

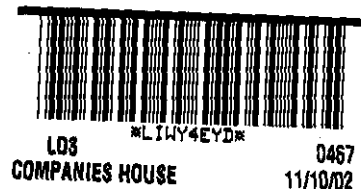


ROYAL OPERA HOUSE

COVENT GARDEN

Royal Opera House Covent Garden Limited
(Limited by guarantee)

Trustees' report and consolidated financial statements
31 March 2002



Registered charity 211775

Registered company number 480523

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Legal and administrative information

Constitution

The Royal Opera House Covent Garden Limited is a company limited by guarantee (company number: 480523) and a registered charity (charity number: 211775). It is governed by a memorandum and articles of association, which were last amended on 10 December 2000.

Directors and Trustees

The directors of the charitable company ('The Royal Opera House' or 'the charity') are its trustees for the purpose of charity law and throughout this report are collectively referred to as the trustees. As set out in the Articles of Association the trustees appoint or reappoint trustees after such consultation with the Department of Culture, Media and Sport and the Arts Council of England as these bodies may respectively require. The trustees appoint a chairman.

In accordance with Article 32 of the Articles of Association, no remuneration is paid to trustees.

The trustees who held office during the year were as follows:

Sir Colin Southgate (Chairman)	Sir David Lees
Sir Thomas Allen (retired 31 March 2002)	Sir Stuart Lipton
Michael Berkeley	Kevin Lomax (appointed 20 September 2001)
Marco Compagnoni (appointed 1 March 2002)	Sir Frank Lowe (appointed 1 March 2002)
Lady Chichester (appointed 20 September 2001)	Thomas Lynch (appointed 20 September 2001)
Sir Peter Davis	Ross MacGibbon (retired 31 March 2002)
Lord Eatwell	Margaret Maden (appointed 1 March 2002)
Bonnie Greer (appointed 1 March 2002)	Carolyn Newbigging (retired 31 December 2001)
Dame Beryl Grey	Simon Robertson (appointed 1 March 2002)
Peter Hemmings (deceased 4 January 2002)	Gail Ronson (appointed 20 September 2001)
	Kenneth Tharp (appointed 1 March 2002)

The valuable contribution of Peter Hemmings to the work of the Royal Opera House is greatly missed following his death earlier this year.

Executive Director

Tony Hall

Solicitors

Linklaters and Alliance
One Silk Street
London EC2Y 8HQ

Secretary

John Seekings

Registered Office

Royal Opera House
Covent Garden
London WC2E 9DD

Auditors

KPMG LLP
8 Salisbury Square
London EC4Y 8BB

Bankers

Coutts & Co
440 Strand
London WC2R 0QS

Report of the Trustees for the year ended 31 March 2002

The trustees are pleased to present their report together with the financial statements of the Royal Opera House for the year ended 31 March 2002.

Legal and administrative information set out on page 1 forms part of this report. The financial statements comply with current statutory requirements, the Memorandum and Articles of Association and the Statement of Recommended Practice 'Accounting and Reporting by Charities 2000'.

Objects and principal activities of The Royal Opera House

The principal activities of the Royal Opera House continue to be the presentation of opera and ballet performances at the Royal Opera House Covent Garden and tours in the United Kingdom and overseas.

The Royal Opera House is established to increase the appreciation and understanding of the musical art in all its forms. To achieve this, the Royal Opera House sets out to attract, excite and inspire the widest possible audiences by performing opera and ballet to the highest international standards at affordable prices, developing the art forms and promoting their appreciation by people of all ages and backgrounds.

Specific objectives include:

- pursuing the highest artistic standards in performances by the Royal Ballet and Royal Opera companies and the House's Orchestra and Chorus;
- presenting a full annual programme of opera and ballet performances, chosen to give excitement and inspiration;
- developing the art forms of opera and ballet through commissioning and hosting of new works and encouragement of young artists;
- developing future audiences for, and public awareness of, opera and ballet through an education programme aimed at people of all ages, backgrounds and abilities, and through well-judged marketing and publications;
- increasing the accessibility of live performances by the House's companies through flexible pricing that balances the goals of financial responsibility and audience broadening;
- further increasing and broadening the accessibility of performances by the Companies, and the appeal of opera and ballet, through broadcast, television, video and new media technologies;
- using all three main performance spaces of the House to promote all these objectives and to create a vibrant cultural centre that attracts and excites the widest range of audiences;
- developing and maintaining good governance, including strong artistic leadership and robust and efficient management, and thereby enhancing the synergy of the Royal Ballet, the Royal Opera and the House;
- ensuring good stewardship of public and private funding within a robust framework of efficiency and accountability;
- setting and delivering the highest standards on management of staff and health and safety.

Governance and Management

The direction and control of the Royal Opera House is determined by the Board of Trustees, which meets at least seven times a year. The role of the Board is to ensure that the Royal Opera House is on the right strategic course, and is properly and effectively managed. During the year sub committees of the Board established to address key strategies and areas of business risk were reorganised and their objectives clarified. There are now the following sub-committees:

Trustees' report (continued)

Artistic: Dame Beryl Grey chairs this committee, which meets at least twice a year. Other members are Michael Berkeley, Lord Eatwell and Sir Colin Southgate. Sir Thomas Allen retired from the Board of Trustees on 31 March 2002 but has agreed to continue to serve on this committee. Antonio Pappano, Ross Stretton, Elaine Padmore, Deborah Bull, Peter Katona, Monica Mason and Tony Hall attend all meetings. Its objectives are to support the Royal Ballet, the Royal Opera and Studio Theatres in planning and implementing the House's artistic programmes and to encourage synergy between the companies and to monitor performances and artistic standards.

Finance & audit: Sir David Lees chairs this committee, which meets quarterly. Other members are Lord Eatwell, Sir Stuart Lipton, Sir Colin Southgate, and Thomas Lynch. Tony Hall, Anne Bulford (the Director of Finance and Business Affairs) and John Seekings (the Director of Operations and Company Secretary) attend all meetings. The committee is responsible for reviewing long term financial plans, annual budgets, monthly management accounts and the Royal Opera House's annual financial statements. It makes recommendations to the Board on major capital expenditure and revenue contracts and on the overall framework for delegated financial authority in the House. It is also responsible for reviewing the effectiveness and adequacy of systems of internal control, including consideration of matters raised by the external auditors. The committee is responsible for the appointment of the external auditors and for reviewing their performance and independence.

Development and fundraising: Sir Peter Davis chairs this committee. Other members are Gail Ronson, Lady Chichester, Kevin Lomax, Thomas Lynch, Sir Stuart Lipton, Marco Compagnoni and Simon Robertson. Tony Hall and Ruth Jarratt (Development Director) attend all meetings. The committee is responsible for advising the board on the House's fundraising strategies and targets.

Nominations: Sir Colin Southgate normally chairs this committee, which meets when necessary. Its composition, which is drawn from the Board of Trustees, varies with the appointment under consideration.

Remuneration: Sir Colin Southgate chairs this committee, which meets at least four times a year. Other members are Kevin Lomax and Dame Beryl Grey. Tony Hall and Elizabeth Bridges (the Director of Personnel) attend meetings by invitation. The committee is responsible for reviewing the pay and benefits of the Executive Committee, including the Executive Director, the Music Director and the Director of the Royal Ballet.

The day to day management is the task of the Royal Opera House Executives. The Executive Director is the Royal Opera House's Chief Executive. The Trustees appoint the Executive Director and, with him, the most senior management. Royal Opera House operations are managed by the Executive Director together with an Executive Committee comprising:

Executive Director	Tony Hall
Music Director	Antonio Pappano
Director of the Royal Ballet	Ross Stretton
Director of Marketing	Caroline Bailey
Director of Personnel	Elizabeth Bridges
Director of Finance and Business Affairs	Anne Bulford
Artistic Director, New Arts	Deborah Bull
Commercial Director	John Harrison
Director of Education and Access	Darryl Jaffray
Development Director	Ruth Jarratt
Director of Opera Casting	Peter Katona
Director of Press	Chris Millard
Deputy Director of Finance	John Mortlock
Director of Opera	Elaine Padmore
Administrative Director of the Royal Ballet	Anthony Russell-Roberts
Director of Operations	John Seekings

The Executive Director (assisted by the Executive Committee) is responsible for the development and implementation of the strategy and business plans of the Royal Opera House. The Executive Committee meets at least once a month to monitor artistic, operational and financial progress against plans approved by Trustees.

Trustees' report *(continued)*

The Royal Opera Company and the Royal Ballet are not separate companies or charities but internal divisions of the charity. The Royal Ballet has a Royal Charter dating in its original form from 1956. The Royal Opera House and the Royal Opera Company have the Sovereign's permission to use the word 'Royal' in their titles.

During the year the Royal Opera House group of companies was reorganised. On 31 March 2002 the group included the charity and:

Royal Opera House Covent Garden Trading Limited: a company established to account for the non-arts related retail and revenue hire activity and was wholly owned throughout the year;

Royal Opera House Foundation: a membership and fund-raising organisation effectively controlled by the Royal Opera House from 31 August 2001;

ROH Holdings Limited: until 28 March 2002 this company was a wholly owned subsidiary of the Royal Opera House Development Land Trust, a joint venture between the charity and the Arts Council of Great Britain, established to manage the redevelopment of the House at Covent Garden. On 28 March 2002 ROH Holdings became a wholly owned subsidiary of the charity. ROH Holdings Limited has two further subsidiaries, **ROH Management Limited**, a property management company, and **ROH Developments Limited**, a property development company.

The consolidated accounts include the results of these entities, as detailed in note 1.

Business Review

The results for the year are set out in the consolidated statement of financial activities on pages 9 and 10. Note 1 to the financial statements sets out the basis on which these financial statements have been prepared.

The result for the year ended 31 March 2002, before exceptional income arising from the reorganisation of the Royal Opera House group described above, was a surplus on unrestricted funds of £385,000 (2001: £11,000).

Despite uncertain demand for public performances generally in the West End following the events of 11 September 2001, Box Office sales increased by 9% to £19.8m (2001: £18.2m). This increase, combined with strong cost management, resulted in the surplus on unrestricted funds for the year.

In the main auditorium 120 Royal Opera, 132 Royal Ballet and 58 visiting company performances and 2 concerts attracted total audiences of some 650,000. The Royal Opera company staged 21 productions including 4 new productions, 3 new co-productions and 2 productions hired from other Houses. The Royal Ballet staged 20 productions including 2 new productions and 3 new hires.

The Royal Opera House continued its work to bring new audiences to Opera and Ballet. Schools' matinees were presented to 12,500 children. 5 TV relays were watched by 3.5m BBC2 viewers and 12 radio relays were broadcast by BBC Radio 3. Also some 15,000 people enjoyed live relays to the Piazza Big Screen. Some 12,000 people came to see performances in the studio theatres by visiting companies as well as Royal Opera House dancers, singers and musicians.

More than 300 different activities for people of all ages and levels of experience were organised in the Royal Opera House, including Insights days and evenings, Tea Dances, talks, family activities and Friends of Covent Garden events. 16,000 people went on backstage tours and at least a further 200,000 visited the building as daytime visitors.

We continued our Education programme targeting knowledgeable adults with an existing interest in opera and ballet, as well as adults new to the art forms and school children. In addition to schools' matinees and events in the House, educational initiatives included Write an Opera courses for teachers, our established Chance to Dance programme in South London schools, and Turtle Opera, a series of creative workshops for young people with autism.

Cash and reserves

At the end of the year Restricted Fund balances were £199.5m. Restricted funds substantially represent funds granted specifically to finance capital expenditure on the development of the House. The deficit on restricted funds

Trustees' report *(continued)*

of £2.7m arises in the year primarily as a result of a transfer of funds from restricted to unrestricted funds to match the depreciation charge arising on the House (which will recur annually).

The trustees have reviewed the reserves of The Royal Opera House (those that are not restricted or held as fixed assets) which are £1.2m at 31 March 2002. These will be required to provide the Charity with financial flexibility and to provide a buffer to deal with operational risks.

The Royal Opera House group held positive cash balances throughout the year. Cash held at the year end was £31.5m, including cash committed to the redevelopment project of £8.9m, other planned capital expenditure of £7.5m, advance bookings of £6.8m, unrestricted reserves of £1.2m and cash required to meeting the charity's working capital requirements.

Having regard to the sensitivity of sponsorship, donations and box office income to the economic climate, the trustees consider that it would be appropriate to increase the level of free reserves.

Risk

During the year the trustees implemented a risk management strategy which comprises:

- an annual review of the risks which the charity may face;
- the establishment of systems and procedures to mitigate those risks identified; and
- implementation of procedures designed to minimise any potential impact on the charity should any of those risks materialise.

A detailed review of the risks associated with the achievement of the Royal Opera House's objectives including health and safety, business continuity and security has been completed. Reports on the management of key risks facing the charity are to be prepared for consideration by the Executive director and his senior team quarterly and by the Finance and Audit Committee and the Board twice a year, with additional reports to be prepared on an ad-hoc basis as necessary.

Health and safety

The charity has a health and safety committee comprised of representatives from all departments. All new employees are issued with a health and safety policy document. In addition, under the supervision of the occupational health unit, there are trained first-aiders in all departments. The Executive Director reports on Health and Safety issues to all Board meetings. A full report on Health and Safety is to be taken by the Board once a year.

Employees

The Charity informs and seeks the views of its employees by means of regular department meetings open to all employees and newsletters. Regular meetings are held with the recognised unions: BECTU, (Broadcasting Entertainment Cinematograph and Theatre Union), The Musicians Union and Equity.

Disabled persons

The charity encourages the employment of disabled persons.

It is Board policy to ensure that continued employment is offered, wherever possible, to employees who become temporarily disabled and special arrangements are made for those permanently disabled.

Political and charitable contributions

The charity made no political or charitable contributions during the period. However, the studio theatres were made available free of charge to certain performing companies engaged primarily in the lyric arts.

Trustees' report *(continued)*

Payment policy

It is the charity's policy to pay suppliers in accordance with agreed credit terms. The House had 45 days creditors outstanding at the year end.

Auditors

KPMG were re-appointed auditors on 10 January 2002. However since that date their audit practice was transferred to a limited liability partnership, KPMG LLP. Accordingly KPMG resigned as auditors on 4 July 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising.

By order of the board



Sir Colin Southgate
Chairman

Royal Opera House
Covent Garden
London WC2E 9DD
24 September 2002

Statement of the trustees' responsibilities

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 charity and of the excess of income over expenditure for that period. In preparing those financial statements the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity and the group will continue in operation.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and which enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



PO Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Report of the independent auditors to the members of Royal Opera House Covent Garden Limited

We have audited the financial statements on pages 9 to 33.

Respective responsibilities of trustees and auditors

The trustees, who are also the directors of Royal Opera House Covent Garden Limited for the purposes of company law, are responsible for preparing the trustees' report and, as described on page 6, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the trustees' report is not consistent with the financial statements, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

Basis of audit opinion

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

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

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the financial position of the charity. In view of the significance of this matter we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the charitable company and the group as at 31 March 2002 and of the group's incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
Chartered Accountants
Registered Auditor

KPMG LLP

24 September 2002

Consolidated statement of financial activities (including Income and Expenditure Account)

for the year ended 31 March 2002

Income and expenditure	Note	2002		2001	
		Un- Restricted Funds £000	Restricted funds £000	Total Funds £000	Total Funds £000
Incoming resources					
Operation of Royal Opera House (including box office and share of joint venture)	3	26,217	302	26,519	24,428
Activities in furtherance of the Charity's objects:					
Grants from Arts Council of England	4	20,500	-	20,500	20,000
Activities for generating funds:					
Commercial trading income	2	604	-	604	444
Donations, legacies and similar					
Incoming resources	5	11,215	5,310	16,525	28,084
Investment income - group	6	689	-	689	274
- joint venture	6	-	135	135	457
Less: share of joint venture	11	-	(302)	(302)	(267)
Total incoming resources		59,225	5,445	64,670	73,420
Less cost of generating funds:					
Commercial trading operations	2	(483)	-	(483)	(382)
Fundraising costs		(2,218)	(219)	(2,437)	-
Net incoming resources available for charitable application		56,524	5,226	61,750	73,038
Charitable expenditure					
Costs of operation of Royal Opera House	7	(18,397)	-	(18,397)	(17,775)
Cost of productions and sales	8	(39,708)	-	(39,708)	(35,323)
Managing and administering the Charity	9	(2,495)	-	(2,495)	(2,408)
Total charitable expenditure		(60,600)	-	(60,600)	(55,506)

Consolidated statement of financial activities *(continued)*

for the year ended 31 March 2002

		2002		2001	
		Un- Restricted Funds £000	Restricted Funds £000	Total Funds £000	Total Funds £000
Net (expenditure)/income before transfers and Joint Venture		(4,076)	5,226	1,150	17,532
Share of operating loss in Joint Venture	11	-	(1,778)	(1,778)	(12,082)
Transfers between funds	10	4,461	(4,461)	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Net income/(expenditure)	13	385	(1,013)	(628)	5,450
Exceptional items	12	779	4,912	5,691	33,955
		<hr/>	<hr/>	<hr/>	<hr/>
Net movement in funds for the year		1,164	3,899	5,063	39,405
		<hr/>	<hr/>	<hr/>	<hr/>
Fund balances brought forward at 1 April 2001		11	195,589	195,600	156,195
		<hr/>	<hr/>	<hr/>	<hr/>
Fund balances carried forward at 31 March 2002		1,175	199,488	200,663	195,600
		<hr/>	<hr/>	<hr/>	<hr/>

Amounts relating to incoming resources and resources expended in the current and previous year derive from continuing activities.


The comparative figure for Exceptional Items includes the 50% share in Royal Opera House Development Land Trust (£17.744m) disclosed in the 2001 accounts in the Statement of total realised gains and losses. The remainder of the comparative (£16.211m) represents a grant from Royal Opera House Development Land Trust, disclosed as an Exceptional Item in the 2001 accounts.


Consolidated balance sheet

at 31 March 2002

	Note	Un- Restricted Funds £000	2002 Restricted Funds £000	Total Funds £000	2001 Total Funds £000
Fixed assets					
Tangible Assets					
Freehold premises		1,616	139,174	140,790	143,164
Short leasehold premises		16	-	16	18
Equipment and vehicles		2,583	53,906	56,489	58,504
	15	4,215	193,080	197,295	201,686
Investment in joint ventures					
Share of gross assets		-	-	-	9,061
Share of gross liabilities		-	-	-	(2,942)
		-	-	-	6,119
Total Fixed Assets		4,215	193,080	197,295	207,805
Current assets					
Productions in preparation		1,795	-	1,795	1,494
Stocks	17	332	-	332	533
Debtors	18	4,350	4,001	8,351	7,032
Cash at bank and in hand		20,904	10,631	31,535	17,123
Creditors: amounts falling due within one year	19	27,381 (29,325)	14,632 (8,224)	42,013 (37,549)	26,182 (37,105)
Net current (liabilities) / assets		(1,944)	6,408	4,464	(10,923)
Total assets less current liabilities		2,271	199,488	201,759	96,882
Creditors: amounts falling due after more Than one year	20	(1,096)	-	(1,096)	(1,282)
Net assets		1,175	199,488	200,663	195,600
Funds					
Unrestricted funds	21	1,175	-	1,175	11
Restricted funds	21	-	199,488	199,488	195,589
		1,175	199,488	200,663	195,600

These financial statements were approved by the board of trustees on 24 September 2002 and were signed on its behalf by:


Sir Colin Southgate
Trustee


Sir David Lees
Trustee

Consolidated cash flow statement

for the year ended 31 March 2002

	Note	2002		2001	
		£000	£000	£000	£000
Cash (outflow)/inflow from operating activities	26		(1,728)		14,034
Return on investments and servicing of finance	27 (a)		571		119
Capital expenditure and financial investments	27(b)		(882)		(278)
Cash received on acquisition of ROH Foundation and share in ROH Holdings Limited			16,852		-
Cash inflow before financing			14,813		13,875
Financing					
Repayment of other loan financing	28	(157)		(157)	
Decrease in lease financing	28	(244)		(227)	
			(401)		(384)
Increase in net cash in the year	28		14,412		13,491

Reconciliation of net cash flow to movement in net funds

for the year ended 31 March 2002

	Note	2002	2001
		£000	£000
Increase in net cash	28	14,412	13,491
Decrease in debt and lease financing	28	401	4,384
Movement in net funds in the period	28	14,813	17,875
Net funds/(debt) at 1 April 2001	28	15,440	(2,435)
Net funds at 31 March 2002	28	30,253	15,440

Charity balance sheet

at 31 March 2002

	Note	Un- restricted Funds £000	2002 Restricted Funds £000	2001 Total Funds £000	2001 Total Funds £000
Fixed assets					
Freehold premises	15	1,616	139,174	140,790	143,164
Short leasehold premises	15	16	-	16	18
Equipment and vehicles	15	2,571	53,906	56,477	58,504
Investment in subsidiaries	16	2	-	2	1
		<u>4,205</u>	<u>193,080</u>	<u>197,285</u>	<u>201,687</u>
Current assets					
Productions in preparation		1,795	-	1,795	1,494
Stocks	17	227	-	227	490
Debtors	18	3,053	4,186	7,239	7,076
Cash at bank and in hand		18,018	396	18,414	17,121
		<u>23,093</u>	<u>4,582</u>	<u>27,675</u>	<u>26,181</u>
Creditors: amounts falling due within one year	19	<u>(25,841)</u>	<u>(6,991)</u>	<u>(32,832)</u>	<u>(37,105)</u>
Net current liabilities		<u>(2,748)</u>	<u>(2,409)</u>	<u>(5,157)</u>	<u>(10,924)</u>
Total assets less current liabilities		<u>1,457</u>	<u>190,671</u>	<u>192,128</u>	<u>190,763</u>
Creditors: amounts falling due after more than one year	20	<u>(1,096)</u>	<u>-</u>	<u>(1,096)</u>	<u>(1,282)</u>
Net assets		<u>361</u>	<u>190,671</u>	<u>191,032</u>	<u>189,481</u>
Funds					
Unrestricted funds	21	361	-	361	11
Restricted funds	21	-	190,671	190,671	189,470
		<u>361</u>	<u>190,671</u>	<u>191,032</u>	<u>189,481</u>

These financial statements were approved by the board of trustees on 24 September 2002 and were signed on its behalf by:

Sir Colin Southgate
Trustee

Sir David Lees
Trustee

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the charity's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with the reporting requirements of Companies Act 1985 and applicable accounting standards and under the historical cost accounting rules and in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities 2000".

The financial statements are drawn up on the going concern basis which assumes the group will continue in operational existence for the foreseeable future. The charity substantially relies on funding by grants from the Arts Council of England for its current and future commitments, and operates on the basis that, taking one year with another, its revenue will match its expenditure.

The Arts Council of England confirmed funding for the charity covering the three years to March 2003, of which the second year was received in the year under review. The going concern basis used in the preparation of these financial statements is based upon the expectation that the group will continue to receive sufficient support from the Arts Council of England to match its expenditure with the total revenue that it raises.

Basis of consolidation

The consolidated statement of financial activities and balance sheet include the financial statements of the charity (Royal Opera House Covent Garden Limited or ROHCG Limited) and its subsidiaries as set out in Note 16. The results of the Royal Opera House Covent Garden Trading Limited have been included in the consolidated statement of financial activities throughout the year. In the charity's financial statements, the investment in the subsidiary undertaking is stated at cost.

On 31 August 2001, ROHCG Limited took effective control of the Royal Opera House Foundation, and therefore this entity has been treated as a subsidiary undertaking, and consolidated into the results of the group from that date.

The charity's 50% share of Royal Opera House Development Land Trust (DLT), a joint venture with the Arts Council of Great Britain has been accounted for using the gross equity method, until 28 March 2002, when the trust was wound up. On that date DLT transferred its share of ROH Holdings Limited to ROHCG Limited and it has been consolidated as a wholly owned sub-group from that date. The 50% of reserves, not previously held by the group has been treated as an exceptional item and is disclosed in note 12.

A separate Statement of Financial Activities, or income and expenditure account, has not been presented for the charity in accordance with Section 230 of the Companies Act 1985 and paragraph 304 of SORP 2000.

Incoming resources

Box office and other income is stated net of Value Added Tax and consists primarily of ticket sales together with sales of other goods and services. Revenue from ticket sales is recognised on the night of the performance.

Subscription income received is recognised on a time-apportioned basis over the period to which the subscription relates.

Unrestricted grants and donations are recognised on a receivable basis when their receipt is assured. Donations in respect of the redevelopment of the Royal Opera House are recognised on a receivable basis and disclosed in a separately designated fund and are utilised as redevelopment expenditure is incurred.

Notes (continued)

Accounting policies (continued)

Fund accounting

Unrestricted funds are those that can be used in accordance with the charitable objectives at the discretion of the trustees.

Restricted funds are funds which have been given for particular purposes and projects. The Development fund is a restricted fund and grants and donations received in respect of the redevelopment of the Royal Opera House have been credited to this fund. An analysis of Restricted Funds, including the Development Fund, is shown in note 21.

A transfer is made between restricted and unrestricted funds to match depreciation charged on the redevelopment of the Royal Opera House.

Fixed assets and depreciation

Depreciation is provided at annual rates on a straight-line basis to write off the cost of tangible fixed assets over their estimated useful lives. The principal rates used are as follows:

Freehold land and buildings	-	1 - 5%
Leasehold land and buildings	-	2 - 4%
Stage, production and technical equipment	-	2 - 20%
Other equipment	-	2 - 25%
Computer equipment	-	33%
Motor vehicles	-	25%

The value of fixed assets is reviewed annually for any potential impairment.

Costs

Direct expenditure on productions staged is charged to cost of production and sales on the day of the first performance.

Other costs of operation are classified under appropriate headings. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of the resources.

Leases

Assets held under finance lease agreements are included in tangible fixed assets and are depreciated in accordance with the depreciation policy. Obligations under such agreements are included in creditors. Finance charges are taken to the statement of financial activities so that the annual rate of charge on the outstanding obligation at the end of each accounting period is approximately constant.

Amounts payable under operating lease agreements are charged to the statement of financial activities as incurred.

Pension costs

The charity operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the charity. Contributions to the scheme are charged to the statement of financial activities so as to spread the cost of pensions over employees' working lives with the charity. The group has not adopted FRS17, however, the disclosure requirements of the standard have been included in these financial statements.

The charity also contributes to three defined contribution schemes for dancers, singers and musicians. The amounts charged to the statement of financial activities represent the contributions payable to the schemes during the period.

Notes (continued)

Accounting policies (continued)

Stocks

Retail items are included at the lower of cost and net realisable value. Stocks of production materials are shown at the lower of cost and net realisable value until used in a production, when they are written off to cost of production and sales on the first night.

Comparative figures

Comparative figures are shown for the 53 week period ended 1 April 2001. Where appropriate comparatives have been restated in line with the requirements of SORP 2000. These restatements include the reclassification of Box Office payroll and overheads from 'Managing and administering the charity' to 'Cost of Operation'.

Taxation

Royal Opera House Covent Garden Limited is a registered charity and is therefore not subject to corporation tax on its charitable activities.

2 Subsidiary companies

Royal Opera House Covent Garden Trading Limited

The wholly owned trading subsidiary, Royal Opera House Covent Garden Limited, which is incorporated in the UK, pays all its profits to the charity by gift aid. Royal Opera House Covent Garden Trading Limited trades in the hire of venue space to non-arts organisations and undertakes retail activities in the Royal Opera House shop. The charity owns the entire issued share capital. Summary trading results are shown below:

Income and expenditure account	2002	2001
<i>For the year ended 31 March 2002</i>	£000	£000
Income	604	444
Cost of sales and administrative expenses	(483)	(382)
	<hr/>	<hr/>
Net profit	121	62
Amount gifted to the charity	(121)	(62)
	<hr/>	<hr/>
Retained in the subsidiary	-	-
	<hr/>	<hr/>
The assets and liabilities of the subsidiary were:		
	£000	£000
Current assets	123	64
Creditors: amounts falling due within one year	(121)	(63)
	<hr/>	<hr/>
Total net assets	2	1
	<hr/>	<hr/>
Aggregate share capital and reserves	2	1
	<hr/>	<hr/>

During the year Royal Opera House Covent Garden Limited increased its investment in Royal Opera House Covent Garden Trading Limited by acquiring a further 1,000 ordinary shares at their nominal value of £1 each.

Notes (continued)

Subsidiary companies (continued)

Royal Opera House Foundation

The Royal Opera House Foundation is a charitable company limited by guarantee which is incorporated in the UK. It operates the membership scheme for the Royal Opera House and other fundraising activities. It has been effectively controlled by Royal Opera House Covent Garden Limited since 31 August 2001 and has been consolidated from that date. Summary trading results from 1 September 2001 are shown below:

	7 months ended 31 March 2002			
	£000 Unrestricted	£000 Restricted	£000 Total	
Income	6,559	4,339	10,898	
Cost of sales and administrative expenses	(3,352)	(219)	(3,571)	
Donations and grants to Royal Opera House	(3,171)	(4,339)	(7,510)	
Retained loss	36	(219)	(183)	
	£000	31 March 2002 £000	£000	31 August 2001 £000
The assets and liabilities of the subsidiary were				
Fixed assets	12	-	12	8
Cash	3,101	-	3,101	6,834
Current assets	1,342	216	1,558	519
Creditors: amounts falling due within one year	(3,640)	-	(3,640)	(6,147)
Total net assets	815	216	1,031	1,214
Aggregate share capital and reserves	815	216	1,031	1,214

ROH Holdings Limited

As explained in note 1, ROH Holdings Limited became a subsidiary of the Royal Opera House Covent Garden Limited on 28 March 2002. ROH Holdings has two wholly owned subsidiaries, ROH Developments Limited and ROH Management Limited. The results of the ROH Holdings Group from 28 March 2002 to 31 March 2002 have not been included in the Statement of Financial Activities as they are immaterial for that period. The assets and liabilities of the ROH Holdings Limited Group are included in the consolidated balance sheet.

The assets and liabilities of the subsidiary group were:

	31 March 2002 £000
Cash	10,018
Current assets	975
Creditors	(2,040)
Total net assets	8,953
Aggregate share capital and reserves	8,953

Notes (continued)

3 Incoming resources from operation of Royal Opera House

	2002 £000	2001 £000
Unrestricted funds:		
Box office receipts:		
The Royal Opera	12,678	11,147
The Royal Ballet	7,097	7,030
	<hr/>	<hr/>
	19,775	18,177
Other income:		
Summer season	1,749	1,840
Other	4,248	4,109
	<hr/>	<hr/>
	5,997	5,949
UK total	25,772	24,126
Overseas touring receipts	445	35
	<hr/>	<hr/>
	26,217	24,161
Restricted Funds:		
Share of income in joint venture	302	267
	<hr/>	<hr/>
	26,519	24,428
	<hr/>	<hr/>

Comparative figures for Other income have been adjusted by £646,000 to include gross income for trading activities as required by SORP 2000. In the 2000/2001 accounts trading income was reported net, as gross profit. A corresponding adjustment has been made to the comparative numbers for Cost of productions and sales. There is no impact on net income or expenditure in either year.

4 Grants from Arts Council of England

	2002 £000	2001 £000
Unrestricted funds:		
Revenue grant	20,500	20,000
	<hr/>	<hr/>

Notes (continued)

5 Donations, legacies and similar incoming resources

	2002 £000	2001 £000
Unrestricted funds		
Membership	3,187	3,531
Sponsorship	1,419	1,224
Events	293	976
Donations, gifts and legacies	783	828
Other	5,533	-
	<hr/> 11,215	<hr/> 6,559
Restricted funds		
- Development		
Royal Opera House Trust	1,240	8,400
Other donations	70	5,125
Gift from Royal Opera House Development Land Trust	4,000	8,000
	<hr/> 5,310	<hr/> 21,525
	<hr/> 16,525	<hr/> 28,084

Income shown under unrestricted funds represents:

- for 2002, the net grants received from the Royal Opera House Foundation up to the date on which it became a subsidiary of Royal Opera House Covent Garden Limited (31st August 2001), and consolidated gross income from that date

- for 2001, grants received by Royal Opera House Covent Garden Limited from the Royal Opera House Trust and the Friends of Covent Garden.

Unrestricted donations includes £2.4 m granted in the year to the Royal Opera House Foundation against specific productions and other activities completed in the year. The costs associated with these productions and other activities are included in unrestricted expenditures.

Sponsorship, Donations and Legacies include amounts from:

AMP	Henry Smith Charity	Sony
Associated Newspapers	Jane and Glenn Melrose	The Austin & Hope Pilkington Charitable Trust
Bernard Sunley Charitable Foundation	John Lyon's Charity	The Chase Manhattan Bank N.A.
BP	Lady Carol Brown	The Daily Telegraph Charitable Trust
British Land Company plc	Lady Shauna Gosling	The Daisy Trust
Candide Charitable Trust	Marina Hobson	The Fishmongers' Company
Capel Cure Sharp	Moët & Chandon	The Goldsmiths' Company
Christchurch Education Foundation	Morgan Stanley Dean Witter	The Jean Sainsbury Royal Opera House Fund
Clifton Charitable Trust	Mr Alberto Vilar	The Kobler Trust
Donald Gordon Foundation	Mr and Mrs Maurice Pinto	The Linbury Trust
D'Oyly Carte Charitable Trust	Mr and Mrs Michael Bienes	The Mercers' Company
Dr and Mrs Robert Lefever	Mr Clay Brendish	The Newcomen Collett Foundation
Elan Corporation	Mrs J Prophet	The Walcot Educational Foundation
Eleanor Barton Trust	Mr and Mrs Thomas G. Lynch	The Woo Charitable Foundation
Emily Temple West Trust	Sadie and Norman Lee CBE	UBS Private Bank
Fiona and Peter Espenhahn	Sir Peter Michael CBE	UBS Warburg
Freed of London Ltd	SmithKline Beecham	Zurich Financial Services

Notes (continued)

6 Investment income

	2002 £000	2001 £000
Group: bank interest	689	274
Joint Venture: bank interest	135	457
	<hr/>	<hr/>
	824	731
	<hr/>	<hr/>

7 Cost of operation of Royal Opera House

	2002 £000	2001 £000
House management	1,634	1,520
Marketing and publicity	4,200	4,092
Education, Archives & Live Relays	1,025	997
Premises	6,253	6,093
Depreciation	5,285	5,073
	<hr/>	<hr/>
	18,397	17,775
	<hr/>	<hr/>

Depreciation shown above comprises depreciation of the assets of Royal Opera House Covent Garden Limited. Depreciation of assets owned by Royal Opera House Foundation of £3,000 is included in fundraising costs in the consolidated statement of financial activities. Full analysis of depreciation for the group is shown in note 15.

8 Cost of productions and sales

	2002 £000	2001 £000
Performance, production and staging:		
The Royal Opera	10,274	9,653
The Royal Ballet	6,520	6,318
Orchestra of the Royal Opera House	5,579	5,206
Royalties and hire fees	544	666
Production	8,112	6,072
Stage and transport	6,267	6,042
	<hr/>	<hr/>
	37,296	33,957
	<hr/>	<hr/>
Touring expenses (overseas)	584	21
Other costs	1,828	1,345
	<hr/>	<hr/>
	39,708	35,323
	<hr/>	<hr/>

Notes (continued)

9 Managing and administering the charity

	Group 2002 £000	Group 2001 £000
External audit	47	25
Legal advice for trustees	192	130
Salaries and wages	1,414	1,391
Office Costs	842	862
	<u>2,495</u>	<u>2,408</u>

10 Transfer between funds

Depreciation of £4.461m (2001: £4.461m) relating to the completed development (included in Costs of operation) is charged against unrestricted income, but is then matched by a transfer from restricted funds. Restricted funds include those funds that have been granted specifically to finance the capital expenditure on the redevelopment of the Royal Opera House.

11 Joint Venture

The consolidated accounts for Royal Opera House Covent Garden Limited include its 50% share in Royal Opera House Development Land Trust (ROHDLT), a joint venture with the Arts Council of Great Britain up to 28 March 2002, as explained in note 1 above. The group's share of ROHDLT's income and expenditure is disclosed within Restricted Funds in the Consolidated Statement of Financial Activities.

12 Exceptional items

These represent reserves at the date of consolidation of the Royal Opera House Foundation and ROH Holdings Limited, as follows:

	Unrestricted 2002 £000	Restricted 2002 £000	Total 2002 £000	Total 2001 £000
Royal Opera House Foundation	779	435	1,214	-
ROH Holdings Limited (50% share)	-	4,477	4,477	-
Grant from Royal Opera House Development Land Trust	-	-	-	16,211
Adjustment to opening reserves for 50% share in Royal Opera House Development Land Trust (previously disclosed in the Statement of total recognised gains and losses)	-	-	-	17,744
Total	<u>779</u>	<u>4,912</u>	<u>5,691</u>	<u>33,955</u>

Notes (continued)

13 Net income/(expenditure)

The net income/(expenditure) is stated after charging the following:

	2002 £000	2001 £000
Auditors' remuneration		
- audit	47	25
- other services	38	18
Depreciation and other amounts written off		
Tangible fixed assets		
- owned	5,261	5,020
- leased	24	53
Operating leases		
- land and buildings	150	537

14 Staff numbers and costs

The average number of persons employed by the group during the year was as follows:

	Number of employees	
	2002	2001
Production	316	286
Royal Ballet	112	117
Orchestra	110	107
Royal Opera	87	84
Sales and Marketing	78	74
Management and Administration	44	47
Fundraising	27	-
Education and Archives	11	12
Premises	5	7
Shop	5	5
Studio Theatres	1	-
	<hr/>	<hr/>
	796	739
	<hr/>	<hr/>

The number of employees shown for Fundraising relates specifically to the Royal Opera House Foundation which is consolidated for the first time this year. The relevant comparative for the Royal Opera House Trust and Friends of Covent Garden for 2001 is 20.

Notes (continued)

14 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2002 £000	2001 £000
Payroll Costs		
Wages and Salaries	25,098	22,705
Social Security costs	2,220	2,116
Other pension costs	1,360	1,144
Redundancy	103	67
	<u>28,781</u>	<u>26,032</u>

The trustees (including the Chairman) received no emoluments (2001: £nil).

The trustees received no reimbursements during the year. No member of the board of trustees had a material interest in any contract or transaction with the charity or its subsidiaries in the period other than engagements undertaken by Sir Thomas Allen in performances by the Royal Opera.

The number of employees whose emoluments for the year fell within the following bands were as follows:

			Number of employees			
			Performers	Others	2002 Total	2001 Total
£50,000	-	£59,999	18	7	25	17
£60,000	-	£69,999	-	4	4	4
£70,000	-	£79,999	1	3	4	4
£80,000	-	£89,999	2	1	3	3
£90,000	-	£99,999	4	1	5	2
£100,000	-	£109,999	-	1	1	2
£110,000	-	£119,999	1	1	2	1
£120,000	-	£129,999	-	-	-	1
£260,000	-	£269,999	-	1	1	-
£340,000	-	£349,999	1	-	1	1
			<u>27</u>	<u>19</u>	<u>46</u>	<u>35</u>

Of the 19 'Other' employees (2001:14) included in the above banding, 7 (2001:7) were production support staff and 12 (2001:7) were management. Emoluments comprise wages and salaries together with benefits in kind including pension contributions.

For employees in the above banding contributions of £97,860 (2001: £87,489) were made during the year for the provision of money purchase pension benefits. Retirement benefits are accruing to 23 (2001:15) of the above employees under money purchase pension schemes, and to 23 (2001:20) under a defined benefit pension scheme.

Some 25% of the Executive Director's total remuneration package for the year relates to pension contributions, including contributions to compensate him for loss of pension benefits on leaving his previous employer's scheme.

Notes (continued)

15 Tangible fixed assets

	Freehold premises	Short leasehold premises	Equipment & vehicles	Total
Group	£000	£000	£000	£000
Cost				
At beginning of year	146,629	221	63,857	210,707
Additions	90	-	792	882
Assets acquired on consolidation of ROH Foundation	-	-	15	15
At end of year	146,719	221	64,664	211,604
Depreciation and diminution in value				
At beginning of year	3,465	203	5,353	9,021
Charge for year	2,464	2	2,822	5,288
At end of year	5,929	205	8,175	14,309
Net book value				
At 31 March 2002	140,790	16	56,489	197,295
At 1 April 2001	143,164	18	58,504	201,686

The net book value of equipment and vehicles includes £0.454m (2001: £1.0m) in respect of assets held under finance leases. Depreciation charged on these assets during the period was £0.02m (2001: £0.05m).

	Freehold premises	Short leasehold premises	Equipment & vehicles	Total
Charity	£000	£000	£000	£000
Cost				
At beginning of year	146,629	221	63,857	210,707
Additions	90	-	792	882
At end of year	146,719	221	64,649	211,589
Depreciation and diminution in value				
At beginning of year	3,465	203	5,353	9,021
Charge for year	2,464	2	2,819	5,285
At end of year	5,929	205	8,172	14,306
Net book value				
At 31 March 2002	140,790	16	56,477	197,283
At 1 April 2001	143,164	18	58,504	201,686

Notes (continued)

16 Fixed asset investments

The following were the subsidiary undertakings of Royal Opera House Covent Garden Limited as at 31 March 2002:

	Country of incorporation	Principal activity	Percentage of shares held
<i>Subsidiary undertaking</i>			
Royal Opera House Covent Garden Trading Limited	UK	Retail	100%
ROH Holdings Limited	UK	Holding company	100%
ROH Management Limited	UK	Property management	100%
ROH Developments Limited	UK	Property development	100%
ROH Pension Trustee Limited	UK	Trustee company	100%

Royal Opera House Covent Garden Trading Limited is registered in England and Wales. Its principal business is the hire of allocated spaces within the Royal Opera House to non-arts individuals and organisations, and the sale of gift merchandise through the Royal Opera House shop. The issued share capital was increased from 1000 to 2000 £1 ordinary shares by the issue of a further 1000 shares at par for cash during the year.

ROH Holdings Limited is the holding company of ROH Developments Limited, a property development company, and ROH Management Limited, a property management company. The issued share capital of ROH Holdings is 2 £1 ordinary shares.

ROH Pension Trustee Limited is a non-trading subsidiary which is registered in England. The issued share capital is 100 £1 ordinary shares.

17 Stocks

	Group 2002 £000	Group 2001 £000	Charity 2002 £000	Charity 2001 £000
Raw materials and consumables	206	466	206	466
Goods for resale	126	67	21	24
	<hr/> 332	<hr/> 533	<hr/> 227	<hr/> 490

Notes (continued)

18 Debtors

	Group	Group	Charity	Charity
	2002	2001	2002	2001
	£000	£000	£000	£000
Amounts due within one year				
Trade debtors	2,747	2,158	1,606	2,158
Amounts recoverable from the Arts Council of England	199	189	199	189
Amounts recoverable from Birmingham Royal Ballet	18	18	18	18
Amounts due from subsidiary and associated undertakings	-	-	459	44
Amounts due from Restricted Funds	3,833	3,494	3,833	3,494
Other debtors	350	345	350	345
Prepayments and accrued income	1,154	737	724	737
	<hr/>	<hr/>	<hr/>	<hr/>
	8,301	6,941	7,189	6,985
Amounts due after more than one year				
Amounts recoverable from Birmingham Royal Ballet	50	91	50	91
	<hr/>	<hr/>	<hr/>	<hr/>
	8,351	7,032	7,239	7,076
	<hr/>	<hr/>	<hr/>	<hr/>

Comparative figures for both debtors and creditors (see note 19 below) have been grossed up to show amounts owing from and to the restricted balance sheet of Royal Opera House Covent Garden Limited.

19 Creditors: amounts falling due within one year

	Group	Group	Charity	Charity
	2002	2001	2002	2001
	£000	£000	£000	£000
Mortgage (note 20)	157	157	157	157
Finance lease obligations (note 20)	29	244	29	244
Advance bookings	6,809	5,545	6,809	5,545
Trade creditors	3,522	5,335	2,287	5,335
	<hr/>	<hr/>	<hr/>	<hr/>
	10,517	11,281	9,282	11,281
Other creditors including taxation and social security:				
Taxation and social security	5,012	3,370	4,262	3,370
Accruals and deferred income	18,187	18,960	15,455	18,960
Amounts due to unrestricted funds	3,833	3,494	3,833	3,494
	<hr/>	<hr/>	<hr/>	<hr/>
	37,549	37,105	32,832	37,105
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

20 Creditors: amounts falling due after more than one year

	Group 2002 £000	Group 2001 £000	Charity 2002 £000	Charity 2001 £000
Mortgage	1,096	1,253	1,096	1,253
Finance lease obligations	-	29	-	29
	<u>1,096</u>	<u>1,282</u>	<u>1,096</u>	<u>1,282</u>

The mortgage was taken out in March 1995. Interest is calculated at the finance house base rate plus 2.5%. A finance lease was taken on in August 1995 and is for a primary period of seven years. Both are secured by a fixed charge on the palletisation warehouse in Wales and on part of the development, and by a floating charge on the scenery and props stored in the warehouse in Wales.

The mortgage matures as follows:

	Group and Charity 2002 £000	Group and Charity 2001 £000
Instalments payable:		
Within one year	157	157
Between one and two years	157	157
Between two and five years	470	470
In five years or more	469	626
	<u>1,253</u>	<u>1,410</u>

Finance lease obligations analysed by payment date are as follows:

	Group 2002 £000	Group 2001 £000
Within one year	29	244
Between one and two years	-	29
	<u>29</u>	<u>273</u>

Notes (continued)

21 Statement of funds - Group

	At 1 April 2001	Incoming resources	Outgoing Resources	Transfers	At 31 March 2002
	£000	£000	£000	£000	£000
Unrestricted funds: General reserve	11	60,004	(63,301)	4,461	1,175
Restricted funds:					
Development fund	189,470	5,310	-	(4,461)	190,319
Joint Venture/ROH Holdings Limited	6,119	4,612	(1,778)	-	8,953
ROH Foundation	-	435	(219)	-	216
Total restricted funds	195,589	10,357	(1,997)	(4,461)	199,488
Total funds	195,600	70,361	(65,298)	-	200,663

The Development Fund represents donations and grants received specifically for the purpose of the redevelopment of the Royal Opera House.

The Joint Venture/ROH Holdings Limited opening balance represents the group's 50% share in Royal Opera House Development Land Trust held at 1 April 2001. On 28 March 2002 Royal Opera House Development Land Trust transferred its share of ROH Holdings Limited to Royal Opera House Covent Garden Limited. Reserves at the date of acquisition and the Joint Venture result for the period to 28 March 2002 are shown in incoming and outgoing resources above.

The Royal Opera House Foundation has been treated as a subsidiary of Royal Opera House Covent Garden Limited from 31 August 2001 on the basis of common control. Reserves at the date of acquisition, and the result for the remainder of the year are shown in incoming and outgoing resources above.

Statement of funds - Charity

	At 1 April 2001	Incoming resources	Outgoing resources	Transfers	At 31 March 2002
	£000	£000	£000	£000	£000
Unrestricted funds: General reserve	11	56,489	(60,600)	4,461	361
Restricted funds: Development fund	189,470	5,662	-	(4,461)	190,671
Total funds	189,481	62,151	(60,600)	-	191,032

Notes (continued)

22 Share capital

The charity is limited by guarantee and therefore has no share capital. The liability of the members of the charity is limited to £1 each. At 31 March 2002 there were 17 members.

23 Connected charities and other related party transactions

Connected charities

(a) The Royal Opera House Trust/Royal Opera House Foundation - registered charity No 211659

The Royal Opera House Trust/Royal Opera House Foundation supports the work of the Royal Opera House by raising funds from the private sector. On 16 August 2001 the trustees of the Royal Opera House Trust agreed to change the charity's name from Royal Opera House Trust to Royal Opera House Foundation, with effect from 31 August 2001. This is also the effective date at which the Royal Opera House Foundation becomes consolidated (on the basis of common control) into Royal Opera House Covent Garden Limited.

The Royal Opera House Trust was invoiced by Royal Opera House Covent Garden Limited during the period for tickets used in its membership scheme. No disclosure is made for grants and recharges between the Royal Opera House Trust/Royal Opera House Foundation and Royal Opera House Covent Garden Limited, as these take place in the normal course of operating activities.

(b) The Friends of Covent Garden - registered charity No 211660

The Friends of Covent Garden (FOCG) aims to promote ballet and opera through the Royal Opera House and give support to new productions, educational activities and other work. On 16 August 2001 the Royal Opera House Trust was gifted FOCG, assuming all assets and liabilities at that date. The FOCG continues in a dormant state and has no debtor or creditor balances with Royal Opera House Covent Garden Limited at the year end.

(c) The Royal Opera House Development Land Trust - registered charity No 282177

Until 28 March 2002 Royal Opera House Development Land Trust (DLT) was operated jointly by Royal Opera House Covent Garden Limited (ROHCG) and The Arts Council of Great Britain (ACGB).

The development of the Royal Opera House and surrounding land and building was undertaken by DLT and its subsidiaries. DLT has been treated as a joint venture in the Statement of Financial Activities to 28 March 2002.

On 28 March 2002 DLT transferred its share of ROH Holdings Limited to Royal Opera House Covent Garden Limited.

ROH Holdings Limited and its subsidiaries ROH Management Limited and ROH Developments Limited are consolidated into the group balance sheet at 31 March 2002.

(d) ROH Endowment Fund 2000 - registered charity No 1089928

The ROH Endowment Fund 2000 was created in December 2001 to support the work of the Royal Opera House, and other organisations by raising funds to support projects which increase the appreciation and understanding of the musical art in all its forms. It is a separately controlled and registered charity and its board has a majority of trustees who are independent of the Royal Opera House. During the period Royal Opera House Covent Garden Limited sold a 5% lease interest in the retail units on the Royal Opera House site to the ROH Endowment 2000 for a consideration of £3.102m, with nil gain or loss.

The above charities are based at the Royal Opera House, Covent Garden, London WC2E 9DD.

Notes (continued)

24 Commitments

The Group has annual commitments under non-cancellable operating leases as follows:

	2002 Land and buildings £000	2001 Land and Buildings £000
Operating leases which expire:		
In less than 1 year	-	203
Between 2 and 5 years	54	81
After 5 years	175	193
	<hr/>	<hr/>
	229	477
	<hr/>	<hr/>

Authorised and contracted capital commitments in connection with the development are included in creditors. There were no other material commitments at the year end.

25 Pension scheme

The charity has established a funded defined benefit occupational pension scheme for staff of the Royal Opera House.

Contributions to the scheme are charged to the statement of financial activities so as to spread the cost of pensions over employees' working lives with the charity. The contributions are determined by a qualified independent actuary using the attained age method.

The most recent actuarial valuation of the scheme was at 5 April 2000. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase of salaries and pensions. In assessing the past service funding position, it was assumed that the investment return achieved before and after retirement would be 7.5% per annum and 5% per annum respectively, and that salary increases would average 5% per annum. Further, it was assumed that pensions in payment earned before April 1997 would increase at the rate guaranteed by the rules of the scheme of 2.5% per annum, and those earned thereafter at 3.25% per annum.

The market value of the scheme's assets (excluding members' additional voluntary contributions) was £19,828,000 as at 5 April 2000, representing 98% of the value of accrued liabilities assessed on an ongoing basis after allowing for expected future increases in salaries. On the advice of the actuary the charity's contribution rate for the year was 11.6%. The pension cost of the scheme for the period was £768,000 (2001: £606,000) with no adjustment for surplus or deficit in respect of past service, and is recognised within net incoming/outgoing resources.

The charity also contributes to three defined contribution schemes sponsored by the Arts Council and Equity (for dancers and singers) and the Musicians Union (for musicians). Contributions to these and other schemes amounted to £592,000 (2001: £538,000).

Notes (continued)

25 Pension scheme (continued)

Whilst the company continues to account for pension costs in accordance with SSAP 24 'Accounting for Pension costs', additional transitional disclosure is set out below as required by FRS 17 'Retirement benefits'.

The valuation at 5 April 2000 has been updated by the actuary on an FRS 17 basis as at 31 March 2002.

The major assumptions used in this valuation were:

Rate of increase in salaries	4.8%
Rate of increase in pensions in payment (pre 1997)	2.5%
Rate of increase in pensions in payment (post 1997)	2.8%
Discount rate	6.1%
Inflation assumption	2.8%

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Expected rate of Return (per annum)	Value at 2002 £m
Equities	8.3%	11.9
Bonds	5.2%	6.6
Property	6.8%	0.5
Other	5.2%	0.3
		<hr/> 19.3
Present value of scheme liabilities		(23.1)
		<hr/>
Deficit in the scheme – pension liability		(3.8)
		<hr/>

On an FRS 17 basis the amount of this net pension liability would have an impact on unrestricted funds.

Notes (continued)

26 Reconciliation of net incoming resources to net cash inflow from operating activities

	2002 £000	2001 £000
Net incoming resources	1,150	17,532
Share of net interest (receivable) – joint venture	(135)	(457)
Exceptional income	-	16,211
Net interest receivable	(571)	(119)
Depreciation charge	5,288	5,073
Increase in productions in preparation	(301)	(715)
Decrease/(Increase) in stocks	201	(2)
Decrease in debtors	1,539	711
Decrease in creditors	(10,163)	(24,434)
Increase in advance bookings	1,264	234
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(1,728)	14,034
	<hr/>	<hr/>

27 Gross cash flows

a) Returns on investment and servicing of finance

	2002 £000	2001 £000
Interest received	689	274
Interest paid	(118)	(155)
	<hr/>	<hr/>
Net cash inflow from returns on investment and servicing of finance	571	119
	<hr/>	<hr/>

b) Capital expenditure and financial investment

	2002 £000	2001 £000
Expenditure on tangible fixed assets	(882)	(278)
	<hr/>	<hr/>

Notes (continued)

28 Analysis of net funds

	31 March 2002 £000	Cash Flow £000	1 April 2001 restated £000
Cash at bank and in hand	31,535	14,412	17,123
Less:			
Debt due within one year	(157)	-	(157)
Debt due after more than one year	(1,096)	157	(1,253)
Finance leases	(29)	244	(273)
	<u>(1,282)</u>	<u>401</u>	<u>(1,683)</u>
Net Funds	<u>30,253</u>	<u>14,813</u>	<u>15,440</u>

Net debt disclosure at 31 March 2001 incorrectly included £4m as debt due within one year. The opening position in the above note has been restated to exclude this amount. Total debt as presented in the balance sheet at 31 March 2001 was correctly presented and the above restatement has no impact on the group's balance sheet position at that date.

29 Contingent Liabilities

An independent organisation is seeking legal ruling on an issue which is currently being considered by the courts. There is a possibility that the outcome of the ruling could have implications for the Royal Opera House and give rise to a liability. It is not possible at this time to determine whether the circumstances of this case will be applicable to the Royal Opera House or to estimate the potential liability if it were applied to the Royal Opera House.