension (liability)/asset	17	<u>(1,807)</u>	<u>14</u>
<b>Net assets</b>		<b><u>6,766</u></b>	<b><u>9,854</u></b>
<b>Unrestricted funds</b>			
Other charitable funds	13	3,279	4,164
Designated funds	13	2,065	2,278
Revaluation reserve	13	868	868
Pension reserve	17	<u>(1,807)</u>	<u>14</u>
<b>Total unrestricted funds</b>	13	<b>4,405</b>	<b>7,324</b>
Restricted funds	14	630	828
Endowment funds	15	1,731	1,702
<b>Total charity funds</b>		<b><u>6,766</u></b>	<b><u>9,854</u></b>

The financial statements of Welsh National Opera Limited, company registered number 00454297, were approved by the Board of Directors and authorised for issue on 28 August 2020

Signed on behalf of the Board of Directors:

**Yvette Vaughan-Jones, Chair**



Year ended 31 August 2019

**Company Balance Sheet****As at 31 August 2019**

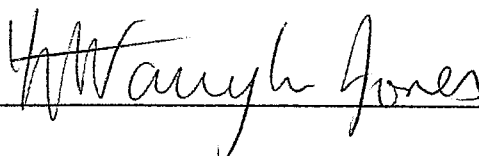
	Note	31 August 2019 £'000	31 August 2018 £'000
Fixed assets			
Tangible assets	7a	1,647	1,664
Investments	7b	<u>2,836</u>	<u>2,867</u>
		<b>4,483</b>	<b>4,531</b>
Current assets			
Stocks	8	41	35
Debtors	9	2,160	1,336
Cash and bank deposits	10	<u>1,816</u>	<u>4,327</u>
		<b>4,017</b>	<b>5,698</b>
Creditors: amounts falling due within one year	11	<u>(2,552)</u>	<u>(1,554)</u>
<b>Net current assets</b>		<b><u>1,465</u></b>	<b><u>4,144</u></b>
<b>Total assets less current liabilities</b>		<b>5,948</b>	<b>8,675</b>
<b>Net assets excluding pension liability</b>		<b>5,948</b>	<b>8,675</b>
Defined benefit pension (liability)/asset	17	<u>(1,807)</u>	<u>14</u>
<b>Net assets</b>		<b><u>4,141</u></b>	<b><u>8,689</u></b>
<b>Unrestricted funds:</b>			
Other charitable funds	13	654	2,999
Designated funds	13	2,065	2,278
Revaluation reserve	13	868	868
Pension reserve	17	<u>(1,807)</u>	<u>14</u>
<b>Total unrestricted funds</b>	<b>13</b>	<b>1,780</b>	<b>6,159</b>
Restricted funds	14	630	828
Endowment funds	15	1,731	1,702
<b>Total charity funds</b>		<b><u>4,141</u></b>	<b><u>8,689</u></b>

No separate income and expenditure account is presented for the parent Company in accordance with the provisions of s.408 of the Companies Act 2006. The total income for the parent company is £18,835,000 (2018 - £19,374,000). The result reported in the accounts of the parent Company is a deficit of £4,548 (2018 - surplus £2,221).

The financial statements of Welsh National Opera Limited, company registered number 00454297, were approved by the Board of Directors and authorised for issue on 28 August 2020

Signed on behalf of the Board of Directors:

Yvette Vaughan-Jones, Chair



## Consolidated Cash Flow Statement

Years to 31 August:	Note	2019 £'000	2018 £'000
Net cash flow from operating activities (see below)		(2,284)	751
Interest received		86	91
Investing activities:			
Investments (in shares etc.)	7b	316	689
Proceeds from sale of investments (shares etc.)	7b	(278)	(682)
Purchases of fixed assets	7a	(92)	(45)
Proceeds from sale of fixed assets	2a	25	-
<b>Net cash movement</b>		<b>(2,227)</b>	<b>804</b>
Opening cash at bank and in hand		4,444	3,640
<b>Closing cash at bank and in hand</b>		<b>2,217</b>	<b>4,444</b>
<b>Net cash flow from operating activities</b>			
Years to 31 August:		2019	2018
		£'000	£'000
Net expense for the year		(876)	(35)
Adjustments for:			
Release from reserves		-	(576)
Transfer to WNO Endowment Fund		(500)	-
Interest receivable		(86)	(91)
Depreciation charges	7a	109	102
Profit on sale of fixed assets	2a	(25)	-
Movement in investments	7b	29	(70)
<b>Operating cash flow before movement in working capital</b>		<b>(1,349)</b>	<b>(670)</b>
Movements in working capital:			
Movement in stocks	8	(6)	(5)
Movement in debtors	9	(1,772)	896
Movement in creditors	11	770	506
Adjustment for pension funding	17	73	24
		<b>(935)</b>	<b>1,421</b>
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(2,284)</b>	<b>751</b>

No separate statement of cash flows is presented for the parent Company in accordance with the provisions of s408 of the Companies Act 2006.

The notes on pages 29 to 49 form part of these financial statements.

# Notes to the Financial Statements

## 1. Accounting Policies

Welsh National Opera Limited is a registered charity incorporated in England and Wales as a company limited by guarantee not having a share capital. The trustees are also the members of the Company. Each member has undertaken to contribute a sum not exceeding £10 to the assets in the event of winding up. The registered office is given on page 50.

### Basis of accounting

The financial statements are prepared under the historical cost convention, in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities (SORP 2015)" applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), effective 1 January 2015, and the Companies Act 2006.

The charity has availed itself of paragraph 3 of schedule 4 of the Companies Act 2006 and adopted the Companies Act formats to reflect the special nature of the charity's activity.

The functional currency of the charity is considered to be pounds sterling because that is the currency of the primary economic environment in which the charity operates.

### Basis of consolidation

Group financial statements have been prepared in respect of Welsh National Opera Limited and its wholly-owned subsidiaries, Cardiff Theatrical Services Limited and WNO Productions Limited, for the year ended 31 August 2019. The results of the subsidiaries are set out in note 18.

### Going concern

The directors have assessed the Company's ability to continue as a going concern taking into account the financial impacts of Covid-19 which are included alongside the Group's activities and future plans set out in the Strategic Report and the Directors' Report.

The Group has no external borrowing facilities and manages its activities with positive unrestricted bank balances.

The directors regularly review and manage short-term fluctuations in income streams which include box office, commercial and development income and have established a minimum level of free reserves of £2.5m to allow for anticipated fluctuations. This level of reserves is considered by the Board to be an acceptable level of free reserves to provide for the stability of the Company. For more information see page 17.

Grant funding represents the Group's largest income stream and is committed by Arts Council England until March 2022 and in December 2017 the Arts Council Wales confirmed an uplift of 3% for the year beginning 2017, working to a bi-annual cycle.

The Group's forecasts and projections, taking account of reasonably foreseeable changes in income and expenditure, show that the Group should be able to continue to operate and is well placed to manage its business risks successfully in the coming 12 months.

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

## 1. Accounting Policies (continued)

### Fund accounting

The Company is responsible for the following categories of fund requiring separate disclosure:

Unrestricted funds - funds to be spent at the discretion of the directors in furtherance of the objects of the Group; this includes designated funds.

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

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

### Fixed assets and depreciation

The following depreciation policies (based on cost or valuation) have been adopted in the preparation of these financial statements:

Category of Asset:	Depreciation Policy:
Long leasehold premises	Depreciated over the remaining period of the leases or 50 years, whichever is lower
Vehicles	12.5% to 25% per annum on a straight-line basis
Equipment, fixtures and fittings	4% to 25% per annum on a straight-line basis

The Group's long leasehold premises were valued upon transition to FRS 102, and this value has now been adopted by the Group as the deemed cost as permitted by FRS102.

Other fixed assets are included at cost less accumulated depreciation.

Costs of creating opera productions are written off in full at the time of the first performance of the production by the Company.

### Prepayments for future productions

Expenditure in respect of productions to be presented in a future financial period is charged at the time of the first performance of the production. Such expenditure includes the Company's share of the costs of the set, props, costumes, wigs, rehearsals and marketing of that production.

### Investments

Investments comprise openly traded investments and securities and are stated at market value as at the balance sheet date. Investments are revalued annually and realised and unrealised gains on investments are recognised separately in the statement of financial activities as they arise.

### Stocks

Stocks consist of raw materials and are stated at the lower of cost and net realisable value.

### Grants

Revenue grants are credited to the statement of financial activities evenly over the period to which they relate. Where grant income is received in advance of the activity it is shown as deferred grant income in creditors (note 11).

Capital grants, in accordance with Accounting and Reporting by Charities: (SORP 2015), are accounted for within restricted funds. Accordingly, this fund is reduced by the depreciation arising on the tangible fixed assets acquired with the grant.

## 1. Accounting Policies (continued)

### Operating leases

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

### 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.

### Voluntary income

Donations and legacies are recognised as income on receipt of funds or when receipt is probable.

Supporters of Welsh National Opera Limited include individuals, trusts and foundations, corporate sponsors, WNO Friends, the Welsh National Opera Endowment Fund and others.

Income derived from specific fundraising activities or events is recognised at the point of delivery of the event. Income received in advance of such activities is deferred until the event takes place.

Income received with restrictions over its use is shown within restricted funds but is recognised as income on receipt of funds or when receipt is certain.

### Pensions

For defined contribution schemes:

The Group operates several defined contribution schemes for current employees; the pension cost charged against income under FRS 102 represents the contributions payable to the pension scheme in respect of the accounting period.

For the defined benefit scheme:

The Group retains a defined benefit pension scheme which was closed to new entrants and future accrual with effect from 5 April 2009. Note 17 sets out full disclosures in accordance with FRS 102 'Retirement Benefits'.

For this scheme, pension scheme assets are measured at fair value; pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

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

### Expenditure

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

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

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

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



## 1. Accounting Policies (continued)

### Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, described above, the trustees are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The post balance sheet non-adjusting events arising from the financial consequences of the Covid-19 pandemic have been considered. Future cash flow forecasts and a number of scenarios have been prepared and the Board of Directors considers that there are sufficient cash resources for at least the next 12 months from the date of signature of the financial statements to manage any foreseeable downturn in the UK and global economy and the closure of the majority of venues until 2021.

Pensions accounting requires an estimation of actuarial assumptions. These represent the charity's best estimate of the variables that will determine the liability at the year-end. The trustees do not consider there are any other critical judgements or sources of estimation uncertainty requiring disclosure.

### Financial instruments

Financial assets and financial liabilities are recognised when the charity becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price (including transaction costs).

The Company only has financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Cash at bank and cash in hand includes cash. Creditors are recognised where the Company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably.

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid, net of any trade discounts due.

Creditors' provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

## 2. Analysis of Charitable Activity

(a) Income:	Unrestricted funds	Restricted funds	Endowment fund	Year 2019	Year 2018*
Years to 31 August:	£'000	£'000	£'000	£'000	£'000
Box office and similar income	2,233	-	-	2,233	2,008
Youth and Community	48	-	-	48	56
Income from other charitable activity	615	-	-	615	682
Profit on disposal of fixed assets	25	-	-	25	-
<b>Income from charitable activities</b>	<b>2,921</b>	<b>-</b>	<b>-</b>	<b>2,921</b>	<b>2,746</b>
Grants receivable:					
Arts Council England	6,123	-	-	6,123	6,123
Arts Council Wales	4,534	-	-	4,534	4,534
<b>General grants</b>	<b>10,657</b>	<b>-</b>	<b>-</b>	<b>10,657</b>	<b>10,657</b>

\*All income was unrestricted for the year ended 31 August 2018.

The majority of the income in both years is derived from activities in the UK with less than £100,000 arising from the European Union.

### (b) Expenditure on charitable activities

Years to 31 August:	Direct activity	Support costs	Year 2019	Direct activity	Support costs	Year 2018
	£'000	£'000	£'000	£'000	£'000	£'000
Main-scale opera	14,857	1,618	<b>16,475</b>	13,133	1,357	<b>14,490</b>
Youth and Community	1,449	102	<b>1,551</b>	1,041	86	<b>1,127</b>
<b>Charitable activity</b>	<b>16,306</b>	<b>1,720</b>	<b>18,026</b>	<b>14,174</b>	<b>1,443</b>	<b>15,617</b>
Fundraising	484	54	<b>538</b>	445	45	<b>490</b>
Trading	2,349	-	<b>2,349</b>	2,000	-	<b>2,000</b>
<b>Total expenditure</b>	<b>19,139</b>	<b>1,774</b>	<b>20,913</b>	<b>16,619</b>	<b>1,488</b>	<b>18,107</b>

## 2. Analysis of Charitable Activity (continued)

### (c) Support costs

Years to 31 August:	2019 £'000	2018 £'000
Wales Millennium Centre premises	320	290
Finance & IT	624	683
Administration, HR	721	314
Governance costs	32	140
Defined Benefit Scheme pension costs	77	61
<b>Support costs</b>	<b>1,774</b>	<b>1,488</b>
Allocation of support costs to activities based on direct costs incurred:		
Opera	1,618	1,357
Youth and Community	102	86
Fundraising	54	45
<b>Support costs</b>	<b>1,774</b>	<b>1,488</b>

The allocation of support costs to trading activity is factored into the transfer pricing arrangements, so no further allocation is required.

## 3. Net Income and Expenditure

### (a) Net incoming / (outgoing) resources is stated after charging:

Years to 31 August:	2019 £'000	2018 £'000
Rentals under operating leases – land and buildings	175	175
Rentals under operating leases – equipment	12	12
Depreciation – owned assets	109	102
Auditor remuneration as statutory auditor	39	33
Other non-audit fees paid to the auditor	-	-

The auditor, Deloitte, additionally provides audit services to the Welsh National Opera Limited Pension Scheme which has independent trustees to the charity paying audit fees of £7,100 (2018 - £6,855).

### 3. Net Income and Expenditure (continued)

(b) Net income for the parent Company

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

	2019	2018
Years to 31 August:		
	£'000	£'000
Total incoming resources	18,835	19,374
Net (deficit)/surplus for the year	(2,559)	958
Actuarial (loss)/gain on defined benefit scheme (see note 17)	(1,712)	1,263
(Deficit)/surplus including actuarial (loss)/gain in the pension scheme	(4,548)	2,221

### 4. Employee Costs and Numbers

Group and Company

Employee costs during the year (including temporary staff) amounted to:

Years to 31 August:	2019	2018
	£'000	£'000
Wages and salaries	8,336	7,814
Social security costs	820	774
Other pension costs	448	423
Pension deficit costs	-	24
	<b>9,604</b>	<b>9,035</b>

Included in employee costs above are the costs of 128 temporary and casual staff (2018 – 147) who were employed during the year paying total wages and salaries of £1,234,631 (2018 – £1,086,151).

Monthly average numbers of permanent employees by activity were:

Years to 31 August:	2019	2018
	Number	Number
Opera	170	166
Youth and Community	8	8
Support	13	12
Fundraising	10	10
Trading	23	24
	<b>224</b>	<b>220</b>

#### 4. Employee Costs and Numbers (continued)

The number of Group employees whose emoluments excluding pension contributions but including benefits in kind were in excess of £60,000 was:

Years to 31 August:	2019 Number	2018 Number
£60,000 - £69,999	2	2
£70,000 - £79,999	2	2
£80,000 - £89,999	1	1
£100,000 - £109,999	1	1
£110,000 - £119,999	1	1

##### Senior management pay

The senior management personnel of the Company and the Group are listed on page 51. The total remuneration (including pension contributions and freelance fees) in respect of the senior managers of the Company and Group for the year amounted to £875,941 (2018 - £850,862).

The remuneration and terms of employment of the General Director are set by the Board and reviewed annually. Those of other senior managers are reviewed annually and subject to periodic comparison with similar roles.

##### Directors' emoluments

The directors received no remuneration for their roles as directors in the year (2018 - £nil) and £2,740 of travel expenses were reimbursed to six directors during the year (2018 - £2,453 to seven directors). Tickets for performances are purchased at box office prices by the directors other than for a small number of complimentary tickets for official hosting and marketing purposes.

## 5. Taxation on Ordinary Activities

Welsh National Opera Limited is a Company limited by guarantee and is a registered charity.

The Company is subject to the taxation relief applicable to charities.

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

The charity has two wholly-owned subsidiaries:

- i) Cardiff Theatrical Services Limited is, however, subject to tax. In the current year no corporation tax (2018 - £nil) was incurred by the subsidiary.
- ii) WNO Productions Limited is also subject to tax and applied for Theatre Tax Relief on the major productions created in the year to 31 August 2019 amounting to £1,460,539 received 19 June 2020 (3 September 2019 £1,135,573, received )

## 6. Operating Lease Commitments

The Company and Group were committed to making the following future minimum lease payments in respect of operating leases:

Years to 31 August:	2019 £'000	2018 £'000
Leases which expire after five years – land and buildings	23	23
Leases which expire in less than five years – land and buildings	152	152
Leases which expire in less than five years – other assets	14	12

## 7. Fixed Assets

### 7a. Tangible fixed assets

Group and Company	Long leasehold £'000	Vehicles £'000	Equipment £'000	Total £'000
Cost or valuation				
At 1 September 2018	1,500	663	1,564	3,727
Additions	-	-	92	92
Disposals	-	(84)	(32)	(116)
<b>At 31 August 2019</b>	<b>1,500</b>	<b>579</b>	<b>1,624</b>	<b>3,703</b>
Depreciation				
At 1 September 2018	90	571	1,402	2,063
Charge for the year	30	17	62	109
Disposals	-	(84)	(32)	(116)
<b>At 31 August 2019</b>	<b>120</b>	<b>504</b>	<b>1,432</b>	<b>2,056</b>
Net book value				
At 31 August 2018	1,410	92	162	1,664
<b>At 31 August 2019</b>	<b>1,380</b>	<b>75</b>	<b>192</b>	<b>1,647</b>

## 7. Fixed Assets (continued)

### 7a. Tangible fixed assets (continued)

The other long leasehold premises have been professionally valued by Lambert Smith Hampton, Chartered Surveyors, on an open market, existing use and vacant possession valuation basis, upon transition to FRS102, at 31 August 2015 at £1,500,000 in accordance with the Royal Institution of Chartered Surveyors Valuation – Professional Standards UK January 2014 (revised April 2015).

Due to the restrictions over the use of the space within the Wales Millennium Centre occupied by WNO in the lease which runs to 2995, this specialised asset is estimated to have no commercial value and its net book value of £218,000 was written off at 31 August 2015.

### 7b. Fixed asset investments

Brewin Dolphin Limited is the investment manager of the Company's long-term funds. The following investments were held and managed by Brewin Dolphin at the year-end:

Group and Company:	2019	2018
At 31 August	£'000	£'000
Corporate bonds and cash	498	433
Equities:		
- UK	1,084	1,243
- US	585	573
- Other equities	518	509
Property	151	109
	<b>2,836</b>	<b>2,867</b>

The movements in investments held were as follows:

Years ended 31 August:	2019	2018
	£'000	£'000
<b>Market value at the beginning of the year</b>	<b>2,867</b>	<b>2,797</b>
Additions at cost	278	689
Disposals at carrying value	(316)	(682)
Net realised and unrealised (losses)/gains	7	63
<b>Market value at the end of the year</b>	<b>2,836</b>	<b>2,867</b>
<b>Historical cost at the end of the year</b>	<b>2,873</b>	<b>2,840</b>

## 7. Fixed Assets (continued)

### Other investments

The Company also held 100% of the share capital in its trading subsidiaries at the beginning and end of the year (see note 18 for details):

- Cardiff Theatrical Services Limited (historical cost £90), and
- WNO Productions Limited (historical cost £100).

## 8. Stocks

At 31 August

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
<b>Raw materials</b>	<b>41</b>	<b>35</b>	<b>41</b>	<b>35</b>

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

## 9. Debtors

Amounts falling due within one year:

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
At 31 August				
Trade debtors	598	654	472	119
Amounts owed by Group undertakings	-	-	469	279
Other debtors	141	100	236	108
Taxation	2,768	1,134	-	-
Prepayments and accrued income	983	830	983	830
	<b>4,490</b>	<b>2,718</b>	<b>2,160</b>	<b>1,336</b>

Amounts owed by Group undertakings comprise amounts due from Cardiff Theatrical Services Limited for normal monthly transactions plus the profit for the year ended 31<sup>st</sup> August 2019 gifted to WNO.

## 10. Cash at Bank and In Hand

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
At 31 August				
<b>Cash at bank and in hand</b>	<b>2,217</b>	<b>4,444</b>	<b>1,816</b>	<b>4,327</b>

The Company has no borrowings or overdraft facilities.

A significant proportion of the Group's liquid assets is held as fixed asset investments (note 7b).



**11. Creditors: Amounts Falling Due Within One Year**

	Group	Group	Company	Company
At 31 August	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade creditors	131	123	132	123
Other creditors including taxation	420	357	418	356
Accruals	624	663	624	663
Deferred grant income	378	378	378	378
Other deferred income	1,105	367	1,000	34
	<b>2,658</b>	<b>1,888</b>	<b>2,552</b>	<b>1,554</b>

Other deferred income arises from co-productions, future productions and the work of Cardiff Theatrical Services Limited.

**Analysis of movement in Other deferred income**

	Group	Group	Company	Company
At 31 August	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Brought forward	367	111	34	17
Released in year	(367)	(96)	(34)	(17)
Received in year	1,105	352	1,000	34
Carried forward	<b>1,105</b>	<b>367</b>	<b>1,000</b>	<b>34</b>

**12. Company Status**

The Company is a registered charity constituted as a Company Limited by Guarantee and does not have share capital. The liability of each member is limited to £10, the maximum number of members being 20. The actual number of members at 31 August 2019 was 8 (2018 - 8).

**13. Unrestricted Funds**

Group	Opening balance £'000	Incoming resources £'000	Resources expended £'000	Gains / (losses) £'000	Transfers £'000	Closing balance £'000
Restructuring reserve	672	-	-	-	-	672
Production reserve	1,606	-	-	-	(213)	1,393
Pension reserve	14	-	(109)	(1,712)	-	(1,807)
Revaluation reserve	868	-	-	-	-	868
Income and expenditure	4,164	18,360	(19,458)	-	213	3,279
<b>Total Group funds</b>	<b>7,324</b>	<b>18,360</b>	<b>(19,567)</b>	<b>(1,712)</b>	<b>-</b>	<b>4,405</b>
Company	Opening balance £'000	Incoming resources £'000	Resources expended £'000	Gains / (losses) £'000	Transfers £'000	Closing balance £'000
Restructuring reserve	672	-	-	-	-	672
Production reserve	1,606	-	-	-	(213)	1,393
Pension reserve	14	-	(109)	(1,712)	-	(1,807)
Revaluation reserve	868	-	-	-	-	868
Income and expenditure	2,999	17,157	(19,715)	-	213	654
<b>Total Company funds</b>	<b>6,159</b>	<b>17,157</b>	<b>(19,824)</b>	<b>(1,712)</b>	<b>-</b>	<b>1,780</b>

The Designated funds are made up of the Restructuring and Production reserves as detailed below.

A 'Restructuring' reserve has been designated to enable investment in change and forms part of the Company's unrestricted reserves. It also incorporates what was formerly known as the Media fund.

The 'Production' reserve is set aside to support the planning of an ambitious repertoire in future years, especially important with the long planning lead times for large-scale operas and to support exploitation of the Company's work.

**14. Restricted Funds**

Group and Company	Opening balance	Incoming resources	Resources expended	Revalue	Transfers	Closing balance
	£'000	£'000	£'000	£'000	£'000	£'000
Rees Menotti fund	500	30	(530)	-	-	-
Seligman Trust	64	2	-	(1)	-	65
Schaefer Bursary	18	-	-	-	-	18
C Ball Bursary	9	-	-	-	-	9
Parry Family Bursary	10	-	-	-	-	10
Paul Hamlyn Artworks	4	-	-	-	-	4
Fidelity	-	252	(92)	-	-	160
Other	223	877	(736)	-	-	364
<b>Total restricted funds</b>	<b>828</b>	<b>1,161</b>	<b>(1,358)</b>	<b>(1)</b>	<b>-</b>	<b>630</b>

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

**15. Endowment Funds**

Group and Company	Opening balance	Interest income	Resources expended	Revalue	Closing balance
	£'000	£'000	£'000	£'000	£'000
Mary Warner Trust	1,204	32	-	(11)	1,225
RW Pethybridge	433	11	-	(4)	440
Sir John Moores Award	65	2	-	(1)	66
<b>Total endowment funds</b>	<b>1,702</b>	<b>45</b>	<b>-</b>	<b>(16)</b>	<b>1,731</b>

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

The RW Pethybridge fund is an expendable endowment fund held for the benefit of the people of Wales who are disabled, elderly, or in prison.

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

## 16. Analysis of Net Assets Between Funds

At 31 August 2019

Group	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total £'000
Tangible fixed assets	1,647	-	-	1,647
Fixed asset investments	1,216	58	1,562	2,836
Net current assets	3,349	572	169	4,090
Pension reserve	(1,807)	-	-	(1,807)
<b>Net assets</b>	<b>4,405</b>	<b>630</b>	<b>1,731</b>	<b>6,766</b>
Company				
Tangible fixed assets	1,647	-	-	1,647
Fixed asset investments	1,216	58	1,562	2,836
Net current assets	724	572	169	1,465
Pension reserve	(1,807)	-	-	(1,807)
<b>Net assets</b>	<b>1,780</b>	<b>630</b>	<b>1,731</b>	<b>4,141</b>

## 17. Pension Schemes

The disclosures below have been prepared for Welsh National Opera Limited (the "Company") in relation to benefits payable from the Welsh National Opera Limited Pension Scheme (the "Scheme").

There were no Company contributions to the Scheme for the year ended 31 August 2019, and Company contributions for the year ending 31 August 2020 are expected to be nil.

The valuation used for FRS 102 disclosures has been based on a full assessment of the liabilities of the Scheme as at 5 April 2018, with the results rolled forward in an approximate manner to 31 August 2019. The present values of the defined benefit obligation were measured using the projected unit credit method.

## 17. Pension Schemes (continued)

The principal assumptions used to calculate the liabilities under FRS 102 are set out below:

	Assumptions		
	31 August 2019	31 August 2018	31 August 2017
	% p.a.	% p.a.	% p.a.
RPI Inflation	3.3	3.5	3.6
CPI Inflation	2.4	2.5	2.6
Pension increases (Pre April 1997 in excess of GMP)	3.0	3.0	3.0
Pension increases (April 1997 – April 2005)	2.4	2.5	2.6
Pension increases (Post April 2005)	1.8	1.8	1.9
Discount rate for Scheme liabilities	1.8	2.7	2.6
Longevity for member currently aged 65:			
- Male	21.6	21.6	22.1
- Female	23.6	23.5	24.2
Longevity for member reaching 65 in 20 years:			
- Male	23.0	23.0	23.8
- Female	25.1	25.1	26.1

### Sensitivities of assumptions

The table below provides information on the sensitivity of the defined benefit obligation to changes to the most significant actuarial assumptions. The table shows the impact of changes to each assumption in isolation although, in practice, changes to assumptions may occur at the same time and can either offset or compound the overall impact on the defined benefit obligation. These sensitivities have been calculated using the same methodology as used for the main calculations, and there has been no change since the previous period to the method and assumptions used in preparing the sensitivity analysis. The weighted average duration of the defined benefit obligation is 20 years.

Percentage change to Defined Benefit Obligation	Change of assumption	
	Increase by 0.5% p.a.	Decrease by 0.5% p.a.
Assumption		
Discount rate	-9%	+10%
Inflation	+7%	-6%

An increase of one year in the assumed life expectancy for both males and females would increase the Defined Benefit Obligation by 4%.

**17. Pension Schemes (continued)**

	Fair value of assets		
	31 August 2019	31 August 2018	31 August 2017
	£'000	£'000	£'000
Equities			
Index-linked	8,321	7,868	7,566
Bonds	6,447	5,935	6,090
Corporate bonds	1,634	1,483	1,493
Other	27	34	22
<b>Total</b>	<b>16,429</b>	<b>15,320</b>	<b>15,171</b>

## Reconciliation of funded status to balance sheet

	Value at 31 August 2019	Value at 31 August 2018
	£'000	£'000
Fair value of Scheme assets	16,429	15,320
Present value of funded defined benefit obligations	(18,236)	(15,306)
<b>(Deficit)/surplus</b>	<b>(1,807)</b>	<b>14</b>
(Liability)/asset recognised on the balance sheet	(1,807)	14

## Analysis of profit and loss

	Value at 31 August 2019	Value at 31 August 2018
	£'000	£'000
Administration expenses	-	-
Net interest cost	-	31
Past service cost	109	-
<b>Expense recognised in profit and loss</b>	<b>109</b>	<b>31</b>

**17. Pension Schemes (continued)**

## Changes to present value of the defined benefit obligation

	Value at 31 August 2019 £'000	Value at 31 August 2018 £'000
Opening defined benefit obligations	15,306	16,389
Administration expenses	-	-
Interest cost	411	423
Remeasurement (gains)/losses		
- Actuarial losses on Scheme liabilities in respect of assumptions	2,622	(923)
- Actuarial losses on Scheme liabilities in respect of experience	(14)	(355)
Net benefit paid out	(198)	(228)
Past service cost	109	-
<b>Closing defined benefit obligation</b>	<b>18,236</b>	<b>15,306</b>

## Changes to the fair value of Scheme assets

	Value at 31 August 2019 £'000	Value at 31 August 2018 £'000
Opening fair value of Scheme assets	15,320	15,171
Interest income on Scheme assets	411	392
Remeasurement gains/(losses)		
- Return on Scheme assets less interest income	896	(15)
Contributions by the Company	-	-
Net benefits paid out	(198)	(228)
<b>Closing fair value of Scheme assets</b>	<b>16,429</b>	<b>15,320</b>

## Analysis of amounts recognised in the Statement of financial activities

	Value at 31 August 2019 £'000	Value at 31 August 2018 £'000
Return on Scheme assets less interest income	896	(15)
(Losses)/gains on assumptions	(2,622)	923
Experience Gains on Scheme liabilities	14	355
<b>Total (loss)/gain</b>	<b>(1,712)</b>	<b>1,263</b>

## 17. Pension Schemes (continued)

Actual return on Scheme assets

	Value at 31 August 2019 £'000	Value at 31 August 2018 £'000
Interest income on Scheme assets	411	392
Return on Scheme assets less interest income	896	(15)
<b>Total return on Scheme assets</b>	<b>1,307</b>	<b>377</b>

## 18. Additional Information on Subsidiaries

Welsh National Opera Limited has two subsidiaries:

Cardiff Theatrical Services Limited - company registration 1705868 which is incorporated in the UK.

Registered office - Ellen Street, Cardiff, CF10 4TT

Acquired by Welsh National Opera Limited for £nil on 1 April 1989, the share capital of Cardiff Theatrical Services Limited comprises 100 ordinary shares of £1 which are all wholly-owned by Welsh National Opera Limited.

The purpose of Cardiff Theatrical Services Limited is to act as the trading arm of Welsh National Opera Limited, primarily undertaking sales of theatrical sets, costumes and properties and transportation for Welsh National Opera Limited and external parties. Theatrical sets are produced within a production division of Welsh National Opera Limited and charged to Cardiff Theatrical Services Limited at full cost.

The trading results of the subsidiary were as follows:

Years to 31 August:	2019 £'000	2018 £'000
Turnover	2,796	2,155
Cost of sales	(2,601)	(2,153)
<b>Gross profit</b>	<b>195</b>	<b>2</b>
Administrative expenses	(6)	(6)
<b>Operating profit/(loss)</b>	<b>189</b>	<b>(4)</b>
Interest receivable and similar income	-	-
Gift Aid to parent company	(189)	-
<b>Loss before taxation</b>	<b>-</b>	<b>(4)</b>
Taxation	-	6
<b>Profit retained in subsidiary</b>	<b>-</b>	<b>2</b>



**18. Additional Information on Subsidiaries (continued)**

The aggregate of the assets, liabilities and funds was:

At 31 August	2019 £'000	2018 £'000
Assets	612	650
Liabilities	(587)	(625)
<b>Shareholder funds</b>	<b>25</b>	<b>25</b>

Included within turnover and cost of sales is inter-company trade of £260,279 (2018 - £152,710).

WNO Productions Limited – company registration 09247950 which is incorporated in the UK.

Registered office – Wales Millennium Centre, Bute Place, Cardiff CF10 5AL

Formed by Welsh National Opera Limited on 3 October 2014, the share capital of WNO Productions Limited comprises 100 ordinary shares of £1 which are all wholly-owned by Welsh National Opera Limited.

The purpose of WNO Productions Limited is to create and prepare theatrical productions for the Welsh National Opera Group of companies.

The trading results of the subsidiary were as follows:

Years to 31 August:	2019 £'000	2018 £'000
Turnover	12,332	9,412
Cost of sales	(12,312)	(9,393)
<b>Gross profit</b>	<b>20</b>	<b>19</b>
Administrative expenses	(20)	(19)
<b>Operating profit / (loss)</b>	<b>-</b>	<b>-</b>
<b>Profit / (Loss) before taxation</b>	<b>-</b>	<b>-</b>
Theatre tax relief on productions	1,461	1,136
<b>Profit retained in subsidiary</b>	<b>1,461</b>	<b>1,136</b>

The aggregate of the assets, liabilities and funds was:

At 31 August	2019 £'000	2018 £'000
Assets	2,620	1,159
Liabilities	(20)	(19)
<b>Shareholder funds</b>	<b>2,600</b>	<b>1,140</b>

Included within turnover and cost of sales is inter-company trade of £12,311,458 (2018 - £9,411,913).

## 19. Related Parties

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

WNO Friends (charity 503538). On 12 October 2017 the WNO Friends membership voted to dissolve the charity on 31 March 2018. The assets remaining after the satisfaction of any proper debts and liabilities were transferred to Welsh National Opera Limited.

Welsh National Opera Benevolent Trust (charity 1085756).

Welsh National Opera Endowment Fund (charity 1146595).

Welsh National Opera Limited also has two subsidiaries, Cardiff Theatrical Services Limited (company registration number 01705868) and WNO Productions Limited (company registration number 09247950).

## Reference and administrative details

### Company Details

#### Welsh National Opera Limited

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

Registered office	Wales Millennium Centre Bute Place, Cardiff Bay Cardiff South Glamorgan CF10 5AL
Company number	00454297 (registered in England and Wales)
Charity number	221538
VAT registration	GB 218 9895 51

#### Professional Advisers

Auditor	Deloitte LLP Statutory Auditor 5 Callaghan Square Cardiff CF10 5BT
Solicitors	Darwin Gray Solicitors Helmont House Churchill Way Cardiff CF10 2HE
Bankers	Lloyds Bank plc 31 Queen Street Cardiff CF10 2AG

Bank deposits are also held at National Westminster and Barclays.

#### Investment Managers

Brewin Dolphin Limited  
12 Smithfield Street  
London EC1A 9BD

## Directors and Officers

### Board of Directors and Committees

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

			Audit & Risk	Nominations
Yvette Vaughan-Jones (Chair)	Appointed	09/10/2019		
Nicola Amery	Appointed	22/10/2019		
Lynne Berry OBE	Appointed	24/10/2019		
Chitra Bharucha MBE	Appointed	22/10/2019		
Mathew Dada				X
Manon Edwards	Appointed	22/10/2019		
Daniel Evans				
Awen Jones	Resigned	07/10/2019		X
Samuel Jones	Appointed	15/02/2019		
Henry Little	Appointed	15/02/2019	X	
Andrew Miller	Appointed	15/02/2019		X
Aileen Richards	Appointed	22/10/2019		
Elen ap Robert				
Martyn Ryan			X	X
Alan Wyatt, CBE	Resigned	11/04/2019		
Mark Molyneux	Resigned	22/01/2019		
Antony Hales, CBE	Resigned	31/01/2019		

The Board meets a minimum of six times per year, delegating appropriate matters to the Audit & Risk and Nominations committees. Each committee determines its own frequency for meetings subject to the requirement to meet at least twice each year.

### Executive Team

David Pountney	Artistic Director	Until 31/08/2019
Leonora Thomson	Managing Director	Until 31/08/2019
Aidan Lang	General Director	Appointed 01/07/2019
Tomáš Hanus	Music Director	

### Senior Management Team

Matt Carwardine-Palmer	Director of Marketing and Sales
Huw Davies	Director of Finance
Alison Dunnett	Director of Development, Communications and Strategy
Emma Flatley	Director of Engagement and Partnerships
Peter Harrap	Chorus and Orchestra Director
Jan Michaelis	Technical Director
Nick Winter	Director of Artistic Administration (Until 21/12/2018)