

WELSH NATIONAL OPERA LIMITED

Year ended 31 August 2021



Annual Report and Financial Statements Year ended 31 August 2021

Welsh National Opera Limited

(Company limited by guarantee without share capital)

Company Number: 00454297 (England and Wales)

Charity Number: 221538

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Introduction

The trustees are pleased to present their annual directors' report which incorporates the strategic report, together with the financial statements of the activity for the year ending 31 August 2021, which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

The financial statements have been prepared in accordance with the accounting policies set out in the notes to the financial statements and comply with the charity's governing document, the Companies Act 2006 and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) effective 1 January 2019".

Charitable Objectives

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

Vision, Mission and Values

WNO's Vision

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

WNO's Mission

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

We entertain, challenge and inspire.

We are integral to the cultural lives of our communities.

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

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

WNO's Values

We are:

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

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

Dynamic - We challenge ourselves creatively and encourage new ideas.

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

Responsible - We act with integrity and accountability.

Chair's Statement

We mark our progress through life with memorable events, interspersed with occasional milestones, and in this respect, the life of an opera company is no different. The year 2021 marks the 75th Anniversary of Welsh National Opera, so the fact that the Covid pandemic prevented us from properly celebrating such a landmark event was a dampener in what proved to be a frustrating and disappointing year as whole. The pandemic effectively wiped out all of the activity that had previously been planned for the year. But resourcefulness is a hallmark of Welsh National Opera, and as the months wore on, and the realisation set in that recovery would be a long way off, the company focused its attention on what could be done, rather than wasting energy in regretting what could not. Indeed, looking back over the past year, what strikes me most is the way that company adapted itself, and produced innovative work that in a normal year, it might not have done.

The most important concern was to maintain the morale of our performing company, and to find some way to bring them together once more. Composite mosaic Zoom performances were an ingenuous way to keep everyone singing and playing, even if it was in their own homes, but they are no substitute for rehearsing and performing in ensemble. Our thanks, therefore, go out to the managements of St David's Hall and the Wales Millennium Centre for giving our orchestra and chorus space to make some recorded performances, which played an important part in the phased return to normal performing. Watching the resulting videos, however, it was sobering to see exactly how much physical space is needed to ensure that we kept everyone to the prescribed 2m distance from each other.

As the year moved on, so the adventurousness of the recordings grew. Our 75th Anniversary was eventually marked with a film of the 'Easter Hymn' from *Cavalleria rusticana*, the opera that was performed in WNO's inaugural 1946 season, in which members of the company gradually joined a procession through Cardiff that passed the key performing venues in WNO's history. And as a companion piece, WNO also commissioned Ifor ap Ilyn, the National Poet of Wales, to write *Intermezzo*, a poem celebrating WNO's 75 years, which was performed on camera by a panoply of figures from all areas of Welsh cultural life.

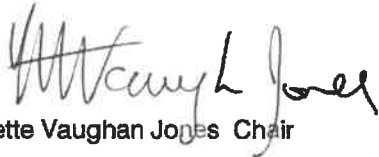
Looking back over the year, I am amazed at the range of digital work that we offered. Not only did we launch our hugely successful on line Play Opera for young people, but also the very wide range of work attracted new and younger audiences. We will ask our recently appointed Director of Audiences, Emrah Tokalaç, to look into how we can capitalise on this. As an example, after the huge success of 'Who wants to live forever', we were delighted to participate once more in Pride Cymru with a recording of 'This is me' from *The Greatest Showman*. And perhaps most significant of all were the series of short films, 'Reimagine' and *A Song for the Future*, The fruits of a collaboration with the Oasis Refugee Centre in Cardiff. *A Song for the Future* was intended originally for a live performance, but this new opera was re-worked for a digital presentation, and resulted in a deeply involving and moving experience.

As the New Year turned and vaccines began to be rolled out, a glimmer of hope emerged that finally we would be able to return to live performances. The WNO Orchestra participated once again in the BBC Cardiff Singer of the World, and at the end of June, we were finally able to perform a fully staged opera. Will Todd's *Alice's Adventures in Wonderland* was given a series of promenade performances in the National Trust's Dyffryn Gardens, and although social distancing rules still meant the audience capacity was heavily reduced, all who attended were thoroughly enchanted by the entire occasion.

The production of *Alice* acted as a portent for our eventual return to full performances as, a full 18 months after the first lockdown, in September 2021 we embarked on a full Autumn season on our usual touring circuit, with a thought-provoking and topical new production of *Madam Butterfly* alongside a revival of our much-loved *Barber of Seville*.

Chair's Statement (continued)

It would be foolish to pretend that that the past year has not been extremely challenging for the company. Much as we were grateful for the video-conferencing technologies, they are no substitute for working together in person. This is true for WNO staff, and also for my fellow board members, the new intake of which went an entire year without meeting their colleagues face-to-face. Opera is very much a people business, and it was heart-warming to see how willing everyone in the company was to go the extra mile to ensure that everyone stayed safe through stringent Covid protocols, and that the company stayed afloat. And for this, we owe an enormous debt of gratitude to both the Arts Council of Wales and Arts Council England, who maintained their grants to WNO throughout the covid period, and ensured that WNO was able to re-emerge intact, once it was safe to do so. We know that we are not yet out of the woods, and that it will probably take many months before our audiences are fully confident to return to a live performance; but we have turned a corner.



Yvette Vaughan Jones Chair

Strategic Report

Business Performance

Pre Covid -19 WNO was working to a rolling five-year business plan which was based around four broad goals which would allow the company to fulfil its purpose and deliver its mission. They were:

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

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

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

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

The impact of the global pandemic on the organisations ability to deliver against these goals was significant due to the closure of theatres across the UK for the majority of the financial year, which ran from 1st September 2020 to 31st August 2021.

Being a Wales-based organisation that also tours in England, our planning activities had to contend with the challenges of having differing sets of laws and guidelines being issued from Westminster and Cardiff. Hopes for the reopening of venues in Autumn 2020 were dashed when it became clear that the pandemic would continue to dominate our lives for many months, and the Autumn 2020 tour was therefore cancelled. Throughout the Autumn of 2020, we worked with St David's Hall in Cardiff to rehearse in a socially distanced and Covid-secure way and to record work for future digital release, in the hope that we would be able to tour in front of live audiences in Spring 2021. Sadly, with further lockdowns and restrictions being implemented in November and December 2020, those hopes were also dashed, and the planned Spring 2021 tour had to be cancelled too.

Whilst performances in front of a live audience indoors were impossible during 2020 – 21 the Company demonstrated its versatility by providing digital content aimed at reaching audiences old and new. 'Play Opera' opened up a new world to a younger generation, whilst our at-home performances showcased the talents of our own performers, allowing them to work in safety from their own homes through the height of the pandemic.

During the period between September 2020 and August 2021 WNO published 130 videos on Youtube and 228 videos on Facebook, which attracted 285,000 and 250,000 views respectively.

Digital highlights have included:

- 21 performance pieces by the WNO Chorus and Orchestra
- 75th birthday celebration performances pieces including 'Easter Hymn' and commissioned poem *Intermezzo*
- 'This is me' from *The Greatest Showman* featuring Welsh of the West End stars Mared Williams and Tom Hier, Royal Welsh College of Music & Drama Music Theatre singers, alongside the WNO Chorus and WNO Orchestra, to celebrate Pride Cymru 2021
- 'Rearrange' - a series of short films, commissioned to place older, well-known operatic arias in today's world and to show how the themes echoed in the stories are still relevant today.
- *A Song for the Future* - A new opera co-created by composer Boff Whalley, writer Sarah Woods and six writers and musicians who have sought sanctuary in the UK.
- 'Creating Change' – five writers working on our forthcoming opera *Migrations* (composer Will Todd) created individual films looking at the Arts and highlighting what artists can do to influence future change in a time of crisis.

Strategic Report (continued)

- WNO Youth Opera's performance of 'I Shall Not Live in Vain'
- *La voix humaine* - new film of David Pountney's 2016 production takes Poulenc's 20th century opera classic and creates an intense, captivating experience of opera in isolation.

Opera's repertoire model is fundamentally designed to avoid empty days between performances of each opera, that arise due to the necessary recovery time for the soloists in the taxing leading roles. Rotation of two or more titles fills those days, and there is an assumption that in order to fulfil the workload of performances, it is necessary and economical to employ a full-time orchestra and chorus. The repertoire model is also premised on a continual phased addition of repertoire throughout the duration of a season. A working day for the performing forces in this model will often comprise a rehearsal in the morning and a performance in the evening. WNO's touring repertoire pattern, however, sees three operas rehearsed simultaneously, followed by a long tour consisting solely of opera performances. The consequence of this, however, is frequent under-utilisation of available session time. And opera touring is, in fact, unique to the UK; elsewhere in the world, all repertoire opera houses are situated in one city.

The touring model effectively makes WNO the main opera provider to nine different UK cities, seven in England and two in Wales. This inevitably incurs considerable costs in travel and accommodation. There is, of course, a logic to touring in terms of reach, but sporadic visits make it difficult to successfully maintain contact with audiences throughout the year, and in time to build them.

As the majority of our income (70% in 2019/20 due to the impact of Covid-19, 57% in 2018/19) comes from public funding, through Arts Council Wales and Arts Council England, our business planning is aligned to those bodies' goals and corporate plans, as they need their portfolio organisations to help them achieve the remit given to them by the Welsh and UK governments respectively. One of our challenges is to ensure appropriate balance between Welsh and English activity.

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

With no indoor live performances possible during 2020 -21, there was a significant reduction in the travel and accommodation expenditure across the majority of the year, and this is the main contributory factor behind the operating surplus for the year.

With the current Covid situation in mind, WNO views the 2022-23 season as one of transition, leading to a more rounded and mature programme from 2023-24 onwards. The operating surplus generated in 2020 -21 will be used to support activity during the next two years. This time will also be used to further develop the organisations thinking about a more efficient and effective operating model, one which blends mainstage performances with the work we undertake in our hub regions.

Pre-lockdown our Programmes and Engagement activity was built around bringing work to the hubs and setting up programmes for people to participate in. As we have learnt through lockdown, both in our digital activity and project work (e.g. *A Song for the Future*), building programmes where we share and exchange ideas with the local participants is a far richer and more rewarding way to work. We will therefore refocus our priorities for 2022-23 onwards, moving towards actively collaborating and creating work with our strategic communities. We will devise work generated by the groups we are working with, as well as with charity and local partner organisations, to create meaningful arts experiences that support people of all ages and backgrounds to engage and make opera.

Strategic Report (continued)

Following our extensive programme of research and consultation with communities on the development of WNO's "hubs", the Company will focus initially on working with communities in the Black Country and North Wales whilst continuing to deliver existing programmes in Southampton and Plymouth through to 2022/23. The approach to our work will be on creative collaboration with communities, audiences, artists and partners. Throughout the lockdown, we have held proactive conversations with potential partners who have helped shaped our understanding of some of the opportunities that are there in the hubs.

Our Hubs programme will be inspired by the stories, themes and content of our touring productions, but our communities will have the space to run with their ideas and to shape stories they want to tell from their own experiences, their own backgrounds and their own communities, thereby developing their creativity, skills and relationship with WNO.

External Factors

The World Health Organisation declared on 11 March 2020 that the outbreak of the coronavirus (Covid-19) was a global pandemic and this announcement was followed shortly after on 16 March 2020 by the immediate closure of all performing venues across the UK. This led to the cancellation of the final six weeks of the Spring 2020 tour and following the imposition of social distancing measures the curtailment of any rehearsals for the Summer tour and its subsequent cancellation. The continuation of the pandemic throughout the summer months and into the 2020/21 financial year led to cancellation of the 2020/21 Autumn and Spring tours.

Live performances outdoors commenced in Summer 2021 with *Alice's Adventures in Wonderland* performed in the grounds of Duffryn Gardens, a National Trust property outside Cardiff.

Indoor live operatic performances re-commenced in Autumn 2021 with the staging of Rossini's *The Barber of Seville* and a new production of Puccini's *Madam Butterfly*.

Early indicators show that audiences are returning to theatres more cautiously than had been hoped, and WNO faces the prospect of earned income falling short of its budgeted targets in the coming months, even though those targets were themselves reduced from what might normally have been anticipated.

Risk Management

The organisations strategic risk register is reviewed twice a year by the Senior Management Team. The Audit & Risk Committee also reviews it twice a year and the Board of Trustees on an annual basis.

The strategic risk register categorises the high level organisational risk into 5 categories, in no order of priority they are:

- Financial
- Operational
- Reputational
- Strategic
- Legal & Governance

Details of all the strategic risks and mitigations can be found within the Strategic Report section on page 13.

Strategic Report (continued)

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

Changing Public Perception

WNO acknowledges that opera has a perception problem which we are tackling in a number of ways. In 2018/19, WNO embarked upon a five-year partnership with the Welsh Refugee Council. Our aim is to develop collaborative projects with local refugee and asylum seeker partner organisations; create new opportunities for musicians and artists within this community to develop and showcase their work; and to create work that is fully representative of the diverse communities we serve.

As a national arts organisation rising to the challenge of the new normal yet still unable to perform live work in theatres, Welsh National Opera is feeling more keenly than ever that bringing artists and ideas together through freedom of expression, helps us make sense of an unstable world. 'Creating Change' is an artistic conversation of this kind, where writers, composers, singers and musicians, celebrate the role of art to re-imagine a future of lasting social change.

Co-produced remotely during lockdown *A Song for the Future* was Welsh National Opera's second partnership with Oasis Cardiff. This brand new opera is co-created by composer Boff Whalley, writer Sarah Woods and six writers and musicians (who also perform) who have sought sanctuary in the UK. It is an opera about inequality, about what it is to feel like to be an outsider. It is a call to action about the necessity of regathering, of remaking the connections between us in order to come together.

We know, through our various strands of engagement work, that people are able to engage wholeheartedly and easily with the art form when they are introduced to it in ways that relate to them. Therefore we have put increasing investment into our programmes and engagement work, and have specifically agreed with Arts Council England that we will expand our programme into three key 'hub' areas in England - West Midlands and in particular the Black Country, Plymouth and Southampton.

. Opera and classical music are some of the best tools available to help spark imagination and creativity in young people, and are excellent catalysts for engaging classroom learning. WNO offers a range of resources to support teachers and educators, as well as singing, music and digital workshops (in VR/AR and digital animation) in schools. Workshops are led by our professional opera singers, orchestral players and animators, and can be tailored for school or SEND needs from Key Stage 1 through to 4.

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

Strategic Report (continued)

Income Generation

We continue to aim to increase our commercial sources of income as part of our financial strategy to become more sustainable by relying less on public funding; however the pandemic has necessitated a review of the timescale for these plans.

Donations and legacies for the year totalled £1.05 million, as compared to £2.4 million in 2018/19 and we are grateful for the generosity of our major donors and the Trusts and Foundations that support our work.

We continue to raise commercial income through Cardiff Theatrical Services (CTS) although its activities have also been severely reduced due to the closure of theatres and other venues. Set hire also brings in some income although this is understandable rather unpredictable.

Organisational Capacity and Culture

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

A new integrated planning system is currently being implemented, with the intention of extending our planning horizon and bringing together in one place all the elements required to plan and deliver all activities. This system and the associated changes in process will form the backbone of the operation into the future.

WNO has been developing more professional HR processes for the past few years, and a new integrated HR and payroll system was selected during 2019/20 with implementation commencing in 2020/21.

WNO recognises three trades unions: we need to revise our collective agreements with them as the organisation looks to ways to become more efficient and effective in the use of its biggest asset, its people. Lockdown has led to a re-evaluation of how we deliver our work, how our work might be delivered in the future and how best to align our people with the delivery of the outcomes we wish to achieve.

Increasing the diversity of our workforce is a significant issue which we need to work on. We established a baseline during 2018/19 with a snapshot diversity survey, which showed we have a workforce that is significantly older than any other Arts Council England National Portfolio Organisation, and which is also less diverse than many.

Finance

The ongoing Covid-19 pandemic has had a significant impact on the organisations finances, both in 2019/20 and 2020/21. The closure of all UK theatres and restrictions on outdoor performances has straddled two financial years, so comparisons with 2018/19, the last full year before the Covid-19 pandemic, should be treated with caution as the scale of operations has been severely reduced. As a touring opera company and not a venue owner and operator, WNO has been shielded from the direct financial impact of venue closures, and the level of grant funding received from both the Arts Council of Wales and Arts Council England has allowed us to continue to support our people through this difficult time.

The uncertainty about when venues will be allowed to reopen has necessitated the modelling of multiple scenarios to cover a range of options, and that modelling work will continue whilst the uncertainty persists.

Strategic Report (continued)

Board

The WNO Board was due to meet six times during 2020/21, but as with the previous year, the number of meetings was increased and the Board has met more frequently since the start of the Covid-19 to consider the implications of the evolving situation. In July 2017 the Board commissioned a Skills and Diversity Audit, which reported in September 2017, and a Board Effectiveness Review, which reported in December 2017. The Skills Audit showed that gaps in opera expertise, audiences/digital and fundraising. The Diversity Audit showed that the WNO Board was short in female trustees, those from a diverse background and people with a disability.

In February 2019, three new trustees were appointed who fulfilled the opera expertise and audiences/digital roles. A further six trustee were then appointed in October 2019, with one further resignation at the end of a third term. Details can be found in Directors' and Officers' note on page 56 of this report. All the appointments were made following an open and transparent recruitment and selection process, which included the use of advertising and recruitment and selection specialists.

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Subsidiaries

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

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

During 2020/21 CTS provided services for many different organisations including:

Almeida Theatre Company, ATG Productions Ltd, Bay Productions, Cameron Mackintosh, Chicago Tour Ltd, Coventry City of Culture Trust, Cromwell Productions Ltd, , Donmar Warehouse Projects Ltd, English National Opera, Glyndebourne Festival Opera, Grange Festival, GPO Productions Ltd, MM! The Party Ltd, Mountview Academy of Theatre Arts, National Theatre Wales, National Trust, Opera North, Rebel X Ltd, Royal Opera House, Runaway 222 Show Ltd, Scottish Opera, Teen Angel Productions Limited Welsh National Opera.

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

Strategic Report (continued)

Public benefit

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

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

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

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

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

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

Environmental sustainability

The Company monitors its energy consumption and environmental impact and recycles its productions and sets extensively. The Company has incentives in place for staff to minimise their environmental impact while travelling and encourages rail use whenever possible. It has also contributed to the *Theatre Green Book*, an industry-wide initiative to reduce the carbon footprint of the performing arts sector.

Welsh language

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

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

Strategic Report (continued)

Financial Review

The Consolidated Statement of Financial Activities for the Group and its subsidiaries is shown on page 23.

Overall the Group's activities resulted in net incoming resources of £2,602,000 (2020 - outgoing resources of £1,436,000).

Income

Total incoming resources decreased by £2,085,000 (13%) to £13,731,000 (2020 – £15,816,000) primarily as a result of an decrease in box office income due to the closure of theatres throughout the financial year.

Expenditure

Overall expenditure this year decreased by £6,214,000 (13%) to £11,933,000 (2020 – £18,147,000). This reduction was as a result of the closure of all theatres throughout the year which resulted in a decrease in mainscale opera expenditure of £5,880,000.

Expenditure on charitable activities fell by £6,399,000 (38%) and now accounts for 87% of all expenditure (2020 – 93%).

Subsidiaries

Cardiff Theatrical Services Limited enables WNO to maintain its own excellent set-making facilities and continues to build sets for many other clients. The subsidiary made a loss after taxation of £122,000 (2020- loss of £21,000) during the year after contributing an appropriate share of premises and overhead costs to WNO. Due to the exceptional nature of the year, during which UK theatres were closed and the demand for set creation significantly reduced, the WNO Board has agreed to continue to support the subsidiary as the sector recovers.

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

Details of both subsidiaries are included in note 18.

Fixed assets, investments and cash

Fixed assets purchased during the year amounted to £57,000 (2020- £206,000) including replacement vehicles, computers and lighting equipment.

After investing the funds referred to above, at the year-end the group held cash at bank of £6,517,000 (2020 – £2,908,000) including a production reserve of £2,002,000 (2020 – £1,155,000).

The Group holds its cash in major UK clearing banks. The Investment Committee regularly reviews the Group's banking arrangements and investment policy and in May 2014 it invested £2,332,000 of reserves which are held for the long term (over three years) into an investment portfolio. For the year to 31 August 2021 the portfolio returned income of 2.9% which is in line with target income of between 2.8% and 3.5% per annum. These investments, which are openly traded investments and securities are classified as fixed asset investments with a market value of £3,121,000 at year-end (2019 - £2,628,000) (see note 7b).

Strategic Report (continued)

Pension

Group employees contributed to a defined contribution pension scheme; the Group's defined benefit scheme was closed to new entrants and future accrual on 5 April 2009 but continues to be maintained by the trustees for its pensioners (see note 17). The surplus on the defined benefit scheme amounted to £1,015,000 at 31 August 2021 (2020 – deficit of £1,145,000) with an actuarial gain of £2,187,000 shown in the year (2020 - gain of £881,000). These movements reflect the changes in the valuation of the actual assets and estimated liabilities in the scheme, and do not represent crystallised net assets or liabilities.

Risk management

The Board recognises its legal responsibility to provide an annual Risk Management Statement to show they have given due and proper consideration of the charity's major risks and that they have satisfied themselves of the adequacy of the systems which are in place to manage those risks (Charities (Accounts and Reports) Regulations 2008).

Detailed review authority is delegated to the Audit and Risk Committee, which meets on a quarterly basis. The Committee is made up of two Board Trustees, two external members with specialist knowledge/experience and is also attended by the General Director and the Finance Director and the Chair of Trustees in an Ex-Officio capacity. Findings and recommendations are made to the full Board of Trustees, along with a summary of the risk register.

The board considers risk to be the opportunities/uncertainties which may impact its ability to deliver its vision/mission/strategy or which may jeopardise the WNO's compliance with legal and regulatory requirements.

In applying a particular approach, the Board aims to assess and agree its own appetite to the risks identified, which enables the executive team to manage them accordingly. For example is the Board:

- risk averse, where avoidance of the risk is a key organisational objective;
- risk balanced, where the preference of the board is for delivery options having a low degree of inherent risk/may only have limited potential for reward or;
- risk seeking where the board is perhaps keen to be innovative and therefore willing to choose options offering potentially higher rewards (albeit with greater inherent risk).

In identifying and assessing risk, WNO looks at both internal and external factors which may impact its strategic objectives, as well as its financial position. In addition, there are key leading and lagging indicators, which may influence its ability to over or under achieve what it has set out to do. Risk areas have been aligned to the organisation's strategic objectives and have been categorised in to the following:

- a) Financial (e.g. loss of income, pension liabilities, cashflow, reserves)
- b) Operational (e.g. staff skills/welfare/collective agreements, resources, business continuity)
- c) Reputational (artistic quality, partner agreements)
- d) Strategic (e.g. economic climate, government policy)

The organisation is also mindful of other potential significant risks, which underpin and run across all the above:

- e) Legal (e.g. H & S breach, legal/regulatory responsibilities, breach of trust)
- f) Governance (e.g. organisational controls, trustee skills, conflicts of interest)

Strategic Report (continued)

The Board recognises that risks ebb and flow, depending on both external and internal factors. Therefore, the management of these risks is a dynamic process, which requires regular review. The organisation's approach to managing risk is multi-faceted, depending on the type of risk and includes:

- stopping the activity to avoid the risk completely
- mitigating the risk to best possible controls measures
- transferring the financial consequences to insurers or outside companies
- accepting the risk as unavoidable.

Reserves

As at 31 August 2021 the total funds held by the Group stood at £11,000,000 (2020 - £6,211,000); of this total £2,624,000 was classed as restricted or endowed funds (2020 - £1,959,000) leaving unrestricted funds totalling £8,376,000 (2020 - £4,252,000).

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

The calculation of free reserves is shown below and shows free reserves of £3,276,000 (2020 - £1,577,000); the remaining unrestricted reserves have been designated to support the planning of our artistic output in future years and to enable strategic change. The continued closure of venues during 2020/21 resulted in a reduction in the costs associated with touring and allowed the Free Reserves to be rebuilt.

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

Free reserves

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

At 31 August	2021 £'000	2020 £'000
Total unrestricted funds	8,376	4,252
Exclude designated funds - restructuring reserve (Note 13)	(437)	(437)
Exclude designated funds – production reserve (Note 13)	(2,002)	(1,155)
Exclude designated funds – CJRS income (Note 13)	-	(504)
Less fixed assets	(1,646)	(1,724)
Exclude pension reserve	(1,015)	1,145
Free reserves	3,276	1,577

Directors' Report

Governance and Management

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

The reference and administrative details of the Company are shown on page 55, and the details of the Directors of the Company, who are also its members and charitable trustees, are shown on page 56.

Governance

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

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

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

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

The directors who held office during the year and up to the date of signing of the Financial Statements are listed in the Group Details section beginning on page 56.

Directors' interests

Directors have no interests in the Group or the related bodies shown in note 19 to the Financial Statements. Directors received no remuneration as directors in the year (2020 - £nil).

Senior Management

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

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

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

Employee involvement

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

Directors' Report (continued)

Equal opportunities and diversity

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

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

Post balance sheet events

The outbreak of the novel coronavirus (Covid-19) was confirmed to be a global pandemic by the World Health Organisation on 11 March 2020. This resulted in several measures being taken globally by governments to protect the wellbeing of the population. The most significant from a WNO perspective was the closure of all theatres from 16 March 2020 which led to the cancellation of the Spring tour with six weeks of the tour remaining and the subsequent cancellation of the Summer tour. As the impact of the pandemic continued to increase the planned Autumn 2020 season was also cancelled and as the whole of the UK went into lockdown once more in December 2021 the Spring 2021 season was also removed from the schedule.

Despite the cancellation of performances in front of a live audience and the challenges of musicians and singers rehearsing in a socially distanced way the organisation has produced a significant number of pieces of digital content.

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

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

Directors' Report (continued)

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

Going concern

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

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

After assessing the impact of possible income reduction scenarios, the directors have concluded that the charity has a reasonable expectation that there are adequate resources to continue to operate for at least 12 months from the date of signing of the financial statements and have continued to prepare the financial statements on a going concern basis.

Auditor


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

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

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

A resolution to reappoint Azets Audit Services will be proposed at the forthcoming Annual General Meeting.

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


Yvette Vaughan Jones Chair

Date: 26.05.2022

Statement of Trustees' Responsibilities

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

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

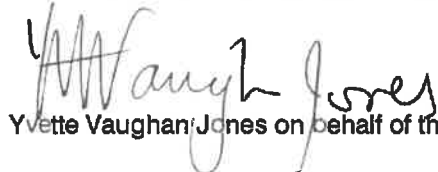
- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material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

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

In so far as the trustees are aware:

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

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



Yvette Vaughan Jones on behalf of the Trustees.

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

Opinion

We have audited the financial statements of Welsh National Opera Limited (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31st August 2021 which comprise the consolidated Statement of Financial Activities, the consolidated and parent Balance Sheet, the consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 August 2021 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

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

Other information

The other information comprises the information included in the trustees annual report , other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report (incorporating the strategic report and the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the trustees' report (incorporating the strategic report and directors' report) have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report including the Strategic Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of the trustees

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

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

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

Auditor responsibilities for the audit of the financial statements

We have been appointed auditor under the Companies Act 2006 and report in accordance with this Act.

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

The extent to which our procedures are capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
 - Reviewing minutes of meetings of those charged with governance;
 - Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the entity through enquiry and inspection;
 - Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
 - Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.
-

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

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Sarah Case FCA DChA
Senior Statutory Auditor
For and on behalf of
Azets Audit Services
Chartered Accountants and Statutory Auditors
Ty Derw
Lime Tree Court
Cardiff Gate Business Park
Cardiff
CF23 8AB

Date 30th May 2022

Consolidated Statement of Financial Activities

Incorporating the income and expenditure account for the year ended 31 August 2021

Years to 31 August:	Note	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2021 £'000	Total 2020 £'000
Income and endowments from:						
Charitable activities	2a	107	-	-	107	1,894
Donations		529	525	-	1,054	742
Legacies		303	-	-	303	306
General grants	2a	10,828	270	-	11,098	11,892
Trading income		1,091	-	-	1,091	909
Investment income		33	2	43	78	73
Total income		12,891	797	43	13,731	15,816
Expenditure on:						
Charitable activities		10,414	-	-	10,414	16,813
Raising funds		334	-	-	334	424
Trading expenditure		1,185	-	-	1,185	910
Total expenditure	2b	11,933	-	-	11,933	18,147
Other recognised gains and losses						
Net (losses)/gains on investments		211	10	271	492	(208)
Net income/(expenditure) before tax		1,169	807	314	2,290	(2,539)
Taxation	18	312	-	-	312	1,103
Net income/(expenditure) for the year	3	1,481	807	314	2,602	(1,436)
Transfers						
Transfer from restricted funds	14	456	(456)	-	-	-
Other gains/losses						
Actuarial (losses)/gains in the defined benefit pension scheme	17	2,187	-	-	2,187	881
Net movement in funds		<u>4,124</u>	<u>351</u>	<u>314</u>	<u>4,789</u>	<u>(555)</u>
Fund balance brought forward	16	4,252	304	1,655	6,211	6,766
Fund balance carried forward		<u>8,376</u>	<u>655</u>	<u>1,969</u>	<u>11,000</u>	<u>6,211</u>

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities. The notes on pages 27 to 54 form part of these financial statements. No separate income and expenditure account is presented for the parent Company in accordance with the provisions of s.408 of the Companies Act 2006. The total income for the parent company is £14,556,000 (2020 - £18,851,000). The result reported in the accounts of the parent Company is a surplus of £5,703,000 (2020 - surplus £958,000).

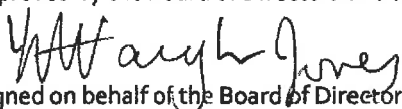
Consolidated Balance Sheet

As at 31 August 2021

	Note	31 August 2021 £'000	31 August 2020 £'000
Fixed assets			
Tangible assets	7a	1,646	1,724
Investments	7b	<u>3,121</u>	<u>2,628</u>
		4,767	4,352
Current assets			
Stocks	8	94	43
Debtors	9	2,194	3,051
Cash and bank deposits	10	<u>6,517</u>	<u>2,908</u>
		8,805	6,002
Creditors: amounts falling due within one year	11	<u>(3,587)</u>	<u>(2,998)</u>
Net current assets		<u>5,218</u>	<u>3,004</u>
Total assets less current liabilities		9,985	7,356
Net assets excluding pension liability		9,985	7,356
Defined benefit pension (liability)/asset	17	<u>1,015</u>	<u>(1,145)</u>
Net assets		<u>11,000</u>	<u>6,211</u>
Unrestricted funds			
Other charitable funds	13	4,054	2,433
Designated funds	13	2,439	2,096
Revaluation reserve	13	868	868
Pension reserve	17	<u>1,015</u>	<u>(1,145)</u>
Total unrestricted funds	13	8,376	4,252
Restricted funds	14	655	304
Endowment funds	15	1,969	1,655
Total charity funds		<u>11,000</u>	<u>6,211</u>

The notes on pages 27 to 54 form part of these financial statements

The financial statements of Welsh National Opera Limited, company registered number 00454297, were approved by the Board of Directors and authorised for issue on 26th May 2022


Signed on behalf of the Board of Directors:

Yvette Vaughan Jones - Trustee

Company Balance Sheet

As at 31 August 2021

	Note	31 August 2021 £'000	31 August 2020 £'000
Fixed assets			
Tangible assets	7a	1,646	1,724
Investments	7b	<u>3,121</u> <u>4,767</u>	<u>2,628</u> <u>4,352</u>
Current assets			
Stocks	8	94	43
Debtors	9	1,824	2,034
Cash and bank deposits	10	<u>6,360</u> <u>8,278</u>	<u>2,647</u> <u>4,724</u>
Creditors: amounts falling due within one year	11	<u>(3,259)</u>	<u>(2,833)</u>
Net current assets		<u>5,019</u>	<u>1,891</u>
Total assets less current liabilities		9,786	6,243
Net assets excluding pension liability		9,786	6,243
Defined benefit pension (liability)/asset	17	<u>1,015</u>	<u>(1,145)</u>
Net assets		<u>10,801</u>	<u>5,098</u>
Unrestricted funds:			
Other charitable funds	13	3,855	1,320
Designated funds	13	2,439	2,096
Revaluation reserve	13	868	868
Pension reserve	17	<u>1,015</u>	<u>(1,145)</u>
Total unrestricted funds	13	8,177	3,139
Restricted funds	14	655	304
Endowment funds	15	1,969	1,655
Total charity funds		<u>10,801</u>	<u>5,098</u>

The notes on pages 27 to 54 form part of these financial statements.

No separate income and expenditure account is presented for the parent Company in accordance with the provisions of s.408 of the Companies Act 2006. The total income for the parent company is £14,556,000 (2020 - £18,851,000). The result reported in the accounts of the parent Company is a surplus of £5,703,000 (2020 - surplus £958,000).

The financial statements of Welsh National Opera Limited, company registered number 00454297, were approved by the Board of Directors and authorised for issue on 26th May 2022

Signed on behalf of the Board of Directors:

Yvette Vaughan Jones - Trustee

Consolidated Cash Flow Statement

Years to 31 August:	Note	2021 £'000	2020 £'000
Net cash flow from operating activities (see below)		3,556	1,105
Interest received		78	73
Investing activities:			
Proceeds from sale of investments (shares etc.)	7b	474	716
Investments (in shares etc.)	7b	(442)	(997)
Purchases of fixed assets	7a	(57)	(206)
Proceeds from sale of fixed assets	2a	-	-
Net cash movement		3,609	691
Opening cash at bank and in hand		2,908	2,217
Closing cash at bank and in hand		6,517	2,908
Net cash flow from operating activities		2021	2020
Years to 31 August:		£'000	£'000
Net expense for the year		2,602	(1,436)
Adjustments for:			
Release from reserves		-	-
Movement in WNO Endowment Fund		-	500
Interest receivable		(78)	(73)
Depreciation charges	7a	135	129
Profit on sale of fixed assets	2a	-	-
Movement in investments	7b	(493)	208
Operating cash flow before movement in working capital		2,166	(672)
Movements in working capital:			
Movement in stocks	8	(51)	(2)
Movement in debtors	9	857	1,439
Movement in creditors	11	589	340
Adjustment for pension funding	17	(5)	-
		1,390	1,777
Net cash (outflow)/inflow from operating activities		3,556	1,105

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

The notes on pages 27 to 54 form part of these financial statements.

Notes to the Financial Statements

1. Accounting Policies

Welsh National Opera Limited is a registered charity incorporated in England and Wales as a company limited by guarantee without share capital. The trustees are also the members of the Company. Each member has undertaken to contribute a sum not exceeding £10 to the assets in the event of winding up. The registered office is given on page 57.

Basis of accounting

The financial statements have been prepared in accordance with the charity's governing document, the Companies Act 2006 and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019)". The charity is a Public Benefit Entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

Basis of consolidation

Group financial statements have been prepared in respect of Welsh National Opera Limited and its wholly-owned subsidiaries, Cardiff Theatrical Services Limited and WNO Productions Limited, on a line by line basis. The results of the subsidiaries are set out in note 18.

No separate statement of financial activities and income and expenditure account has been presented for the Charity alone as permitted by Section 408 of the Companies Act 2006 and paragraph 397 of the Statement of Recommended Practice: Charities SORP (FRS 102).

Going concern

The Group's activities and future plans are set out in the Strategic Report and the Directors' Report.

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

The directors regularly review and manage short-term fluctuations in income streams which include box office, commercial and development income and have established a minimum level of free reserves excluding the defined benefit pension liability of £2.5m to allow for anticipated fluctuations. This level of reserves is considered by the Board to be an acceptable level of free reserves to provide for the stability of the Company. The groups' free reserves have fallen below this level in 2019/20. For more information see page 17.

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

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

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

1. Accounting Policies (continued)

Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the board in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Designated funds comprise funds which have been set aside at the discretion of the trustees for specific purposes. The purposes and uses of the designated funds are set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Endowment funds are subject to specific conditions by donors that the capital must be maintained by the charity.

Incoming resources

Income is recognised when the charity is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

Cash donations are recognised on receipt. Other donations are recognised once the charity has been notified of the donation, unless performance conditions require deferral of the amount.

Income from grants is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Legacies are recognised on receipt or otherwise if the charity has been notified of an impending distribution, the amount is known, and receipt is expected. If the amount is not known, the legacy is treated as a contingent asset.

Income from charitable activities and trading income is recognised in the period to which the service relates with any amounts received in advance being deferred.

No amounts are included in the financial statements for services and time donated by volunteers.

Interest on funds is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank. Dividend income is recognised on the date the charity's right to receive payment is established.

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

1. Accounting Policies (continued)

Expenditure recognition

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Costs of raising funds comprise the costs in relation to generating income such as fundraising and events, marketing and publicity and certain costs associated with the charity's trading subsidiaries.
- Expenditure on charitable activities includes all costs relating to the furtherance of the charity's objectives as stated in the trustees report.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

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

An analysis has been provided for the charitable activities on a departmental basis.

Costs where possible are attributed directly to the activity to which they relate. 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.

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Governance costs comprise all costs involving public accountability of the charity and its compliance with regulation and good practice.

Taxation

As a registered charity Welsh National Opera Limited is entitled to the exemption from taxation in respect of income and capital gains received with sections 478-489 of the Corporation Tax Act 2010 and section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects purposes only.

Theatre Tax Relief

Amounts due to Welsh National Opera in respect of Theatre Tax Relief, is included in the financial year to which the claim relates within Income from Charitable Activities rather than as a tax credit or a reduction in expenditure as the nature and intention of Theatre Tax Relief is akin to government grant income.

1. Accounting Policies (continued)

Fixed assets and depreciation

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses or in cases where fixed assets have been donated to the charity, at valuation at time of acquisition

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Category of Asset:	Depreciation Policy:
Long leasehold premises	Depreciated over 50 years
Vehicles	10% to 25% per annum on a straight-line basis
Equipment, fixtures and fittings	9% to 33% per annum on a straight-line basis

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

Other fixed assets are included at cost less accumulated depreciation.

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

Investments

Fixed asset investments in quoted shares, traded bonds and similar investments are valued at initially at cost and subsequently at fair value (their market value) at the year end. The same treatment is applied to unlisted investments unless fair value cannot be measured reliably in which case it is measured at cost less impairment.

Stocks

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

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Capital grants, in accordance with Accounting and Reporting by Charities: (SORP 2015), are accounted for within restricted funds. Accordingly, this fund is reduced by the depreciation arising on the tangible fixed assets acquired with the grant.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1. Accounting Policies (continued)

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the charity transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the charity's contractual obligations expire or are discharged or cancelled.

Employee Benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the charity is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Pensions

For defined contribution schemes:

The charitable company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the charity. Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due and are allocated against unrestricted funds.

1. Accounting Policies (continued)

For the defined benefit scheme:

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

The assets of the scheme are held separately in an independently administered fund.

The cost of providing benefits under defined benefit plans is determined separately for each plan using the projected unit credit method, and is based on actuarial advice.

The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. The cost of plan introductions, benefit changes, settlements and curtailments are recognised as incurred.

The net interest element is determined by multiplying the net defined benefit liability by the discount rate, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments. The net interest is recognised in income/ (expenditure) for the year.

Remeasurement changes comprise actuarial gains and losses, the effect of the asset ceiling and the return on the net defined benefit liability excluding amounts included in net interest. These are recognised immediately in other recognised gains and losses in the period in which they occur and are not reclassified to income/(expenditure) in subsequent periods.

The net defined benefit pension asset or liability in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information, and in the case of quoted securities is the published bid price. The value of a net pension benefit asset is limited to the amount that may be recovered either through reduced contributions or agreed refunds from the scheme.

Operating leases

Rental costs under operating leases are charged to the statement of financial activities on a straight-line basis over the period of the lease.

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

2. Analysis of Charitable Activity

(a) Income:	Unrestricted funds2021 £'000	Restricted funds2021 £'000	Endowment fund 2021 £'000	Year 2021 £'000	Year 2020 £'000
Years to 31 August:					
Box office and similar income	7	-	-	7	1,600
Programmes & Engagement	18	-	-	18	96
Income from other charitable activity	82	-	-	82	198
Profit on disposal of fixed assets	-	-	-	-	-
Income from charitable activities	107	-	-	107	1,894
Grants receivable:					
Arts Council England	6,236	-	-	6,236	6,170
Arts Council of Wales	4,592	-	-	4,592	4,546
HMRC CJRS	-	270	-	270	1,176
General grants	10,828	270	-	11,098	11,892

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

(b) Expenditure on charitable activities

Years to 31 August:	Direct activity 2021 £'000	Support costs2021 £'000	Year 2021 £'000	Direct activity 2020 £'000	Support costs 2020 £'000	Year 2020 £'000
Main-scale opera	8,154	1,433	9,587	14,075	1,392	15,467
Programmes & Engagement	736	91	827	1,258	88	1,346
Charitable activity	8,890	1,524	10,414	15,333	1,480	16,813
Fundraising	287	47	334	378	46	424
Trading	1,185	-	1,185	910	-	910
Total expenditure	10,362	1,571	11,933	16,621	1,526	18,147

2. Analysis of Charitable Activity (continued)

(c) Support costs

Years to 31 August:	2021 £'000	2020 £'000
Wales Millennium Centre premises	207	266
Finance & IT	766	700
Administration, HR	514	512
Governance costs	-	5
Defined Benefit Scheme pension costs	84	43
Support costs	1,571	1,526
Allocation of support costs to activities based on direct costs incurred:		
Opera	1,433	1,392
Programmes & Engagement	91	88
Fundraising	47	46
Support costs	1,571	1,526

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

3. Net Income and Expenditure

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

Years to 31 August:	2021 £'000	2020 £'000
Rentals under operating leases – land and buildings	181	181
Rentals under operating leases – equipment	14	14
Depreciation – owned assets	135	129
Auditor remuneration as statutory auditor	49	32
Other non-audit fees paid to the auditor	-	-

The auditor, Azets Audit Services, additionally provides audit services to the Welsh National Opera Limited Pension Scheme which has independent trustees to the charity paying audit fees of £5,925 (2020 - £5,750).

3. Net Income and Expenditure (continued)

(b) Net income for the parent Company

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

	2021	2020
Years to 31 August:		
	£'000	£'000
Total incoming resources	14,556	18,851
Net (deficit)/surplus for the year	2,520	77
Actuarial (loss)/gain on defined benefit scheme (see note 17)	2,187	881
(Deficit)/surplus including actuarial (loss)/gain in the pension scheme	5,703	958

4. Employee Costs and Numbers

Group and Company

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

Years to 31 August:	2021	2020
	£'000	£'000
Wages and salaries	7,647	8,372
Social security costs	720	816
Other pension costs	431	462
Pension deficit costs	27	219
	8,825	9,869

Included in employee costs above are the costs of 75 temporary and casual staff (2020 – 120) who were employed during the year paying total wages and salaries of £476,926 (2020 – £519,808). Redundancy and termination payments totalling £267,192 for the year ended 31st August 2021 (2020: £nil). Amounts outstanding at the yearend totalled £nil (2020: £nil) are also included.

Monthly average numbers of permanent employees by activity were:

Years to 31 August:	2021	2020
	Number	Number
Opera	174	170
Youth and Community	11	12
Support	12	12
Fundraising	8	10
Trading	26	25
	231	229

4. Employee Costs and Numbers (continued)

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

Years to 31 August:	2021 Number	2020 Number
£60,000 - £69,999	2	3
£70,000 - £79,999	3	3
£80,000 - £89,999	1	1
£90,000 - £99,999	-	-
£100,000 - £109,999	-	-
£110,000 - £119,999	-	-
£140,000 - £149,999	1	1

Senior management pay

The senior management personnel of the Company and the Group are listed on page 55. The total remuneration (including pension contributions and freelance fees) in respect of the senior managers of the Company and Group for the year amounted to £784,372 (2020 - £796,807).

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

Directors' emoluments

The directors received no remuneration for their roles as directors in the year (2020 - £nil) and no accommodation and travel expenses were reimbursed to directors during the year (2020- £3,509 to nine directors). Tickets for performances are purchased at box office prices by the directors other than for a small number of complimentary tickets for official hosting and marketing purposes.

5. Taxation on Ordinary Activities

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

As a registered charity Welsh national Opera Limited is entitled to the exemption from taxation in respect of income and capital gains received with sections 478-489 of the Corporation Tax Act 2010 and section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects purposes only. The charity has two wholly-owned subsidiaries:

- i) Cardiff Theatrical Services Limited is, however, subject to tax. In the current year no corporation tax (2020 - £nil) was incurred by the subsidiary.
- ii) WNO Productions Limited is also subject to tax and applied for Theatre Tax Relief on the major productions created in the year to 31 August 2021 amounting to £312,133 (2020 £1,102,605).

6. Operating Lease Commitments

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

Years to 31 August:	2021	2020
	£	£
Due, 1 year	118,136	118,136
Due 2-5 years	114,533	117,468
Due > 5 years	2,305,742	2,333,742

7. Fixed Assets

7a. Tangible fixed assets

Group and Company	Long leasehold	Vehicles	Equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 September 2020	1,500	579	1,830	3,909
Additions	-	53	4	57
Disposals	-	77	112	189
At 31 August 2021	1,500	555	1,722	3,777
Depreciation				
At 1 September 2020	150	522	1,513	2,185
Charge for the year	30	20	85	135
Disposals	-	77	112	189
At 31 August 2021	180	465	1,486	2,131
Net book value				
At 31 August 2020	1,350	57	317	1,724
At 31 August 2021	1,320	90	236	1,646

7a. Tangible fixed assets (continued)

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

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

The organisation is implementing an integrated HR/Payroll system from MHR at a cost of £67,371 and that the final payment will be made once the system goes live in 2022.

7b. Fixed asset investments

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

Group and Company: At 31 August	2021 £'000	2020 £'000
Corporate bonds and cash	471	396
Equities:		
- UK	1,157	1,027
- US	797	620
- Other equities	629	521
- Property	67	64
	3,121	2,628

The movements in investments held were as follows:

Years ended 31 August:	2021 £'000	2020 £'000
Market value at the beginning of the year	2,628	2,836
Additions at cost	442	997
Disposals at carrying value	(474)	(716)
Net realised and unrealised (losses)/gains	525	(489)
Market value at the end of the year	3,121	2,628
Historical cost at the end of the year	2,500	2,394
Included within the above is cash held within the portfolio totalling	50	34

Other investments

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

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

8. Stocks

At 31 August

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Raw materials	94	43	94	43

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

9. Debtors

Amounts falling due within one year:

At 31 August	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Trade debtors	353	80	61	60
Amounts owed by Group undertakings	-	-	179	95
Other debtors	70	237	61	247
Taxation	314	1,103	66	-
Prepayments and accrued income	1,457	1,631	1,457	1,632
	2,194	3,051	1,824	2,034

Amounts owed by Group undertakings comprise amounts due from Cardiff Theatrical Services Limited for normal monthly transactions.

10. Cash at Bank and In Hand

At 31 August	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Cash at bank and in hand	6,517	2,908	6,360	2,647

The Company has no borrowings or overdraft facilities.

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

11. Creditors: Amounts Falling Due Within One Year

At 31 August	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Trade creditors	94	21	94	21
Other creditors including taxation	357	339	357	339
Accruals	335	358	330	360
Deferred grant income	448	66	448	66
Other deferred income	2,353	2,214	2,030	2,047
	3,587	2,998	3,259	2,833

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

Analysis of movement in other deferred income

At 31 August	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Brought forward	2,214	1,105	2,047	1,000
Released in year	(136)	(121)	(17)	(16)
Received in year	275	1,230	-	1,063
Carried forward	2,353	2,214	2,030	2,047

Analysis of movement in deferred grant income

At 31 August	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Brought forward	66	378	66	378
Released in year	(10,446)	(10,716)	(10,446)	(10,716)
Received in year	10,828	10,404	10,828	10,404
Carried forward	448	66	448	66

12. Company Status

The Company is a registered charity constituted as a Company Limited by Guarantee and does not have share capital. The liability of each member is limited to £10, the maximum number of members being 20. The actual number of members at 31 August 2021 was 14 (2020 -13).

13. Unrestricted Funds

At 31 August 2021

Group	Opening balance £'000	Incoming resources £'000	Resources expended £'000	Gains / (losses) £'000	Transfers £'000	Closing balance £'000
Restructuring reserve	437	-	-	-	-	437
Production reserve	1,155	-	-	-	847	2,002
CJRS reserve	504	-	-	-	(504)	-
Pension reserve	(1,145)	-	(27)	2,187	-	1,015
Revaluation reserve	868	-	-	-	-	868
Income and expenditure	2,433	13,203	(11,906)	211	113	4,054
Total Group funds	4,252	13,203	(11,933)	2,398	456	8,376
Company	Opening balance £'000	Incoming resources £'000	Resources expended £'000	Gains / (losses) £'000	Transfers £'000	Closing balance £'000
Restructuring reserve	437	-	-	-	-	437
Production reserve	1,155	-	-	-	847	2,002
CJRS reserve	504	-	-	-	(504)	-
Pension reserve	(1,145)	-	(27)	2,187	-	1,015
Revaluation reserve	868	-	-	-	-	868
Income and expenditure	1,320	14,239	(12,028)	211	113	3,855
Total Company funds	3,139	14,239	(12,055)	2,398	456	8,177

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

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

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

The 'CJRS' reserve is set aside to earmark the release of the CJRS income received in line with box office losses in future periods.

13. Unrestricted Funds (continued)

At 31 August 2020

Group	Opening balance	Incoming resources	Resources expended	Gains / (losses)	Transfers	Closing balance
	£'000	£'000	£'000	£'000	£'000	£'000
Restructuring reserve	672	-	-	-	(235)	437
Production reserve	1,393	-	-	-	(238)	1,155
CJRS reserve	-	-	-	-	504	504
Pension reserve	(1,807)	-	(219)	881	-	(1,145)
Revaluation reserve	868	-	-	-	-	868
Income and expenditure	3,279	15,660	(16,749)	(89)	332	2,433
Total Group funds	4,405	15,660	(16,968)	792	363	4,252

Company	Openingbalance	Incoming resources	Resources expended	Gains / (losses)	Transfers	Closing balance
	£'000	£'000	£'000	£'000	£'000	£'000
Restructuring reserve	672	-	-	-	(235)	437
Production reserve	1,393	-	-	-	(238)	1,155
CJRS reserve	-	-	-	-	504	504
Pension reserve	(1,807)	-	(219)	881	-	(1,145)
Revaluation reserve	868	-	-	-	-	868
Income and expenditure	654	17,592	(17,169)	(89)	332	1,320
Total Company funds	1,780	17,592	(17,388)	(1,712)	363	3,139

14. Restricted Funds

At 31 August 2021

Group and Company	Opening balance	Incoming resources	Resources expended	Revalue	Transfers	Closing balance
	£'000	£'000	£'000	£'000	£'000	£'000
Seligman Trust	63	2	-	10	(1)	74
Schaefer Bursary	18	-	-	-	-	18
C Ball Bursary	7	-	-	-	(2)	5
Parry Family Bursary	10	-	-	-	1	11
Paul Hamlyn Artworks	4	-	-	-	(4)	-
Fidelity	40	-	-	-	(40)	-
Dunard	-	300	-	-	-	300
HMRC CJRS	-	270	-	-	(270)	-
Other	162	225	-	-	(140)	247
Total restricted funds	304	797	-	10	(456)	655

At 31 August 2020

Group and Company	Opening balance	Incoming resources	Resources expended	Revalue	Transfers	Closing balance
	£'000	£'000	£'000	£'000	£'000	£'000
Seligman Trust	65	2	-	(4)	-	63
Schaefer Bursary	18	-	-	-	-	18
C Ball Bursary	9	-	(2)	-	-	7
Parry Family Bursary	10	-	-	-	-	10
Paul Hamlyn Artworks	4	-	-	-	-	4
Fidelity	160	-	-	-	(120)	40
HMRC CJRS	-	1,176	(1,176)	-	-	-
Other	364	41	-	-	(243)	162
Total restricted funds	630	1,219	(1,178)	(4)	(363)	304

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

15. Endowment Funds

At 31 August 2021

Group and Company	Opening balance	Interest income	Resources expended	Revalue	Closing balance
	£'000	£'000	£'000	£'000	£'000
Mary Warner Trust	1,172	30	-	192	1,394
RW Pethybridge	421	11	-	69	501
Sir John Moores Award	62	2	-	10	74
Total endowment funds	1,655	43	-	271	1,969

At 31 August 2020

Group and Company	Opening balance	Interest income	Resources expended	Revalue	Closing balance
	£'000	£'000	£'000	£'000	£'000
Mary Warner Trust	1,225	28	-	(81)	1,172
RW Pethybridge	440	10	-	(29)	421
Sir John Moores Award	66	2	-	(5)	62
Total endowment funds	1,731	40	-	(115)	1,655

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

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

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

16. Analysis of Net Assets Between Funds

At 31 August 2021

Group	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total £'000
Tangible fixed assets	1,646	-	-	1,646
Fixed asset investments	1,339	64	1,718	,121
Net current assets	4,376	591	251	5,218
Pension reserve	1,015	-	-	1,015
Net assets	8,376	655	1,969	11,000
Company				
Tangible fixed assets	1,646	-	-	1,646
Fixed asset investments	1,339	64	1,718	3,121
Net current assets	4,177	591	251	5,019
Pension reserve	1,015	-	-	1,015
Net assets	8,177	655	1,969	10,801

At 31 August 2020

Group	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total £'000
Tangible fixed assets	1,724	-	-	1,724
Fixed asset investments	1,127	54	1,447	2,628
Net current assets	2,546	250	208	3,004
Pension reserve	(1,145)	-	-	(1,145)
Net assets	4,252	304	1,655	6,211
Company				
Tangible fixed assets	1,724	-	-	1,724
Fixed asset investments	1,127	54	1,447	2,628
Net current assets	1,433	250	208	1,891
Pension reserve	(1,145)	-	-	(1,145)
Net assets	3,139	304	1,655	5,098

17. Pension Schemes

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

There were no Company contributions to the Scheme for the year ended 31 August 2021, and Company contributions for the year ending 31 August 2022 are expected to be nil.

The valuation used for FRS 102 disclosures has been based on a full assessment of the liabilities of the Scheme as at 31 August 2020. The present values of the defined benefit obligation were measured using the projected unit credit method.

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

	Assumptions		
	31 August 2021	31 August 2020	31 August 2019
	% p.a.	% p.a.	% p.a.
RPI Inflation	3.30	2.95	3.3
CPI Inflation	2.80	2.35	2.4
Pension increases (Pre April 1997 in excess of GMP)			
	3.0	3.0	3.0
Pension increases (April 1997 – April 2005)			
	2.75	2.35	2.4
Pension increases (Post April 2005)	2.0	1.8	1.8
Discount rate for Scheme liabilities	1.75	1.7	1.8
Longevity for member currently aged 65:			
- Male	21.9	21.2	21.6
- Female	24.3	23.2	23.6
Longevity for member reaching 65 in 20 years:			
- Male	23.2	22.5	23.0
- Female	25.7	24.7	25.1

17. Pension Schemes (continued)

	Fair value of assets		
	31 August 2021 £'000	31 August 2020 £'000	31 August 2019 £'000
Equities			
Index-linked	9,686	8,662	8,321
Bonds	7,920	6,714	6,447
Corporate bonds	1,770	1,693	1,634
Other	78	61	27
Total	19,454	17,130	16,429
Reconciliation of funded status to balance sheet			
	Value at 31 August 2021 £'000	Value at 31 August 2020 £'000	
Fair value of Scheme assets	19,454	17,130	
Present value of funded defined benefit obligations	(18,439)	(18,275)	
(Deficit)/surplus	1,015	(1,145)	-
(Liability)/asset recognised on the statement of financial position	1,015	(1,145)	
Analysis of profit and loss			
	Value at 31 August 2021 £'000	Value at 31 August 2020 £'000	
Administration expenses	-	-	
Net interest cost	20	33	
Past service cost	7	186	
Expense recognised in profit and loss	27	219	

17. Pension Schemes (continued)

Changes to present value of the defined benefit obligation

	Value at 31 August 2021 £'000	Value at 31 August 2020 £'000
Opening defined benefit obligations	18,275	18,236
Administration expenses	-	-
Interest cost	307	326
Remeasurement (gains)/losses		
- Actuarial losses on Scheme liabilities in respect of assumptions	854	248
- Actuarial losses on Scheme liabilities in respect of experience	(377)	(87)
- From change in demographic assumptions	(145)	(330)
Net benefit paid out	(482)	(304)
Past service cost	7	186
Closing defined benefit obligation	18,439	18,275

Changes to the fair value of Scheme assets

	Value at 31 August 2021 £'000	Value at 31 August 2020 £'000
Opening fair value of Scheme assets	17,130	16,429
Interest income on Scheme assets	287	293
Actuarial gains/(losses)		
- Return on Scheme assets less interest income	2,519	712
Contributions by the Company	-	-
Net benefits paid out	(482)	(304)
Closing fair value of Scheme assets	19,454	17,130

Analysis of amounts recognised in the Statement of financial activities

	Value at 31 August 2021 £'000	Value at 31 August 2020 £'000
Return on Scheme assets less interest income	2,519	712
(Losses)/gains on financial assumptions	(854)	(248)
(Losses)/gains on demographic assumptions	145	330
Experience Gains on Scheme liabilities	377	87
Total (loss)/gain	2,187	881

17. Pension Schemes (continued)

Actual return on Scheme assets

	Value at 31 August 2021 £'000	Value at 31 August 2020 £'000
Interest income on Scheme assets	287	293
Return on Scheme assets less interest income	2,519	712
Total return on Scheme assets	2,806	1,005

18. Additional Information on Subsidiaries

Welsh National Opera Limited has two subsidiaries:

Cardiff Theatrical Services Limited - company registration 01705868 which is incorporated in the UK.

Registered office - Ellen Street, Cardiff, CF10 4TT

Acquired by Welsh National Opera Limited for £nil on 1 April 1989, the share capital of Cardiff Theatrical Services Limited comprises 90 ordinary shares of £1 which are all wholly-owned by Welsh National Opera Limited.

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

The trading results of the subsidiary were as follows:

Years to 31 August:	2021 £'000	2020 £'000
Turnover	1,303	1,340
Cost of sales	(1,418)	(1,352)
Gross profit	(115)	(12)
Administrative expenses	(7)	(9)
Operating profit/(loss)	(122)	(21)
Gift Aid to parent company	-	-
Loss before taxation	(122)	(21)
Taxation	-	-
Profit/ (loss) for the financial year	(122)	(21)

The aggregate of the assets, liabilities and funds was:

At 31 August	2020 £'000	2019 £'000
Assets	448	285
Liabilities	(566)	(281)
Shareholder funds	(118)	4

18. Additional Information on Subsidiaries (continued)

Included within turnover and cost of sales is inter-company trade

At 31 August	2021 £'000	2020 £'000
Sales	212	430
Purchases	1,425	1,367
Amounts outstanding at year end	179	95

Statement of Changes in Equity

Company	Share capital £	Profit and loss reserves £	Total £
Balance at 1 st September 2019	90	24,789	24,879
Year ended 31 August 2020:	-		
Profit and total comprehensive income for the year	-	(21,083)	(21,083)
Distributions to parent charity under gift aid			
Balance at 31 August 2020	90	3,706	3,706
Year ended 31 August 2021:			
Loss and total comprehensive income for the year	-	(118,409)	(118,409)
Balance at 31 August 2021	90	(118,409)	(118,319)

18. Additional Information on Subsidiaries (continued)

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

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

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

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

The trading results of the subsidiary were as follows:

Years to 31 August:	2021 £'000	2020 £'000
Turnover	2,476	8,829
Cost of sales	(2,465)	(8,814)
Gross profit	11	15
Administrative expenses	(11)	(15)
Operating profit / (loss)	-	-
Profit / (Loss) before taxation	-	-
Theatre tax relief on productions	312	1,103
Profit retained in subsidiary	312	1,103

The aggregate of the assets, liabilities and funds was:

At 31 August	2021 £'000	2020 £'000
Assets	328	1,123
Liabilities	(11)	(15)
Shareholder funds	317	1,108

18. Additional Information on Subsidiaries (continued)

	2021 £'000	2020 £'000
At 31 August		
Sales	2,476	8,829
Purchases	2,476	8,829
Amounts outstanding at year end	-	-

Statement of Changes in Equity

Company	Share capital £	Profit and loss reserves £	Total £
Balance at 1 st September 2019	100	2,600,081	2,600,181
Year ended 31 August 2020:			
Profit and total comprehensive income for the year		(1,492,476)	(1,492,476)
Balance at 31 August 2020	100	1,107,605	1,107,705
Year ended 31 August 2021:			
Loss and total comprehensive income for the year	-	312,133	312,133
Distributions' to parent charity under gift aid	-	(1,102,605)	(2,595,081)
Balance at 31 August 2021	100	317,133	317,233

19. Related Parties

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

Welsh National Opera Benevolent Trust (charity 1085756).

At 31 August	2021	2020
	£	£
Income received	5,509	491
Funding awarded	(5,000)	(1,000)
Debtor	-	509

Welsh National Opera Endowment Fund (charity 1146595).

At 31 August	2021	2020
	£	£
Investment income	25,861	25,375
Bursaries applied for	60,000	40,000
Debtor	87,284	75,537
Creditor	60,000	40,000
Value of portfolio	1,043,834	879,173

Consolidated Statement of Financial Activities 2020

Incorporating the income and expenditure account for the year ended 31 August 2020

Years to 31 August:

	Note	Unrestricted funds £'000	Restricted funds £'000	Endowed funds £'000	Total 2020 £'000	Total 2019 £'000
Income from:						
Charitable activities	2a	1,894	-	-	1,894	2,921
Donations		701	41	-	742	2,138
Legacies		306	-	-	306	268
General grants	2a	10,716	1,176	-	11,892	10,657
Trading income		909	-	-	909	2,536
Investment income		31	2	40	73	85
Total income		14,557	1,219	40	15,816	18,605
Expenditure on:						
Charitable activities		15,634	1,178	1	16,813	18,026
Raising funds		424	-	-	424	538
Trading expenditure		910	-	-	910	2,349
Total expenditure	2b	16,968	1,178	1	18,147	20,913
Net (losses)/gains on investments	7b	(89)	(4)	(115)	(208)	(29)
Net income/(expenditure) before tax		(2,500)	37	(76)	(2,539)	(2,337)
Taxation	18	1,103	-	-	1,103	1,461
Net income/(expenditure) for the year	3	(1,397)	37	(76)	(1,436)	(876)
Transfer from restricted funds	13	363	(363)	-	-	-
Transfer to WNO Endowment Fund Actuarial		-	-	-	-	(500)
(losses)/gains in the defined benefit pension scheme	17	881	-	-	881	(1,712)
Net movement in funds		(153)	(326)	(76)	(555)	(3,088)
Fund balance brought forward		4,405	630	1,731	6,766	9,854
Fund balance carried forward		4,252	304	1,655	6,211	6,766

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

No separate income and expenditure account is presented for the parent Company in accordance with the provisions of s.408 of the Companies Act 2006. The total income for the parent company is £18,851,000 (2019 - £18,835,000). The result reported in the accounts of the parent Company is a surplus of £958,000 (2019 - deficit £4,548).

Reference and administrative details

Company Details

Welsh National Opera Limited

(Company limited by guarantee and without share capital)

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

Professional Advisers

Auditor	Azets Audit Services Ty Drew Lime Tree Court Cardiff Gate Business Park Cardiff CF23 8AB
Solicitors	Darwin Gray Solicitors Helmont House Churchill Way Cardiff CF10 2HE
Bankers	Lloyds Bank plc 31 Queen Street Cardiff CF10 2AG

Bank deposits are also held at National Westminster and Barclays.

Investment Managers

Brewin Dolphin Limited
5 Callaghan Square
Cardiff CF10 5BT

Directors and Officers

Board of Directors and Committees

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

	Audit & Risk	Nominations
Yvette Vaughan-Jones (Chair)		X
Nicola Amery	X	
Lynne Berry CBE		X
Chitra Bharucha MBE		
Toks Dada	(Resigned 13.01.22)	X
Manon Edwards		
Daniel Evans	(Retired 22.07.21)	X
Sam Jones		X
Henry Little	X	
Andrew Miller MBE	(Resigned 13.01.22)	X
Aileen Richards		
Elen ap Robert	(Resigned 13.01.22)	X
Martyn Ryan	X	
Geraint Davies (Co-opted)	X	
Nigel Goldsworthy (Co-opted)	X	

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

Executive Team

Aidan Lang	General Director
Tomáš Hanus	Music Director

Senior Management Team

Matt Carwardine-Palmer	Director of Marketing and Sales	(Left 07.02.21)
Huw Davies	Director of Finance & Company Secretary	
Alison Dunnett	Director of Development, Communications and Strategy	
Emma Flatley	Director of Engagement and Partnerships	
Peter Harrap	Chorus and Orchestra Director	
Jan Michaelis	Technical Director	
Alison Woodward	Director of People & Culture	(Appointed 06.04.21)
Kate Bayliss	Director of Artistic Administration	(Appointed 22.09.21)
Emrah Tokalaç	Director of Audiences	(Appointed 04.04.22)