

Scottish Opera (Limited by Guarantee)

Report and Accounts

31 March 2010

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14/10/2010

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COMPANIES HOUSE

Scottish Opera
(Limited by Guarantee)

Registered No: SC037531

Company Information

Directors

Colin J S McClatchie	(Chair)
Elisabeth Kerr	(Vice chair)
John McCormick	(Vice chair)
Paul Bateman	
Edward Crozier	
Shields Henderson	
Peter Lawson	
Rona Mackie Black	
John Mayne	
Colin McCallum	
John Mulgrew	
Alex Reedijk	

Secretary

Judith Patrickson FCA DChA

Auditors

Baker Tilly UK Audit LLP
Breckenridge House
274 Sauchiehall Street
Glasgow
G2 3EH

Bankers

Royal Bank of Scotland
PO Box 29
1 Moncrieff Street
Paisley
PA3 2AW

Solicitors

MacLay Murray & Spens
151 St Vincent Street
Glasgow
G2 5NJ

MacRoberts
Capella
60 York Street
Glasgow
G2 8JX

Registered office

39 Elmbank Crescent
Glasgow
G2 4PT

Chair's statement

Introduction

It is with great pleasure that I take this opportunity, on behalf of the Board of Scottish Opera, to present my Chair's Report.

I am delighted the Company has shown that its artistic standards are as high as they have ever been. We have enjoyed strong audience support for our opera performances in over 50 venues throughout Scotland. The Company also enjoyed the viral spread of its *Five: 15 Operas Made in Scotland* concept to Canada, South Africa and Rostov-on-Don and the increasing reach of our education work in Hong Kong, and Tbilisi in Georgia.

Thanks are due to Fiona Hyslop MSP, the current Minister for Culture, External Affairs and Tourism and to Mike Russell MSP, the former Minister, for their enthusiastic support and interest in the Company. I am also grateful for the continued goodwill and assistance received from Glasgow City Council.

The Scottish Government continues to be the Company's major supporter and I am pleased that there continues to be a good and strong relationship between us and for the benefits that have accrued to Scottish Opera as a result of the move to direct funding in 2007.

The Company continues to be in consistent and secure financial health, which is important, as we begin to understand and grapple with the implications of this very deep recession on the provision of opera in Scotland.

I would also like to pay special tribute to those many individuals who have done their very best to maintain and even increase their own support during this very important year. I am further indebted to the many trusts and businesses that have continued to support Scottish Opera financially this year.

The Board continues to meet quarterly and is supported by a strong and active subcommittee structure. Their continued enthusiasm for and commitment to the Company is much appreciated.

It is a privilege for me to continue to lead the Board and the Company, and I would like to extend my sincere thanks and appreciation in these difficult times to Alex Reedijk, Francesco Corti and all the staff of the Company for their continued creativity, dedication and determination that has enabled Scottish Opera to begin to plan its way through these complex times and to be as strong as ever.

Colin J S McClatchie
Chairman

7 October 2010

General Director's report

Scottish Opera is essential to the artistic life of Scotland.

I am delighted to report that in 2009/10 Scottish Opera enjoyed another artistically, critically and financially successful year presenting 7 terrific opera productions throughout Scotland.

Over the course of this financial year, Scottish Opera presented 47 main stage opera performances in Glasgow, Edinburgh, Aberdeen, and Inverness together with 13 presentations of Opera Unwrapped.

In addition, as part of our extensive commitment to national reach, we toured smaller scale opera to 41 communities throughout Scotland tailored specifically to the individual venues we visit, many of which have been receiving Scottish Opera for over 30 years. We firmly believe that this level of opera performance satisfies our core charitable aims and objectives, as well as our audience.

2009/10 saw the deepening impact of the recession across Scotland. The Scottish Government provided a welcome 2% cash uplift in the Company's core funding, however once inflation had been taken into account, the real value of the funding remained static. Our income from philanthropic sources began to decline from the record levels of the past 2 years. Whilst this trend is consistent across the UK, relatively speaking we have held up well to date, thanks to the continued strength and passion of our private and corporate supporters.

The Company remains stable and solvent whilst retaining an appropriate level of reserves in line with the Company's policy. I am pleased to report that over 90% of our total income is being utilised to deliver opera throughout Scotland.

The longer-term future poses a greater challenge as we seek to sustain a vibrant opera company for the 21st century. This will require another robust examination of our operating model along with more imaginative funding initiatives as we look to absorb our share of the austere times ahead balanced with creating as much opera as possible for our audiences here in Scotland.

We continue to utilise a high proportion of Scottish artists from young singers in our touring and understudy roles through to internationally renowned directors including David McVicar. We launched our pilot *Scottish Opera Emerging Artist programme* in August of 2009 with three young singers - Louise Collette, Nadine Livingston and Miranda Sinani. The programme has provided real benefits to the singers at the start of their careers and in doing so has become a favourite with many of our supporters. I am delighted that it will continue next year.

In making all of this opera, under the leadership of Music Director, Francesco Corti, I am pleased that we remain internationally recognised for our tradition of consistently high musical and theatrical standards.

Scottish Opera Performances

Between April 2009 and March 2010 five main stage operas, were presented, and were chosen to give our audiences a "balanced basket" of work.

In the spring/summer, following on from the success of *La traviata* earlier in the season, Scottish director David McVicar staged his production of Mozart's *Così fan tutte*, which he had originally created for Opera National du Rhin in Strasbourg, with designs by Yannis Tavoris and costumes by Tanya McCallin. Tobias Ringborg returned to Scottish Opera to make his opera conducting debut with the Company. This was followed by the first ever staging of Massenet's *Manon* by Scottish Opera, directed and choreographed by Renaud Doucet and designed by Andre Barbe with Guy Simard as lighting designer. The conductor was our own Francesco Corti, and out of a strong cast particularly notable was the role debut of Anne Sophie Duprels as Manon. This was a big production involving a chorus of 46 and 7 dancers.

General Director's report

In the autumn/winter the main stage season began with a revival of the well loved and charming production of Donizetti's *The Elixir of Love*, directed by the Olivier Award winning Giles Havergal who was reunited with his creative team from the production's first staging in 1994: designer Russell Craig, choreographer Terry John Bates and lighting designer Gerry Jenkinson. Music Director Francesco Corti conducted this production.

There followed a successful presentation of Rossini's *The Italian Girl in Algiers*. This was a co-production with NBR New Zealand Opera, directed by Colin McColl, set and lighting designed by Tony Rabbit, costume design by Nic Smillie and movement director Kally Lloyd-Jones. Set as a low budget Latino soap opera, this production visibly used 21st century green screen technology to produce an interesting and amusing version of the story. Wyn Davies, Director of Music at NBR New Zealand Opera, returned to Scottish Opera to conduct the production.

In February the revival of Tony Award winning Stewart Laing's production of *La bohème* opened in Glasgow. This saw the debut of Celine Byrne in the role of Mimi and one of Scottish Opera's emerging Artists, Nadine Livingston, in the role of Musetta. Music director Francesco Corti conducted this production. The first performance of this successful Glasgow run was a special performance in conjunction with The Scottish Sun.

All the main stage productions toured to Edinburgh, Aberdeen and Inverness.

In the autumn of 2009 a touring production of Janacek's *Katya Kabanova*, directed by Kally Lloyd-Jones and designed by Adrian Linford, visited 20 venues throughout Scotland. The lead role of Katya was shared between the John D. Scott Award winner Joanne Boag and one of Scottish Opera's Emerging Artists, Nadine Livingston. In addition, the piano-accompanied Opera Highlights tour visited a further 21 venues in Scotland between the end of January and mid-February.

The Company continued its association with the RSAMD, presenting *War and Peace* in Prokofiev's never-previously-performed original version, prepared by Prokofiev expert, Dr Rita McAllister. The production directed by Irina Brown and designed by Chloe Lamford and was performed, sung in Russian, at the Theatre Royal and Edinburgh Festival Theatre at the end of January. Once again the students were given the opportunity of playing with The Orchestra of Scottish Opera. The Company's Technical Departments and Orchestra, were more involved than in previous years, making an important contribution to the practical skill development of the students through mentoring.

On December 5 the Company held its most successful Open Day to date at the Production Studios at Edington Street, which attracted a large number of people throughout the day. Many members of the Company participated in a variety of events, and The Orchestra of Scottish Opera, conducted by Head of Music Derek Clark, gave 2 concerts, which involved our Connect group of young singers, and the 3 Emerging Artists.

The Orchestra of Scottish Opera

The Orchestra of Scottish Opera, led by Francesco Corti, continues to enjoy good reviews for all its work both in a lyric capacity and on the concert platform. The Sunday afternoon *St Andrew's in the Square* concerts continued with four thrilling concerts. The conductors were Francesco Corti, Garry Walker and Mikhail Agrest.

The Orchestra of Scottish Opera was also involved with a broad range of concert and educational activity throughout Scotland.

General Director's report

Scottish Opera Education

The education team managed a total of 13 projects involving 281 performances and workshops in partnership with 353 schools and nurseries delivered by 82 freelance artists attended by over 13,760 audiences.

In one week in June 2009 there was a total of 5 projects in operation simultaneously including 8 performances of our opera for under-5s, *Auntie Janet Saves the Planet*, at Eden Court, Inverness and première performances of a specially commissioned opera for children: *James Watt, A Head of Steam* with a cast 156 attended by over 1,000 in Greenock Town Hall, Inverclyde.

Other highlights included the Connect young company's first public performances (*Airheads* by Ian McCrae, with score arranged for 12 members of The Orchestra of Scottish Opera by Derek Clark) ; a new initiative BABYO! completed a rigorous research and development phase in November, visiting nurseries and day-care centres in Edinburgh, Glasgow and Aberdeen in preparation for the production that went into rehearsal in April 2010; a community partnership with the island of Cumbrae resulted in the Millport Song Cycle when a cast comprising 10 local adults and the entire primary school roll (59) entertained large crowds outside the Garrison House museum as part of Millport's annual Autumn festival; and another new initiative - *A Little Bit of Bohème* - a hugely successful 'Kamishibai-style' format involving a singer, storyteller and two instrumentalists supported by a series of illustrations inside a box set that tell the story of the opera in around 20 minutes. This miniature taste of the opera played in diverse venues such as cafes, care centres, libraries and staff canteens in all four cities where the Company performed the mainscale version in a unique approach to both education and audience development.

Although local authority cuts have (and will continue to have) adverse effects on the Company's education activity not just in terms of commissioning projects for their schools but also with regard to the Continuing Professional development of teachers, the range and breadth of this year's programme illustrates that it is possible to maintain high standards, production values and academic quality in the mainstream education sector as well as finding new and innovative ways to 'carry our message' to the wider community as a whole.

Scottish Opera External Support

We are delighted to be able to continue the three-year partnership with Accenture who have become our High Performance Partner in a deal that includes a generous mix of cash and intellectual and practical support to help make Scottish Opera a business fit for the 21st century. Accenture and Scottish Opera were proud to be the joint winners of the Cultural Branding Award at the Arts and Business Scotland Awards.

Hunter Property Fund Management and Scottish Opera were also commended in the Small Business category at the Arts and Business Scotland Awards.

We continue to build strong relationships within The Alexander Gibson Circle, the Friends of Scottish Opera and the Scottish Opera Endowment Trust throughout the year. Many of their members were delighted that Scottish Opera remains in such great shape and showed this by maintaining their support for the Company.

In addition, a number of our supporters have recently joined our new Dame Janet Baker Circle through leaving a legacy to the Company and making their own very personal statement of their love for Scottish Opera.

As ever, I continue to be impressed by the creativity, passion and dedication of all the people we employ and engage with to make our operas, especially in these difficult times, and I am positively delighted by the evident and sustained support for Scottish Opera throughout Scotland.

General Director's report

Thank you.

Alex Reedijk
General Director
7 October 2010

Directors' report

The Directors present their report and accounts for the year ended 31 March 2010.

Directors and trustees

The Directors of the charitable company are its trustees for the purposes of charity law and throughout this report are collectively referred to as the Directors.
The following served during the year or have been appointed since the year end:

Colin J S McClatchie	(Chair)
Elisabeth Kerr	(Vice Chair)
John McCormick	(Vice Chair)
Paul Bateman	
Edward Crozier	
Shields Henderson	
Richard Jarman	Retired 3 December 2009
Peter Lawson	Appointed 18 June 2009
Rona Mackie Black	
John Mayne	
Colin McCallum	
John Mulgrew	
Alex Reedijk	
Ian James Robertson	Retired 3 December 2009

Principal activities

The principal activity of Scottish Opera is to perform opera in Scotland, elsewhere in the United Kingdom and abroad.

The principal activity of Scottish Opera Theatre Royal Ltd during the year was the ownership of the Theatre Royal, Glasgow.

The principal activity of Scottish Opera Theatre Trust is to act as Trustee for monies to be made available to Scottish Opera Theatre Royal Limited in connection with the purchase, reconversion and endowment of the Theatre Royal, Glasgow.

Aims, objectives and delivery

Scottish Opera aims to work in partnership with the Scottish Government to deliver high quality, innovative and creative input in support of, and at the heart of Scotland's new cultural vision within a citizen led agenda.

- inspiring audiences and participants
- working effectively and creatively within our resources
- widening engagement
- continuing to lead in the delivery of arts in education
- championing the positive benefits that opera brings to society

Scottish Opera's key objectives are to:

- create opera of the highest standard, performed in theatres, community, schools and other venues across Scotland, reaching the broadest population base across all 32 local authorities
- integrate all Scottish Opera's activities to ensure unity of vision and delivery
- work in partnership with the Scottish Government and embrace Scotland's new cultural vision
- form collaborations with other national arts organisations to create and promote a fully co-ordinated arts and education programme
- work in partnership with other organisations in the cultural community to advocate the importance of the arts within Scotland, and to maintain and build international partnerships to support Scotland's reputation and ambitions abroad

Directors' report

Delivery

Scottish Opera is a skilled and flexible artistic and administrative resource that will create opera of the highest standard, performed in venues across Scotland, reaching the broadest population base. This will be delivered through:

- Main scale performances in Glasgow, Edinburgh, Aberdeen & Inverness and at Edinburgh International Festival
- Middle scale performances in urban centres and rural areas throughout Scotland
- Smaller scale: theatres, schools, community centres, village halls
- Orchestral and opera concerts within the community
- A comprehensive, nation-wide programme of education and outreach

Scottish Opera's structure of corporate governance

Scottish Opera, as part of the Scottish Opera group of companies, is a company limited by Guarantee and is registered with The Office of the Scottish Charity Regulator (OSCR) under charity number SC019787.

In accordance with the Memorandum and Articles of Association of Scottish Opera, the Board of Directors (the Board) has overall responsibility for the management of the resources of the group and ensuring its financial well-being. There is provision in the Articles for twenty-one members of the Board most of whom are non-executive. The Board met four times in the year including an annual away day.

As part of the governance arrangements, new Directors spend a day of orientation to brief them on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, the committee and decision making processes, the business plan and the financial performance of the company. Directors meet annually with the Chair to discuss their development and training needs.

It discusses and sets policy having received regular reports from the relevant sub-committees and the senior management team regarding the day-to-day financial and artistic business of the company. A General Director is appointed by the Directors to manage the day-to-day operations of the company. To facilitate effective operations, the General Director has delegated authority for operational matters including finance, employment and artistic performance related activity.

Under the terms of the Articles of Association, the members may appoint Directors for an initial term of three years at the Annual General Meeting (AGM). This first term may be followed by a re-appointment for a further term of three years. A third three-year term is possible in exceptional circumstances. Any director co-opted onto the Board between AGM's must be elected at the AGM immediately following their co-option.

The Chair of the Board appoints Directors to the relevant Committees as and when required but undertakes an annual review of committee membership at the first Board meeting following the Annual General Meeting. The Chair is entitled to attend any committee meeting except meetings of the Nominations Committee.

The members of the Board, are:

Colin McClatchie (Chair), Elisabeth Kerr (Vice chair), John McCormick (Vice chair), Paul Bateman, Edward Crozier, Shields Henderson, Peter Lawson, Rona Mackie Black, John Mayne, Colin McCallum, John Mulgrew and Alex Reedijk.

Directors' report

The Board Sub-Committees are:

Finance & General Purposes Committee

The role of the Finance & General Purposes Committee covers the key areas of finance, governance and administration with particular responsibility for the following:

Finance

- Review and recommend the annual budget, long term forecasts, monthly management accounts including cash flow forecasts
- Review proposals for raising finance, capital expenditure, leasing decisions
- Review and recommend budget variations and use of budgeted contingency

Governance

- Review governance arrangements and act as the main regulatory committee
- Review, in consultation with the Nomination Committee, all matters relating to the appointment of Directors and the duration of their membership of the Board
- Lead an annual review of the performance of the Board

Administration

- Health & Safety, IT & Telecommunications, Employee Relations and Facilities Management

The Finance & General Purposes Committee consists of 6 non-executive Board Members, which includes the Chair of the Audit Committee. A quorum shall consist of any 3 from these 6 people.

The Finance & General Purposes Committee met 7 times in the year.

The members of the Committee are:

John McCormick (Chair), Paul Bateman, Shields Henderson, Peter Lawson, Rona Mackie Black and John Mayne

Audit Committee

The Audit Committee meets twice a year with its auditors. Firstly, to undertake an audit planning exercise and identify potential areas of risk and, secondly, to review the draft statutory accounts for the group. All major issues relating to the finalisation of the group's financial position are considered by the Audit Committee prior to Board approval of the final accounts.

The Audit Committee consists of 4 non-executive Directors. A quorum consists of any 3 from these 5 people.

The Audit Committee met twice in the year.

The members of the Committee are:

Shields Henderson (Chair), Edward Crozier, John Mayne and John Mulgrew.

Nominations and Remuneration Committee

The role of the Nominations and Remuneration Committee is:

- to manage the Board's process of self-appointment, excluding the choice of new Chairman, which is the work of a special Search Committee.
- to appoint the Chief Executive Officer (CEO)
- to review the remuneration of the CEO and other senior staff, as appropriate
- to review all matters related to employee terms and conditions and relations.

Directors' report

The Nominations and Remuneration Committee met twice during the year.

The Nominations and Remuneration Committee consists of 4 non-executive Directors made up from the Vice Chair and the 3 other non-executive Directors. The Chair of the Board of Scottish Opera is not eligible to sit on the Nominations Committee.

The members of the Committee are:

Elisabeth Kerr (Chair), Ed Crozier, Colin McCallum and John McCormick.

Development Committee

The role of the Development Committee is to:

- Support and complement the work of the company's employed officers in substantially increasing non-public income streams to support and maximise Scottish Opera's operation and programme of work
- Approach prospective donors, in liaison with Fundraising & Sponsorship Department, or to effect introductions to prospective donors
- Build an external network of contacts, stakeholders, and champions who can open doors to potential funders
- Be a resource for advice and support to the officers, as requested, in gaining access to potential new funders
- Ensure that the ladder of operation of the fundraising effort is fully constructed and operated to maximum effect
- Lead on major capital fundraising campaigns
- Be acquainted with the artistic and educational programmes
- Lead the fundraising effort by example

The Development Committee consists of 6 non-executive Directors. A quorum shall consist of any 3 from these 6 people.

The Development Committee met 4 times during the year.

The members of the Committee are:

Edward Crozier (Joint Chair), Shields Henderson (Joint Chair), Paul Bateman, Rona Mackie Black, Peter Lawson and Colin McCallum.

The Board of Scottish Opera may co-opt professional advisors and external members to the Development Committee for a fixed time period as and when required.

External Affairs Committee

The role of the External Affairs Committee is to assist the company to achieve its strategic goals through an influencing programme, which creates a positive disposition amongst stakeholders and decision makers.

The External Affairs Committee consists of 5 non-executive Directors. A quorum shall consist of any 3 from these 5 people.

The External Affairs Committee met twice during the year.

Directors' report

The members of the Committee are:

Elisabeth Kerr (Chair), John Mayne, Colin McCallum, John McCormick and John Mulgrew.

Financial and risk management objectives and policies

Business planning and the identification of the major risks to which the company is exposed have been actively reviewed by the Directors in conjunction with the group's senior management. Areas particularly acted upon have been financial systems, funding, employee relations and health and safety. The Board are committed to a formal risk assessment process in line with best practice.

The company's policy does not permit trading in any financial instruments. The company's principal financial instruments comprise cash, short term deposits and borrowings.

The company has various other financial instruments such as trade debtors and creditors that arise directly from its opera operations.

The principal financial risks to which the company is exposed are those relating to liquidity and interest rate. The way in which these risks are managed is summarised below:

Liquidity risk

The company's aim is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance leases.

Interest rate risk

The company's borrowings consist of overdraft balances and loans and these are at variable rates of interest. Based on current levels of net debt, interest rate risk is not considered to be material. The associated cash flow risk, which can have a positive impact on the company if interest rates decrease as well as a negative impact if interest rates increase, is also not considered to be material.

Business review and future developments

A review of the main business activities, group results and future developments is included in the Chairman's statement on page 2 and the General Director's Report on page 3.

Principle funding sources

The principle funding sources of the company are the Scottish Government, philanthropic support, box office income and local authority funding.

Reserves Policy

At 31 March 2009 the unrestricted general reserves amounted to £794,232 (2009: £623,420).

The directors have agreed that the appropriate level of unrestricted reserves is £500,000. These reserves are normally set aside in order to protect the future operations of the company from the effects of any unforeseen variations in its income streams as part of a policy of good financial management practice. In addition the directors have agreed that it is prudent to usually have an in-year contingency of £150,000 to £200,000 depending upon the risk review of the income streams.

Should unrestricted reserves be built up in excess of £500,000, the General Director will be asked to identify how the excess can be used to further the aims and objectives of the company. Should unrestricted reserves fall materially below £500,000 the General Director will be asked to adjust future plans to recover the reserves position in line with the Reserves Policy. The policy will be reviewed annually.

Directors' report

Insurance

During the year the company purchased and maintained liability insurance for its Directors as permitted by Section 233 of the Companies Act 2006.

External responsibilities

Scottish Opera is supported by public funds. These were from the Scottish Government. Regular financial information has been provided to them throughout the year. Additional funds were received from Glasgow City Council, the City of Edinburgh Council and other local authorities. During the course of the financial year, the Scottish Government, the Glasgow City Council and the City of Edinburgh Council were all entitled to send observers to Scottish Opera board meetings and regular financial information is provided as a condition of these grants.

Directors' responsibilities in respect of the accounts

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

Company law requires the directors to prepare group and company financial statements for each financial year. Under that law the directors have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company for that period.

In preparing the company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 company will continue in business.

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

Auditors

A resolution to reappoint Baker Tilly UK Audit LLP as auditors will be put to the members at the Annual General Meeting.

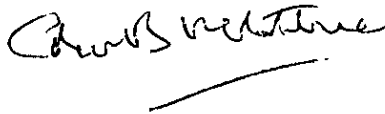
Directors' report

Directors Statement as to disclosure of information to Auditors

The Directors who were members of the board at the time of approving the director's report are listed on page 1. Having made enquiries of each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of the information.

On behalf of the Board



Colin J S McClatchie
Chairman
7 October 2010

Registered office:
39 Elmbank Crescent
Glasgow
G2 4PT

Independent auditors' report

to the Trustees and Members of Scottish Opera (Limited by Guarantee)

We have audited the group and parent charitable company's financial statements of Scottish Opera for the year ended 31 March 2010 on pages 15 to 33. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made exclusively to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the members and the charitable company's trustees 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, its members as a body, and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

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

We have been appointed auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report to you under those Acts.

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

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006. We also report to you whether in our opinion the information given in the Directors' Annual Report is consistent with the financial statements.

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

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Director's Annual Report, the Chairman's Statement and the General Director's Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2010; and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006; and
- the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly UK Audit LLP

Janet Hamblin (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Breckenridge House
274 Sauchiehall Street
Glasgow
G2 3EH

14 October 2010

BAKER TILLY UK AUDIT LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Consolidated statement of financial activities and Income and Expenditure Account

for the year ended 31 March 2010

		Unrestricted Funds		Restricted	2010	2009
		General	Designated	Funds	Total	Total
		£	£	£	£	£
	notes					
Incoming Resources						
Incoming Resource from Generated funds						
Voluntary Income	2	8,847,015	59,500	282,639	9,189,154	8,834,364
Activities for generating funds		928,564	-	19,500	948,064	1,078,047
Investment income		630	-	-	630	24,390
Incoming resources from charitable activities		1,130,423	-	131,480	1,261,903	1,838,773
Total incoming resources		<u>10,906,632</u>	<u>59,500</u>	<u>433,619</u>	<u>11,399,751</u>	<u>11,775,574</u>
Resource expended						
Cost of generating funds						
Cost of generating voluntary income		30,754	-	-	30,754	30,789
Fundraising trading: Cost of goods sold and other costs		221,469	-	10,000	231,469	211,463
		<u>252,223</u>	<u>-</u>	<u>10,000</u>	<u>262,223</u>	<u>242,252</u>
Charitable activities		10,573,061	-	321,799	10,894,860	12,340,263
Governance costs		<u>26,841</u>	<u>-</u>	<u>-</u>	<u>26,841</u>	<u>34,105</u>
Total resources expended	3	<u>10,852,125</u>	<u>-</u>	<u>331,799</u>	<u>11,183,924</u>	<u>12,616,620</u>
Net incoming/(outgoing) resources before transfers		54,507	59,500	101,820	215,827	(841,046)
Gross transfers between funds:						
Release of capital grants		<u>116,305</u>	<u>(116,305)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net incoming/(outgoing) resources on ordinary activities		170,812	(56,805)	101,820	215,827	(841,046)
Minority interest		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14)</u>
Net movement in funds		170,812	(56,805)	101,820	215,827	(841,060)
Reconciliation of funds						
Total funds brought forward		623,420	1,423,977	57,180	2,104,577	2,945,637
Total funds carried forward		<u>794,232</u>	<u>1,367,172</u>	<u>159,000</u>	<u>2,320,404</u>	<u>2,104,577</u>

All incoming resources and resources expended derive from continuing activities

Balance sheets

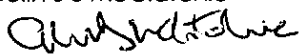
at 31 March 2010

	Notes	Group		Company	
		2010 £	2009 £	2010 £	2009 £
Fixed assets					
Tangible assets	7	2,756,041	2,710,134	2,539,945	2,695,124
Investments	8	-	-	1,500	1,500
		2,756,041	2,710,134	2,541,445	2,696,624
Current assets					
Debtors	9	1,641,912	1,275,502	1,678,585	1,275,502
Cash at bank and in hand		16,072	11,998	13,584	9,510
		1,657,984	1,287,500	1,692,169	1,285,012
Creditors: amounts falling due within one year	10	(1,840,749)	(1,713,576)	(1,793,165)	(1,830,405)
Net current (liabilities)/assets		(182,765)	(426,076)	(100,996)	(545,393)
Total assets less current liabilities		2,573,276	2,284,058	2,440,449	2,151,231
Creditors: amounts falling due after more than one year					
Debentures	12	(75,000)	(75,000)	-	-
Debenture premium provision	12	(56,725)	(56,725)	-	-
Other loans	13(a)	(117,612)	(32,769)	(117,612)	(32,769)
Obligations under hire purchase contracts	13(b)	(3,064)	(14,516)	(3,064)	(14,516)
		(252,401)	(179,010)	(120,676)	(47,285)
Minority interests		(471)	(471)	-	-
		(252,872)	(179,481)	(120,676)	(47,285)
Total assets less liabilities		2,320,404	2,104,577	2,319,773	2,103,946
Funds					
Unrestricted funds:					
- Designated	14	1,367,172	1,423,977	1,367,172	1,423,977
- General		794,232	623,420	793,601	622,789
		2,161,404	2,047,397	2,160,773	2,046,766
Restricted funds	15	159,000	57,180	159,000	57,180
		2,320,404	2,104,577	2,319,773	2,103,946

The financial statements were approved and authorised for issue by the board of directors on 7 October 2010 and signed on its behalf by:

Colin J S McClatchie

Chair



Consolidated cash flow statement

for the year ended 31 March 2010

	Notes	2010 £	2009 £
Net cash inflow/(outflow) from operating activities	19(a)	274,427	(942,961)
Returns on investment and servicing of finance	19(b)	(5,848)	16,625
Capital expenditure and financial investment	19(b)	(316,294)	(82,905)
Cash (outflow) before financing		(47,715)	(1,009,241)
Financing			
Debt (repaid)/incurred	19(b)	78,490	(57,103)
Increase/(Decrease) in cash		30,775	(1,066,344)
Reconciliation of net cash flows to movement in net funds			
		2010 £	2009 £
Increase/(Decrease) in cash		30,775	(1,066,344)
Cash outflow from debt		(78,490)	57,103
Movement in net funds during the year		(47,715)	(1,009,241)
Net (debt)/funds at 1 April 2009		(845,033)	164,208
Net (debt) at 31 March 2010		(892,748)	(845,033)

The analysis of net funds is shown at note 19(c).

Notes to the accounts at 31 March 2010

1. Accounting policies

Fundamental accounting concept

The company is a charity, limited by guarantee, and substantially relies upon funding by public grants and donations from other sources for its current and future commitments. The accounts have been prepared on the going concern basis, the validity of which depends on the ability of the group to obtain adequate funding and operate within available funding.

(a) Basis of preparation

The accounts are prepared on a going concern basis under the historical cost convention and in accordance with applicable accounting standards and the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" (revised 2005)

(b) Accounting reference date

The accounts have been prepared for the year to 31 March 2010.

(c) Basis of consolidation

The consolidated accounts of the group of Scottish Opera companies represent the parent company, Scottish Opera, and its two subsidiaries Scottish Opera Theatre Royal Limited and Scottish Opera Theatre Trust Limited for the year ended 31 March 2010. The directors have taken the exemption under section 408 of the Companies Act 2006 not to disclose an unconsolidated Statement of Financial Activities (SOFA).

(d) Tangible fixed assets

All fixed assets are initially recorded at cost. Depreciation is provided on all fixed assets, other than freehold land, at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

Freehold buildings	-	2 - 4%
Leasehold improvements	-	20%
Stage machinery & equipment	-	20%
Musical instruments	-	20%
Office equipment	-	20%
Computer equipment	-	33 1/3%
Motor vehicles	-	25%

(e) Income and incoming resources

Income arising in the year is stated exclusive of VAT and embraces box office receipts, sponsorship and other commercial fees, together with revenue grants received from the Scottish Government and local authorities. Incoming resources comprise income arising in the year along with capital grants and interest receivable in the year.

Notes to the accounts

at 31 March 2010

(f) Resources Expended

Expenditure is recognised on an accrual basis as a liability is incurred. Expenditure includes any VAT, which cannot be fully recovered and is reported as part of the expenditure to which it relates:

Costs of generating funds comprise the costs associated with attracting voluntary income. Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fees and costs linked to the strategic management of the charity.

All costs are allocated between expenditure categories of the SOFA on a basis designated to reflect the use of the resource. Costs relating to a particular activity are allocated directly; others are apportioned on a percentage of total resources expended.

(g) Future production expenditure

Production expenditure is the direct marginal cost incurred in mounting a new production or re-mounting a production when revived. Production expenditure is initially carried in the balance sheet and is then charged to the income and expenditure account in the period when the initial run of performances occurs. Production expenditure is not carried forward in anticipation of the production being revived in future financial years. Where a performance run falls into two financial years, the expenditure is charged to the income and expenditure account in proportion to the number of performances taking place in each of the financial years.

(h) Leasing

Assets held under finance leases are capitalised in the balance sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the income and expenditure account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

(i) Capital grants and donations

Incoming resources from capital grants and donations for capital purposes are credited to designated funds. These designated funds are released to general funds over the expected useful lives of the relevant assets by equal annual instalments.

(j) Pensions

The company operates a number of defined contribution pension schemes. Contributions are charged to the income and expenditure account as they become payable in accordance with the rules of the schemes.

(k) Investments

Investments in subsidiary undertakings are included at cost.

(l) Gifts in Kind

Gifts in Kind are valued at appropriate market rates and are credited to the accounts in the year in which they are received. Where the gift relates to operational expenditure, an equivalent expenditure is charged to the accounts within the same year.

Notes to the accounts

at 31 March 2010

(m) Governance costs

Governance costs of £26,841 (2009 £34,105) are made up of costs of the Board, corporate legal costs and the audit fee.

2. Voluntary income

	2010 £	2009 £
Scottish Government Revenue Grant	8,628,765	8,459,574
Scottish Government Additional Support Grant	30,000	-
Scottish Government International Touring Fund	33,000	-
Scottish Government Capital Grant	59,500	-
Scottish Local Authorities	61,750	55,000
Cross Border Touring Grant	142,539	105,849
Gifts in Kind	156,500	148,000
Scottish Opera Endowment Trust	35,000	39,200
Friends of Scottish Opera	42,100	26,000
Legacies	-	741
	<u>9,189,154</u>	<u>8,834,364</u>

The restricted income included under incoming resources from charitable activities represents funding from the Scottish Government, Cross Border Touring Fund, Friends of Scottish Opera, Scottish Opera Endowment Trust and private bodies.

Notes to the accounts

at 31 March 2010

3. Expenditure – Analysis of total resources expended

	Staff Costs	Depreciation	Other costs	2010 Total	2009 Total
	£	£	£	£	£
Costs of generating funds					
Cost of generating voluntary income	30,754	-	-	30,754	30,789
Fundraising trading	160,573	-	70,896	231,469	211,463
	<u>191,327</u>	<u>-</u>	<u>70,896</u>	<u>262,223</u>	<u>242,252</u>
Charitable activities					
Main scale productions and Concerts					
Basic staff costs	3,131,153	-	-	3,131,153	3,263,974
Design, construction and rehearsal costs	448,482	-	1,365,728	1,814,210	2,375,482
Performing costs	486,435	-	1,675,513	2,161,948	2,405,970
Theatre rentals	-	-	474,368	474,368	526,376
Marketing	278,234	-	297,497	575,732	748,404
	<u>4,344,304</u>	<u>-</u>	<u>3,813,106</u>	<u>8,157,410</u>	<u>9,320,206</u>
Small and Medium Scale Touring	34,250	-	307,860	342,110	715,647
Education	139,367	-	408,188	547,555	481,531
Support costs	495,150	270,387	1,082,248	1,847,785	1,822,879
	<u>5,013,071</u>	<u>270,387</u>	<u>5,611,402</u>	<u>10,894,860</u>	<u>12,340,263</u>
Governance	-	-	26,841	26,841	34,105
Total resources expended	<u>5,204,398</u>	<u>270,387</u>	<u>5,709,139</u>	<u>11,183,924</u>	<u>12,616,620</u>

Included within total costs are the following costs in respect of investment in new productions

	2010 £	2009 £
Design, construction and rehearsal costs	<u>1,795,955</u>	<u>2,213,558</u>

The income and net expenditure on ordinary activities are wholly attributable to the group's principal activities, which are performed substantially in the United Kingdom.

Notes to the accounts
at 31 March 2010

4. Expenditure – other disclosures

	2010 £	2009 £
Charitable expenditure includes:		
Fees payable to auditors		
-audit services (company 2010 - £16,000, 2009 - £16,000)	16,500	16,500
Depreciation:		
-owned assets	255,342	208,175
-hire purchase assets	15,045	21,348
Operating lease rentals		
-land and buildings	87,000	87,000
-other	<u>277,931</u>	<u>277,931</u>

5. Interest payable and similar charges

	2010 £	2009 £
Bank loan interest	4,534	5,419
Other interest and charges	<u>15,893</u>	<u>19,014</u>
	<u>20,427</u>	<u>24,433</u>

Notes to the accounts

at 31 March 2010

6. Staff costs

(a)

	Group 2010 £	Group 2009 £
Wages	3,383,242	3,515,880
Social security costs	461,713	471,261
Pension costs	239,848	245,835
	<u>4,084,803</u>	<u>4,232,976</u>

The average number of employees in the year was:

126 128

The staff costs detailed in note 3 contain an element of costs brought forward from previous years relating to projects undertaken in the year ended 31 March 2010.

The numbers of employees whose emoluments exceeded £60,000 fall within the undernoted bands:

	2010 No.	2009 No.
£60,000 - £69,999	3	2
£70,000 - £79,999	1	1
£100,000 - £109,999	-	-
£110,000 - £119,999	1	1

For employees in the above bandings, contributions of £28,410 (2009 - £23,453) were made during the year for the provision of money purchase pension benefits.

(b) Directors' emoluments:

	2010 £	2009 £
Emoluments	<u>118,124</u>	<u>114,499</u>
Company contributions paid to pension schemes	<u>8,452</u>	<u>8,481</u>
	<u>126,576</u>	<u>122,980</u>
	2010 No.	2009 No.
Members of money purchase pension schemes	<u>1</u>	<u>1</u>

Expenses reimbursed to directors in the year totalled £22,249 (2009 - £28,590).

Notes to the accounts at 31 March 2010

7. Fixed assets

Group

	Freehold land and buildings £	Leasehold improve- ments £	Stage machinery and electrical equipm't £	Musical instruments £	Office equipm't £	Motor vehicles £	Total £
Cost:							
At 1 April 2009	12,489,627	73,404	721,924	233,205	1,090,658	126,019	14,734,837
Additions	255,240	-	23,219	6,193	31,642	-	316,294
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
At 31 March 2010	12,744,867	73,404	745,143	239,398	1,122,300	126,019	15,051,131
Aggregate depreciation:							
At 1 April 2009	10,042,410	73,321	536,661	202,901	1,058,437	110,973	12,024,703
Charge for year	168,752	83	44,938	9,698	31,870	15,046	270,387
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
At 31 March 2010	10,211,162	73,404	581,599	212,599	1,090,307	126,019	12,295,090
Net book value:							
At 31 March 2010	2,533,705	-	163,544	26,799	31,993	-	2,756,041
At 1 April 2009	2,447,217	83	185,263	30,304	32,221	15,046	2,710,134

No value is attributed to land for the freehold theatre. The net book value of vehicles includes £nil (2009 - £15,046) in respect of assets held under hire purchase contracts. The depreciation of vehicles includes £15,046 (2009 - £21,348) in respect of assets held under hire purchase contracts.

Notes to the accounts

at 31 March 2010

7. Fixed assets (continued)

Company

	Freehold land and buildings £	Leasehold improve- ments £	Stage machinery and electrical equipm't £	Musical instruments £	Office equipm't £	Motor vehicles £	Total £
Cost:							
At 1 April 2009	4,099,762	73,404	483,759	233,205	895,288	126,019	5,911,437
Additions	54,154	-	23,219	6,193	31,642	-	115,208
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
At 31 March 2010	4,153,916	73,404	506,978	239,398	926,930	126,019	6,026,645
Aggregate depreciation:							
At 1 April 2009	1,667,430	73,321	298,026	202,901	863,662	110,973	3,216,313
Charge for year	168,752	83	44,938	9,698	31,870	15,046	270,387
Disposals	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
At 31 March 2010	1,836,182	73,404	342,964	212,599	895,532	126,019	3,486,700
Net book value:							
At 31 March 2010	2,317,734	-	164,014	26,799	31,398	-	2,539,945
At 1 April 2009	2,432,332	83	185,733	30,304	31,626	15,046	2,695,124

The net book value of vehicles includes £nil (2009 - £15,046) in respect of assets held under hire purchase contracts. The depreciation of vehicles includes £15,406 (2009 - £21,348) in respect of assets held under hire purchase contracts.

Notes to the accounts

at 31 March 2010

8. Investments

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Investment in subsidiary undertakings at cost	-	-	1,500	1,500

Name of subsidiary undertaking	Country of registration	Class of shares held	Percentage holding
Scottish Opera Theatre Royal Limited	Scotland	Ordinary £1	100%
Scottish Opera Theatre Trust Limited (through Scottish Opera Theatre Royal Limited)	Scotland	'A' Ordinary £1 'B' Ordinary £1	100%* 100%*

* These holdings constitute 75% of the total share capital of this company.

9. Debtors

	Group 2010 £	Group Re stated 2009 £	Company 2010 £	Company Re stated 2009 £
Trade debtors	265,941	406,494	265,941	406,494
Other debtors	208,487	247,813	208,487	247,813
Other taxes	57,573	8,610	57,573	8,610
Future productions expenditure	719,655	421,720	719,655	421,720
Prepayments and accrued income	390,256	190,865	390,256	190,865
Amount due from subsidiary	-	-	36,673	-
	1,641,912	1,275,502	1,678,585	1,275,502

Included in future production expenditure are amounts of £908 (2009: £12,987) due after more than one year.

10. Creditors: amounts falling due within one year

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Bank overdraft	648,924	675,625	648,924	675,625
Trade creditors	489,439	417,044	489,439	417,044
Other taxes and social security costs	97,379	102,963	97,441	103,025
Advance income	18,150	75,020	18,150	75,020
Accruals and other obligations	522,637	383,804	474,991	336,158
Bank loans	52,584	47,300	52,584	47,300
Obligations to hire purchase contracts	11,636	11,820	11,636	11,820
Amount due to subsidiary	-	-	-	164,413
	1,840,749	1,713,576	1,793,165	1,830,405

Notes to the accounts

at 31 March 2010

11. Obligations under operating leases

Annual commitments under non-cancellable operating leases are as follows:

	2010	2010	2009	2009
	Land & buildings	Other	Land & buildings	Other
Group and company	£	£	£	£
Operating leases which expire:				
Within one year	42,000	-	42,000	-
Between two and five years	-	277,931	-	277,931
Over five years	45,000	-	45,000	-
	<u>87,000</u>	<u>277,931</u>	<u>87,000</u>	<u>277,931</u>

12. Debentures

Debentures:

	Group 2010 £	Group 2009 £
Debentures of £25,000 each	<u>75,000</u>	<u>75,000</u>

There are three interest free debentures of £25,000 each secured over the Theatre Royal, redeemable between 14 October 2005 and 14 October 2011. Under the terms of the debentures, premiums are payable on redemption based on the market values of the Theatre Royal at 1 January 1985 and at 1 January 1995.

The debentures will have a further premium totalling £18,750 payable on redemption. Provision has been made for the premium relating to the years ended 31 March 2006.

Debenture Premiums Provided:

	Group 2010 £	Group 2009 £
Premium arising at 1 January 1985	18,750	18,750
Premium arising at 1 January 1995	18,750	18,750
Premiums accruing up to 1 January 1995	<u>37,500</u>	<u>37,500</u>
Premium accruing from 1 January 1995:		
As at 1 April	19,225	19,225
Accrued during the year	-	-
As at 31 March	<u>19,225</u>	<u>19,225</u>
Total premium accrued at 31 March	<u>56,725</u>	<u>56,725</u>

Notes to the accounts

at 31 March 2010

13. Other loans and hire purchase obligations

(a) Loans

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Repayable within five years: £205,000 bank loan at 1% above base rate, repayable in monthly instalments commencing 15 December 2005	33,858	80,069	33,858	80,069
Not wholly repayable within five years: £150,000 bank loan at 3.1 % above base rate, repayable in monthly instalments commencing 18 May 2009	136,338	-	136,338	-
Less: Included in creditors: amounts falling due within one year	(52,584)	(47,300)	(52,584)	(47,300)
	<u>117,612</u>	<u>32,769</u>	<u>117,612</u>	<u>32,769</u>
Amounts repayable:				
In one year or less	52,584	47,300	52,584	47,300
Between one and two years	18,726	32,769	18,726	32,769
Between two and five years	46,302	-	46,302	-
	<u>117,612</u>	<u>80,069</u>	<u>117,612</u>	<u>80,069</u>

The loans are secured by a fixed charge on the freehold property at Edington Street.

(b) Obligations under hire purchase contracts
Group and company

	2010 £	2009 £
Amounts payable:		
Within one year	11,636	11,820
In two to five years	3,064	14,516
	<u>14,700</u>	<u>26,336</u>

Notes to the accounts

at 31 March 2010

14. Designated Funds

Designated funds consist of incoming resources from capital grants and donations for capital purposes. These designated funds are released to general funds over the expected useful lives of the relevant assets by equal annual instalments.

15. Restricted Funds

Group and company

	Advance Funding £	Restructuring £	Fundraising £	Total £
Balance at 1 April	-	57,180	-	57,180
Income	159,000	-	274,619	433,619
Expenditure	-	(57,180)	(274,619)	(331,799)
Balance at 31 March	159,000	-	-	159,000

Advance Funding

This contains monies received from public funds for projects in future years. The balance at the year end includes £139,000 from Cross Border Touring for a visit to Belfast scheduled for June 2010 and £20,000 from Scottish Government to support education work in Aberdeen.

Restructuring

The Scottish Executive, through the SAC, agreed a funding package of up to £6.792 million to defray the overall costs of implementing the group's business plan approved by the Board of Directors on 7 June 2004. This fund has now been fully utilised.

Fundraising

This fund consists of fundraising monies given to be used for specific projects during the year.

16. General reserves

	Group 2010 £	Group 2009 £	Company 2010 £	Company 2009 £
Opening balance	623,420	1,018,618	622,789	1,018,037
Surplus/(deficit)	54,507	(509,139)	54,507	(509,189)
Transfer	116,305	113,941	116,305	113,941
Closing balance	794,232	623,420	793,601	622,789

Notes to the accounts

at 31 March 2010

17. Analysis of reserves between net assets

Group

	Unrestricted Funds		Restricted Funds
	General	Designated	Funds
	£	£	£
Fixed assets	1,388,869	1,367,172	-
Current assets	1,498,984	-	159,000
Current liabilities	(1,840,749)	-	-
Long term liabilities	(252,872)	-	-
Total	<u>794,232</u>	<u>1,367,172</u>	<u>159,000</u>

Company

	Unrestricted Funds		Restricted Funds
	General	Designated	Funds
	£	£	£
Fixed assets	1,174,273	1,367,172	-
Current assets	1,533,169	-	159,000
Current liabilities	(1,793,165)	-	-
Long term liabilities	(120,676)	-	-
Total	<u>793,601</u>	<u>1,367,172</u>	<u>159,000</u>

18. Liability of members

The company was incorporated in 1962 as one limited by guarantee and not having a share capital. In the event of the winding up of the company a member is liable to contribute a sum not exceeding £1.

Notes to the accounts

at 31 March 2010

19. Cash flow statement

(a) Reconciliation of net income/(expenditure) to net cash inflow from operating activities:

	2010	2009
	£	£
Net income/(expenditure) on ordinary activities	170,812	(509,115)
Interest receivable	(630)	(24,390)
Interest payable	6,478	7,765
Depreciation	270,387	229,523
Net income/(expenditure) in restricted and designated funds	45,015	(331,931)
(Increase)/decrease in debtors	(366,410)	(247,120)
Increase/(decrease) in creditors	148,775	(67,693)
Net cash inflow/(outflow) from operating activities	274,427	(942,961)

(b) Analysis of cash flows for headings netted in the cash flow statement:

	2010	2009
	£	£
Returns on investments and servicing of finance		
Interest received	630	24,390
Interest paid	(6,478)	(7,765)
	(5,848)	16,625
Capital expenditure and financial investment		
Purchase of fixed assets	(316,294)	(82,905)
	(316,294)	(82,905)
Financing		
Acquisition of long term loan	150,000	-
Repayment of long term loans	(59,874)	(41,822)
Hire Purchase payments	(11,636)	(15,281)
	78,490	(57,103)

Notes to the accounts

at 31 March 2010

19. Cash flow statement (continued)

(c) Analysis of net funds:

	At 1 April 2009 £	Cash flow £	Other changes £	At 31 March 2010 £
Bank and cash in hand	11,998	4,074	-	16,072
Bank overdraft	(675,625)	26,701	-	(648,924)
	(663,627)	30,775	-	(632,852)
Debentures	(75,000)	-	-	(75,000)
Other loans	(80,070)	(90,126)	-	(170,196)
Hire purchase contracts	(26,336)	11,636	-	(14,700)
	(845,033)	(47,715)	-	(892,748)

20. Commitments

The company is committed to contracts with guest artistes, etc. and other costs in connection with future productions in the sum of £352,576 (2009 - £1,370,561) of which £299,997 relates to the year to 31 March 2011 and £56,579 relates to later years. These amounts have not been included in the accounts.

21. Pension commitments

The group operates a number of defined contribution pension schemes. Contributions are charged to the income and expenditure account as they become payable in accordance with the rules of the schemes.

The assets of the schemes are held separately from those of the group in independently administered funds. The pension cost charge represents contributions payable by the group to the funds and amounted to £239,848 for the group and £239,848 for the company (2009 - £245,835 and £245,835 respectively).

The group also operates a final salary pension scheme. This scheme will cease during the year to 31 March 2011 due to the retirement of the one active member and a section 75 liability will arise. This amount of liability is not yet known and it is not possible to provide an accurate estimate.

22. Contingent liabilities

There are contingent liabilities totalling £2,336,796 (2009 - £2,366,796) in respect of government and local authority grants which may become repayable on the sale of the relevant property, or their main purpose changed, or in the event of a liquidation of all or part of the group.

Standard securities have been granted in favour of the Scottish Arts Council and The Royal Bank of Scotland PLC over the technical centre at Edington Street, Glasgow.

23. Related party transactions

The company has taken advantage of the exemption granted by paragraph 3c of the Financial Reporting Standard 8 not to disclose transactions with the other group companies.