

WELSH NATIONAL OPERA LIMITED

Year ended 31 August 2022



Annual Report and Financial Statements

Year ended 31 August 2022

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 group and parent charity for the year ending 31 August 2022, 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

During the spring of 2022 the new WNO Strategy 2023-26 was developed. A full review was undertaken of the company's vision and mission to understand if they would enable WNO to move on from the hiatus caused by the Covid pandemic, and the considerable effects that it had on its business, towards a new iteration, one in which its mission and programming is clearly aligned to the needs of the various communities that it serves. In addition, to seeking to align with the overarching strategies of both the Arts Council of England and Arts Council Wales and to create strong and meaningful bonds with all who experience its programmes.

The new purposeful vision was developed:

We bring together people from all walks of life to create and experience extraordinary opera, to enhance lives, strengthen communities and enrich all the places in which we focus our work.

The Strategic Plan is the first step in a transformation of Welsh National Opera that will see the company retain its national and international status, but with a network of local hubs, designed to build close bonds between the company and its respective communities. Its programming will be a blend of performances and participatory projects, with a special emphasis on co-created work. The overarching goal is to make the work relevant at all times, finding connections between the work itself and the lived experiences of the audience.

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

Welsh National Opera's road to recovery from the Covid pandemic throughout the 2021-2022 season was slow but steady. The opera sector is used to operating to plans that have been made at least three years in advance, but such forward planning had long since been abandoned as we waited patiently for the Government's green light to recommence live performances. It was touch and go, but permission eventually arrived three days before our first scheduled rehearsal. Anticipating the uncertainty, we had decided to present two operas in the autumn season, rather than the usual three, as it was clear that social-distancing measures would still need to be in place behind the scenes and in the rehearsals. With just two operas, there was more confidence that we could manage their operation with reduced risk of large-scale Covid infection, which would critically compromise the rehearsal process.

The main positive from the new performing regulations was that the performers onstage were free of social-distancing measures, which greatly helped the impression we could give to our audiences that a semblance of normality had returned. The autumn season opened with a revival of WNO's hugely popular production of *The Barber of Seville*, conducted by our Music Director Tomáš Hanus, and was followed by a new production of Puccini's *Madam Butterfly*. Our previous production of *Madam Butterfly* had stayed in our repertory since it was first seen in 1978, so a new production was long overdue. In recent years, Puccini's opera has gained a contentious reputation on grounds of racial stereotyping, so a completely different approach to the work was necessary. That task lay in the hands of Australian director Lindy Hume and UK designer Isabella Bywater and WNO's Conductor Laureate, Carlo Rizzi, and the result was a production that steered away from the conventional orientalism and focused instead on the exploitation of the 15-year-old central character. This approach to the work was supported by an innovative series of online discussions that examined topics relevant to the opera like global imperialism and how to present works that are today deemed offensive to some communities.

Uncertainty as to when we might perform resulted in an 'on-sale' date that was far later than usual. Compounded with the relaxation of Covid restrictions being so recent, it is probably not surprising that our audiences were far slower to return than we had hoped. This reticence was, however, not unique to WNO, but was seen across the entire performing arts sector and persisted throughout the year. The result was an inevitable shortfall in box office income, projections for which had already factored in a delayed audience return.

Moving a large group of people around the country on tour always had the potential for Covid to strike, especially as many of our touring venues are more cramped backstage than the Wales Millennium Centre; and so it proved. From the middle of the tour onwards, there were frequent absences through illness, but it is a measure of the indomitable company spirit that the curtain went up and replacement musicians were found.

One project did proceed, albeit a year later than planned, which was WNO's invitation to present a new opera, *Al Wasl* by Emirati composer Mohammed Fairouz, at Expo 2020 Dubai. Covid caused the postponement of Expo from 2020 to 2021, and although originally intended to mark the opening of Expo, the earliest slot that we could find to perform the work was at the end of our tour in December 2021. This necessitated the scenery being shipped to Dubai well before rehearsals began, and again, it is a measure of the skill of the company that the production by Sir David Pountney was brought off with such distinction in spite of the limited rehearsal and technical time that was available in the Dubai Opera House.

Chair's Statement (continued)

A less visible aspect of the Covid hiatus was its effect on the operations of Cardiff Theatrical Services, WNO's scenic workshops. Given the uncertainty regarding its return to full operation, together with a backlog of orders from commercial producers, it was decided that WNO's spring season would not feature a new production, but would instead present revivals of two strong works, *Don Giovanni* and Janáček's *Jenůfa*, alongside further performances of *Madam Butterfly*. The tour was well received by both critics and audiences alike, although the latter were still short of our anticipated attendance figures. Unfortunately, the rise of the omicron Covid variant caught up with the company on tour, and so the same resourcefulness we saw in the autumn came in to play in our efforts to keep the curtain up. But even this was not enough when the entire crew of stage electricians fell to the virus, and so for the first time in 36 years, WNO was forced to cancel a performance.

On a more positive note, the wide range of activity created by our Programmes & Engagement was able to return. One new initiative of note was our Long Covid programme, created in association with three Welsh Health Boards and with support from Arts Council Wales. Its success was such that it will be rolled out by all remaining Health Boards in 2022-2023. Inspired by the underlying theme of our production of *Madam Butterfly*, we also created a primary schools project in collaboration with the Brave Bear Trust, in which the students devised their own opera showing them how to recognise and understand potential exploitation, and how to stay safe. The younger members of our WNO Youth Opera presented a wonderfully creepy production of Judith Weir's opera, *The Black Spider*. This project had been postponed due to the pandemic and was eventually presented in a different theatre than had originally been planned; but the resulting performance was testament to the talent within the group.

And that was not all we saw of the Youth Opera singers, for they also featured prominently in our final production of the year, Will Todd's *Migrations*. Originally planned for Autumn 2020, it was felt best to delay its premiere, rather than mounting it when potentially compromised by social distancing. That decision was fully vindicated by the performances that eventually emerged. The work looks at the issue of migration and immigration through the lens of six inter-connecting stories, and alongside a large cast of principals, the WNO Youth Opera group and an enhanced WNO Chorus it also required a troupe of Bollywood performers and a Gospel Choir. The impact on our audiences was profound and ended our season with the perfect proof of the power of our art form to be moving, thought-provoking and entertaining, all at the same time.

Opera is, and always has been an expensive art form to put on, and we would not have been able to do so without the strong support of both the Arts Council of Wales and Arts Council England, together with the large number of trusts, foundations and individual donors throughout the country who support our work. The Covid pandemic may have put a halt to our work, but after one and a half years of isolation, our re-emergence only emphasised the fundamental need for humans to connect with each other, and live performances are a vital way to achieve this.



Yvette Vaughan Jones

Strategic Report

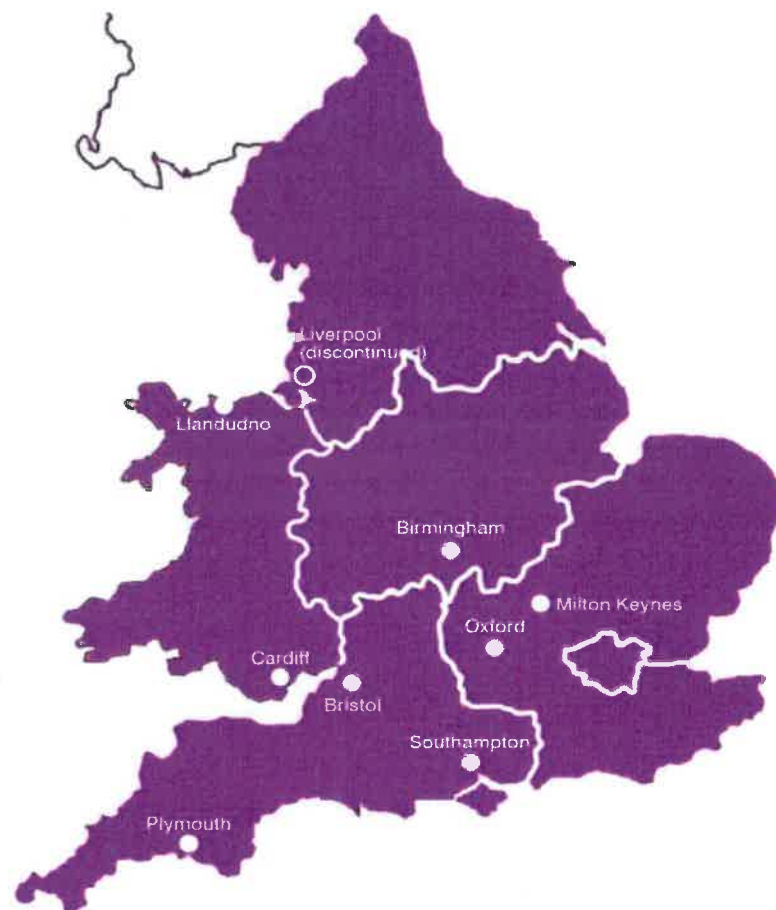
Business Performance

The company started the year with a strong financial reserves position, the ongoing impact of the Covid-19 pandemic meant there was a high level of uncertainty in our financial forecasts for the year. Therefore, our 2021/22 financial year forecasts accommodated the anticipated reduction in income to allow time for the box office sales to recover as productions returned to theatres.

The 2021-22 programme featured five operatic titles (The Barber of Seville, Madama Butterfly, Don Giovanni, Jenufa, and Migrations), focused on the recovery with the aim of warming the audiences to the idea of returning to live opera performances. The figures indicate a more gradual return, once again reflecting the general industry trends. During 2021-22, around 62% of audience targets and 58% of financial targets have been achieved – with nearly 50,000 people attending main-scale opera performances.

Distant enough from 2021's lockdown regulations, Autumn 2022 Season (The Makropulos Affair, La Bohème, and Migrations, plus Cherry Town, Moscow, a Youth Opera production) shows signs of speed in recovery, albeit in a more sombre fiscal climate. Audience targets and financial targets were met by 74% and 73%, respectively.

The 2021-22 operatic season was delivered across nine venues in England and Wales:



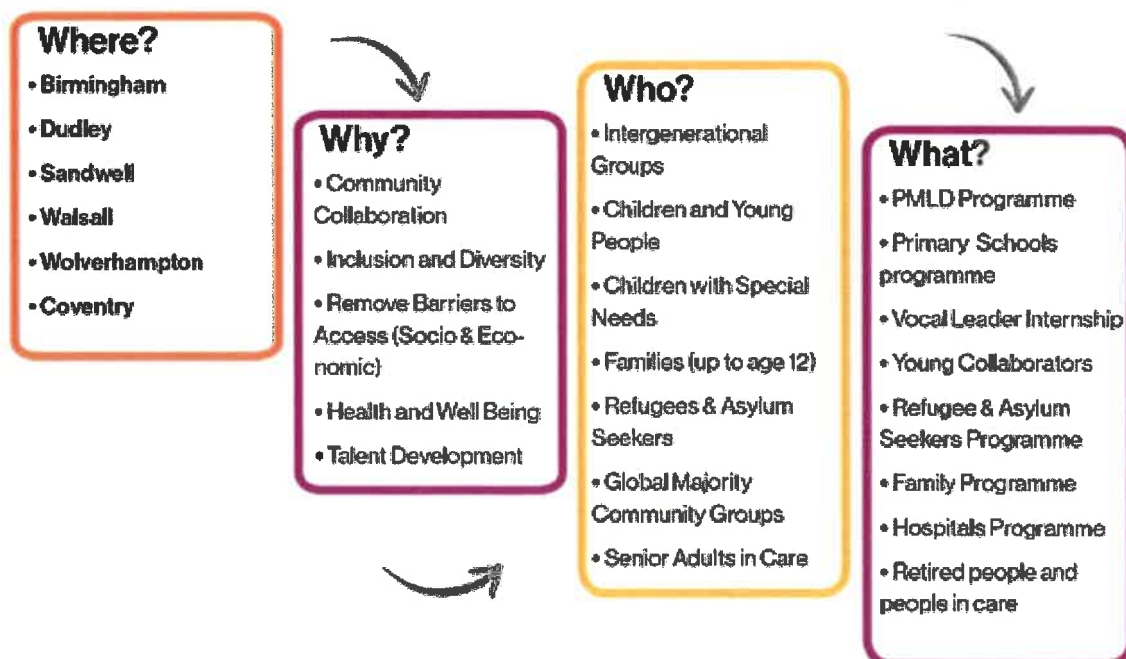
Strategic Report (continued)

During the year our Programme and Engagement activity continued in communities with a focus being delivered in Wales and West Midlands.

Delivery in Wales equates to £19 per head:



Delivery in West Midlands equates to £15 per head with 85% participation from global majority and low-income backgrounds:



Strategic Report (continued)

Throughout the period, Arts Council England and Arts Council Wales maintained their regular funding, giving us confidence to plan a full season of activity. We are also deeply grateful to the many individuals, trusts and foundations, and corporate partners who maintained their support of WNO throughout this very challenging period. Expenditure across all areas of the company has been managed effectively in the year. With so much financial and economic uncertainty at the beginning of the period, we were pleased to deliver a break-even position for the financial year.

External Factors

As WNO continues to work within an environment of the most challenging of circumstances caused by the global pandemic along with the economic uncertainty of post Covid recovery, Brexit, and the cost-of-living crisis. The return of our audiences to theatres and live performances remains a challenge and ticket sales are on average 25% below expected levels for the Autumn season of 2022.

The UK government's 'levelling up' aim to **increase prosperity, widen opportunity, and ensure no region is left behind** has had a significant impact on the recent Arts Council England funding announcements, where a regional model of delivery for opera in England has been presented with no supporting clarity for the decision. There has been a high-profile outcry to undertake a wide scale opera review involving the opera companies. Senior members of the Arts Council England attended a Digital, Culture, Media and Sports select committee meeting on 7 December 2022, to respond to questions around WNO and ENO's funding offer and stipulations. As a touring company visiting seven venues twice a year in England, WNO have had a cut of 35% of the Arts Council England funding from March 2023, on the basis that our touring will reduce to four venues only. Discussions continue with Arts Council England around the details of the funding agreement for 2023-27, whilst awaiting a final decision on if a wide scale review of Opera in England will be undertaken.

The next round of the investment review for Arts Council Wales is due to commence in January 2023, with final submissions due by 31 March 2023. The confirmation of funding outcomes will be published by end of December 2023 with the new funding agreements commencing in April 2024.

WNO acknowledges that working in this challenging environment requires the company to be more responsive to the changing and diverse needs of our audiences and to deliver our offer in the most efficient and effective way. To continue to deliver world class performances and our targeted activities in the communities we serve, we need to reshape our delivery model to respond to the changing needs of our environment and audiences. The new operating model will build upon the strong and effective relationships we already have in place and continue to develop and nurture talent to ensure the arts ecology remains strong in Wales and the wider UK.

Strategic Report (continued)

Bringing Audiences Back

2021-22 was the first uninterrupted season for WNO since the COVID pandemic, and the long wait has ensured a mutual appetite for attendance to opera performances – with the Company eager to return to normal practices, and audiences keen to start experiencing live events in the auditorium.

At the end of the 2021-22 Season, WNO conducted an audience survey during July-August 2022 with the aim of taking the pulse of the regular WNO audience towards a broad range of relevant topics at four of its main-scale venues – Cardiff, Llandudno, Southampton, and Birmingham. The results confirmed the anticipated change in the audience behaviour, i.e. significant increase in late bookings, potential decrease in frequency of visits (with around 25% planning to attend fewer performances), and cost-of-living concerns surpassing those around COVID safety when it comes to booking tickets (with 40% stating that they had reduced their spending on cultural activities during 2022.)

The survey results are in line with those from a wider cultural industry-wide exercise by Audience Agency, whose findings reveal that fears surrounding COVID have been ‘softening’, with ‘half feeling “back to normal”’. Similarly, attendance rates have been improving, indicating a 90% increase. Seconding WNO’s findings is the anticipated decrease in frequency of visits, posing long-term challenges for the post-pandemic recovery, while the vast majority (92%) are worried about the effects of the cost-of-living crisis.

WNO acknowledges that the road to recovery will not be a short one, and the survey findings demonstrate that any audience development project should focus equally on audience recovery/retention and recruiting new audiences as the gradual return of existing audiences has not been finalised. However, it also gives WNO the opportunity to address in a multitude of ways the long-term perception issue around opera as an art form.

The prolific output by WNO in terms of community, outreach, school, and health projects will continue to flourish, tackling this issue along the way and reaching thousands of new audiences who would otherwise not be given the chance to experience opera in their lives. Similarly, new productions (e.g. *Madam Butterfly* and *The Makropulos Affair*) and new commissions (e.g. *Migrations*, and *The Shoemaker*) will help the Company to make the genre stay relevant to the new century we live in.

These are programme-centric efforts, which should continue without interruption. A more side-lined issue, however, stems from lack of sense-checking opera’s relevance to the needs of today’s audiences for main-scale performances, who are getting shorter of time – and now, also of money. We need to argue tirelessly for why a particular form of singing-and-drama that claims quite a few hours from an attendee’s day should be loved and appreciated by the widest possible audiences. The industry tries to tackle this by introducing ticket initiatives, creating engaging digital and social media content, and introducing new event formats and experiences.

One big gap, however, lies more in the communications zone, with companies falling short in conveying to its target audiences the arguments around why opera should specifically be seen as a need in people’s lives. There is no clear industrywide strategy around how to address the cost-of-living crisis, but this will not deny the fact that opera – alongside other artistic and cultural experiences – will have to resist against being pushed further down on people’s list of priorities and affordability, competing against all sorts of expenses and decision-making coming with each.

Strategic Report (continued)

Bringing Audiences Back (Continued)

The blind spot here is more about selling the 'experience', rather than the opera titles, in key messaging. In a world where commercial products and services continue to be all about appealing to people's senses and emotions in their narrative, the marketing campaigns, including those by WNO, mostly highlight operatic titles and/or composer names, plus performance dates, and the plot. In its brand communication strategy for the coming months, WNO will address this by recalibrating its approach to such messaging, highlighting its fundamental promise, and make the key message around opera part of its brand voice.

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 recovery from the pandemic continues to have an impact and has necessitated a review of the timescale for these plans.

Donations and legacies for the year totalled £906 thousand, as compared to £1.36 million in 2020/21 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 understandably rather unpredictable.

Organisational Capacity and Culture

To become a more efficient and effective organisation we have developed a new strategic plan for 2023-26.

The strategic plan will drive the transformation of WNO that will see the company retain its national and international status, but with a network of local hubs, designed to build close bonds between the company and its respective communities. Its programming will be a blend of performances and participatory projects, with a special emphasis on co-created work.

In support of the WNO strategy a new People Strategy has been developed, that will focus on delivering a more diverse, modern, agile, creative and efficient workforce. We will have strong inspirational leadership and engaged colleagues who understand WNO's vision and strategic plan and the contribution they make to achieving them. We will ensure our colleagues are listened to and shape business decisions for the future.

Delivering the aims and objectives of our strategic plan will require organisational transformation. The greatest impact in terms of "the WNO employment experience" comes from the managers who work, develop, and build relationships with their teams on a daily basis. We want to ensure that every colleague feels valued and appreciated for the work they do, whilst ensuring they are listened to in shaping the business.

As an employer committed to equality and diversity, we understand our responsibility to foster a more inclusive organisation and will work with our teams to achieve accreditation for inclusive ways of working. We will also embrace our social credentials providing further opportunities to engage our colleagues in helping our communities.

Strategic Report (continued)

Finance

The recovery of the Covid-19 pandemic continues to have an impact on the organisation's finances.

The reliance upon public funding and the vulnerability that brings to government policy and funding cuts is a concern that needs to be addressed. The recent Arts Council England funding announcement of 35% cut in funding from April 2023 is making the transformation of the company's operating model a priority. There is a recognition that the level of transformation required to reshape a fully contracted touring company model in the short term isn't achievable, due to internal restructuring timescales. In addition to the added complication that seasons are planned two to three years in advance, and we have venue and artist contractual commitments already in place until spring 2024.

Therefore, a phased approach to reshaping our offer will be required with a target date of summer 2024 to be delivered. To support this phased approach a financial strategy will be developed to support the new operating delivery model from 2023-2026, this will include making an application to the Arts Council England Transform Stage 2 for bridge funding to support any additional transformation costs required to move to the new operating model.

The new operating model will form the basis of the Arts Council Wales Investment Review application in March 2023. We will continue to explore alternative forms of commercial income through a targeted funding strategy, which will support the shift to more diverse financial model and work towards mitigating the risk of us being heavily reliant upon public funding in the future.

Board

The WNO Board met 6 times during 2021/22.

In July 2022, three new trustees were appointed and there were two resignations in January 2022. 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.

Subsidiaries

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

Strategic Report (continued)

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 2021/22 CTS provided services for many different organisations including:

Almeida Theatre Company, ATG Productions Ltd, Blue Man Group, Buena Vista Theatrical Group Ltd, Cameron Mackintosh, Chicago Tour Ltd, Cromwell Productions Ltd, English National Opera, Get Down Tours Ltd, Glyndebourne Festival Opera, Into the Woods Musical Ltd, Lyric Theatre Hammersmith, Mask 2020 Ltd, MM! The Party Ltd, Mountview Academy of Theatre Arts, National Theatre, National Trust, Opera North, Rebel X Ltd, Royal Court Theatre, Royal Opera House, Royal Shakespeare Company, Runaway 222 Show Ltd, Showman Productions Ltd, Teen Angel Productions Limited, The Royal Horticultural Society, The Bridge Theatre, Time Travel Productions Limited, Welsh National Opera, Wild Creations Ltd.

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

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 Programmes and Engagement 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.

Strategic Report (continued)

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.

Financial Review

The Consolidated Statement of Financial Activities for the Group and its subsidiaries is shown on page 24.

Overall the Group's activities resulted in net incoming resources of £31,000 (2021 - incoming resources of £2,602,000).

Income

Total incoming resources increased by £4,431,000 (32%) to £18,162,000 (2021 – £13,731,000) primarily as a result of the re-opening of theatres post-Covid and the resumption of touring activity.

Expenditure

Overall expenditure this year increased by £8,236,000 (69%) to £20,169,000 (2021 – £11,933,000). This was as a result of the re-opening of theatres throughout the year and the resumption of touring activity, which in turn contributed to an increase in main scale opera expenditure of £6,969,000.

Expenditure on charitable activities increased by £7,338,000 (70%) and now accounts for 88% of all expenditure (2021 – 87%).

Subsidiaries

Cardiff Theatrical Services Limited enables WNO to maintain its own excellent set-making facilities and continues to build sets for many other clients. The subsidiary made a profit after taxation of £95,000 (2021- loss of £122,000) during the year after contributing an appropriate share of premises and overhead costs to WNO.

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.

Strategic Report (continued)

Fixed assets, investments and cash

Fixed assets purchased during the year amounted to £33,000 (2021- £57,000) primarily replacement computers and equipment.

After investing the funds referred to above, at the year-end the group held cash at bank of £3,590,000 (2021 – £6,517,000) including a production reserve of £2,002,000 (2021 – £2,002,000).

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 2022 the portfolio returned income of 3.26% 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 £3,115,000 at year-end (2021 - £3,121,000) (see note 7b).

Pension

Group employees contributed to a defined contribution pension scheme; the Group's defined benefit scheme was closed to new entrants and future accrual on 5 April 2009 but continues to be maintained by the trustees for its pensioners (see note 17). The surplus on the defined benefit scheme amounted to £2,696,000 at 31 August 2022 (2021– surplus of £1,015,000) with an actuarial gain of £1,664,000 shown in the year (2021 - gain of £2,187,000). 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 biannual 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 Executive 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).

Strategic Report (continued)

Risk management (continued)

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 into the following:

- a) Financial (e.g. loss of income, pension liabilities, cash flow, 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)

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

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.

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

Reserves

As at 31 August 2022 the total funds held by the Group stood at £12,695,000 (2021 - £11,000,000); of this total £2,319,000 was classed as restricted or endowed funds (2021 - £2,624,000) leaving unrestricted funds totalling £10,376,000 (2021 - £8,376,000).

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 £3,698,000 (2021 - £3,276,000); the remaining unrestricted reserves have been designated to support the planning of our artistic output in future years and to enable strategic change.

Strategic Report (continued)

Free reserves

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

At 31 August	2022 £'000	2021 £'000
Total unrestricted funds	10,376	8,376
Exclude designated funds - restructuring reserve (Note 13)	(437)	(437)
Exclude designated funds – production reserve (Note 13)	(2,002)	(2,002)
Exclude designated funds – CJRS income (Note 13)	-	-
Less fixed assets	(1,543)	(1,646)
Exclude pension reserve	(2,696)	(1,015)
Free reserves	3,698	3,276

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 56, and the details of the Directors of the Company, who are also its members and charitable trustees, are shown on page 57.

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 (2021 - £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. A new role of Executive Director was recruited in November 2022, who is responsible for the strategic direction and leadership of the resources functions.

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.

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

WNO received notification of the Arts Council England funding offer for 2023-26 at the beginning of November 2022. The allocation for WNO's funding has been reduced by 35% (£6.1m down to £4m per annum for the three years) from 1st April 2023. The offer is based upon WNO reducing the current touring pattern from seven venues to four venues during the three year period. WNO are in the process of developing three-year financial plans that are based on transforming the business model to delivering a new efficient and effective repertoire and touring pattern by 2024-25. ACE Transform Stage 2 Funding is available via an application process, which allows organisations who have had their ACE funding cut to bid for bridging funding to contribute to any additional costs during the reshaping exercise. The bidding round for Stage 2 funding will close on 6th February 2023 and the outcomes will be communicated to bidders at the end of March 2023.

Directors' Report (continued)

Going concern

The directors have assessed the Company's ability to continue as a going concern after taking into account the financial impact relating to the recent funding announcement from Arts Council England (ACE) for 2023-2026. 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 ACE Transform Stage 2 Funding scheme. After assessing the impact of possible income and cost 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: 23rd February 2023

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.

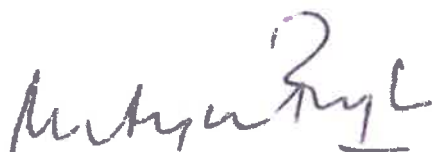
The trustees are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding 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.

Signed on behalf of the Board of 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 charity") and its subsidiaries (the 'group') for the year ended 31 August 2022 which comprise the consolidated Statement of Financial Activities, the consolidated and parent company Balance Sheet, the consolidated Cash Flow Statement and notes to the financial statements, including a summary of 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 and of the parent charity's affairs as at 31 August 2022 and of the group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 received all the information and explanations we require for our audit; 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 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 they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the trustees are responsible for assessing the group and charity'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 charity or to cease operations, or have no realistic alternative but to do so.

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

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 for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities]. This description forms part of our auditor's report.

Extent to which the audit was considered 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 company 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.

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.

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

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, for our audit work, for this report, or for the opinions we have formed.



Andrew Howells

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 23-03-2023

Consolidated Statement of Financial Activities

Incorporating the income and expenditure account for the year ended 31 August 2022

Years to 31 August:	Note	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2022 £'000	Total 2021 £'000
Income and endowments from:						
Charitable activities	2a	4,150	-	-	4,150	107
Donations		592	182	-	774	1054
Legacies		82	50	-	132	303
General grants	2a	10,848	-	-	10,848	11,098
Trading income		2,156	-	-	2,156	1,091
Investment income		44	2	56	102	78
Total income		17,872	234	56	18,162	13,731
Expenditure on:						
Charitable activities		17,750	2	-	17,752	10,414
Raising funds		356	-	-	356	334
Trading expenditure		2,061	-	-	2,061	1,185
Total expenditure	2b	20,167	2	-	20,169	11,933
Other recognised gains and losses						
Net (losses)/gains on investments		(3)	-	(3)	(6)	492
Net income/(expenditure) before tax		(2,298)	232	53	(2,013)	2,290
Taxation	18	2,044	-	-	2,044	312
Net income/(expenditure) for the year	3	(254)	232	53	31	2,602
Transfers						
Transfer from endowment fund		53	-	(53)	-	-
Transfer from restricted funds	13	537	(537)	-	-	-
Other gains/losses						
Actuarial (losses)/gains in the defined benefit pension scheme	17	1,664	-	-	1,664	2,187
Net movement in funds		2,000	(305)	-	1,695	4,789
Fund balance brought forward	16	8,376	655	1,969	11,000	6,211
Fund balance carried forward		10,376	350	1,969	12,695	11,000

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 28 to 55 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 £16,568,000 (2021 - £14,556,000). The result reported in the accounts of the parent Company is a deficit of £1,507,000 (2021 - surplus £5,703,000).

Consolidated Balance Sheet

As at 31 August 2022

	Note	31 August 2022 £'000	31 August 2021 £'000
Fixed assets			
Tangible assets	7a	1,543	1,646
Investments	7b	<u>3,115</u>	<u>3,121</u>
		4,658	4,767
Current assets			
Stocks	8	114	94
Debtors	9	3,450	2,194
Cash and bank deposits	10	<u>3,590</u>	<u>6,517</u>
		7,154	8,805
Creditors: amounts falling due within one year	11	<u>(1,813)</u>	<u>(3,587)</u>
Net current assets		<u>5,341</u>	<u>5,218</u>
Total assets less current liabilities		9,999	9,985
Net assets excluding pension liability		9,999	9,985
Defined benefit pension (liability)/asset	17	<u>2,696</u>	<u>1,015</u>
Net assets		<u>12,695</u>	<u>11,000</u>
Unrestricted funds			
Other charitable funds	13	4,373	4,054
Designated funds	13	2,439	2,439
Revaluation reserve	13	868	868
Pension reserve	17	<u>2,696</u>	<u>1,015</u>
Total unrestricted funds	13	10,376	8,376
Restricted funds	14	350	655
Endowment funds	15	1,969	1,969
Total charity funds		<u>12,695</u>	<u>11,000</u>

The notes on pages 28 to 55 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 23rd February 2023



Signed on behalf of the Board of Directors:

Martyn Ryan - Trustee

Company Balance Sheet

As at 31 August 2022

	Note	31 August 2022 £'000	31 August 2021 £'000
Fixed assets			
Tangible assets	7a	1,543	1,646
Investments	7b	<u>3,115</u>	<u>3,121</u>
		4,658	4,767
Current assets			
Stocks	8	114	94
Debtors	9	1,537	1,824
Cash and bank deposits	10	<u>3,337</u>	<u>6,360</u>
		4,988	8,278
Creditors: amounts falling due within one year	11	<u>(1,673)</u>	<u>(3,259)</u>
Net current assets		3,315	5,019
Total assets less current liabilities		7,973	9,786
Net assets excluding pension liability		7,973	9,786
Defined benefit pension (liability)/asset	17	<u>2,696</u>	<u>1,015</u>
Net assets		<u>10,669</u>	<u>10,801</u>
Unrestricted funds:			
Other charitable funds	13	2,347	3,855
Designated funds	13	2,439	2,439
Revaluation reserve	13	868	868
Pension reserve	17	<u>2,696</u>	<u>1,015</u>
Total unrestricted funds	13	8,350	8,177
Restricted funds	14	350	655
Endowment funds	15	1,969	1,969
Total charity funds		<u>10,669</u>	<u>10,801</u>

The notes on pages 28 to 55 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 £16,568,000 (2021 - £14,556,000). The result reported in the accounts of the parent Company is a deficit of £1,507,000 (2021 - surplus £5,703,000).

The financial statements of Welsh National Opera Limited, company registered number 00454297, were approved by the Board of Directors and authorised for issue on 23rd February 2023



Signed on behalf of the Board of Directors:

Martyn Ryan - Trustee

Consolidated Cash Flow Statement

Years to 31 August:	Note	2022 £'000	2021 £'000
Net cash flow from operating activities (see below)		(3,112)	3,556
Interest received		102	78
Investing activities:			
Proceeds from sale of investments (shares etc.)	7b	832	474
Investments (in shares etc.)	7b	(714)	(442)
Purchases of fixed assets	7a	(33)	(57)
Proceeds from sale of fixed assets	2a	-	-
Net cash movement		(3,207)	3,609
Opening cash at bank and in hand		6,517	2,908
Closing cash at bank and in hand		3,590	6,517

Net cash flow from operating activities		2022 £'000	2021 £'000
Years to 31 August:			
Net income for the year		31	2,602
Adjustments for:			
Release from reserves		-	-
Movement in WNO Endowment Fund		-	-
Interest receivable		(102)	(78)
Depreciation charges	7a	136	135
Profit on sale of fixed assets	2a	-	-
Movement in investments	7b	(112)	(493)
Operating cash flow before movement in working capital		(47)	2,166
Movements in working capital:			
Movement in stocks	8	(20)	(51)
Movement in debtors	9	(1,256)	857
Movement in creditors	11	(1,772)	589
Adjustment for pension funding	17	(17)	(5)
		(3,065)	1,390
Net cash (outflow)/inflow from operating activities		(3,112)	3,556

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 28 to 55 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 55.

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).

Notes to the 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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

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.

Notes to the Financial Statements

2. Analysis of Charitable Activity

(a) Income:	Unrestricted	Restricted	Endowment	Year	
	funds	Funds	Fund	2022	2021
Years to 31 August:	2022	2022	2022	2022	2021
	£'000	£'000	£'000	£'000	£'000
Box office and similar income	1,466	-	-	1,466	7
Programmes & Engagement	39	-	-	39	18
Income from other charitable activity	2,645	-	-	2,645	82
Profit on disposal of fixed assets	-	-	-	-	-
Income from charitable activities	4,150	-	-	4,150	107
Grants receivable:					
Arts Council England	6,236	-	-	6,236	6,236
Arts Council of Wales	4,612	-	-	4,612	4,592
HMRC CJRS	-	-	-	-	270
General grants	10,848	-	-	10,848	11,098

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 and £2.4m from Dubai.

(b) Expenditure on charitable activities

Years to 31 August:	Direct	Support	Year	Direct	Support	Year
	activity	costs		activity	costs	
	2022	2022	2022	2021	2021	2021
	£'000	£'000	£'000	£'000	£'000	£'000
Main-scale opera	14,829	1,727	16,556	8,154	1,433	9,587
Programmes & Engagement	1,086	110	1,196	736	91	827
Charitable activity	15,915	1,837	17,752	8,890	1,524	10,414
Fundraising	299	57	356	287	47	334
Trading	2,061	-	2,061	1,185	-	1,185
Total expenditure	18,275	1,894	20,169	10,362	1,571	11,933

Notes to the Financial Statements

2. Analysis of Charitable Activity (continued)

(c) Support costs

Years to 31 August:	2022	2021
	£'000	£'000
Wales Millennium Centre premises	311	207
Finance & IT	823	766
Administration, HR	688	514
Governance costs	1	-
Defined Benefit Scheme pension costs	71	84
Support costs	1,894	1,571
Allocation of support costs to activities based on direct costs incurred:		
Opera	1,727	1,433
Programmes & Engagement	110	91
Fundraising	57	47
Support costs	1,894	1,571

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:	2022	2021
	£'000	£'000
Rentals under operating leases – land and buildings	180	181
Rentals under operating leases – equipment	14	14
Depreciation – owned assets	136	135
Auditor remuneration as statutory auditor	38	49
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 (2021 - £5,925).

Notes to the Financial Statements

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:

Years to 31 August:	2022	2021
	£'000	£'000
Total incoming resources	16,329	14,556
Net (deficit)/surplus for the year	(1,507)	3,516
Actuarial (loss)/gain on defined benefit scheme (see note 17)	1,664	2,187
(Deficit)/surplus including actuarial (loss)/gain in the pension scheme	157	5,703

4. Employee Costs and Numbers

Group and Company

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

Years to 31 August:	2022	2021
	£'000	£'000
Wages and salaries	7,850	7,647
Social security costs	828	720
Other pension costs	400	431
Pension deficit costs	71	27
	9,149	8,825

Included in employee costs above are the costs of 134 temporary and casual staff (2021 – 75) who were employed during the year paying total wages and salaries of £943,616 (2021 – £476,926). Redundancy and termination payments totalling £17,889 for the year ended 31st August 2022 (2021: £267,192). Amounts outstanding at the yearend totalled £nil (2021: £nil) are also included.

Monthly average numbers of permanent employees by activity were:

Years to 31 August:	2022	2021
	Number	Number
Opera	159	174
Programmes and Engagement	14	11
Support	14	12
Fundraising	11	8
Trading	22	26
	220	231

Notes to the Financial Statements

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:	2022 Number	2021 Number
£60,000 - £69,999	2	2
£70,000 - £79,999	4	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 56. 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 £926,653 (2021 - £784,372).

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 (2021 - £nil) and no accommodation and travel expenses were reimbursed to directors during the year (2021- £nil). 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.

Notes to the Financial Statements

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 (2021 - £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 2022 amounting to £2,043,568 (2021 £312,133).

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:	2022	2021
	£	£
Due, 1 year	106,459	118,136
Due 2-5 years	112,000	114,533
Due > 5 years	2,277,742	2,305,742

7. Fixed Assets

7a. Tangible fixed assets

Group and Company	Long leasehold	Vehicles	Equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 September 2021	1,500	555	1,722	3,777
Additions	-	-	33	33
Disposals	-	-	-	-
At 31 August 2022	1,500	555	1,755	3,810
Depreciation				
At 1 September 2021	180	465	1,486	2,131
Charge for the year	30	23	83	136
Disposals	-	-	-	-
At 31 August 2022	210	488	1,569	2,267
Net book value				
At 31 August 2021	1,320	90	236	1,646
At 31 August 2022	1,290	67	186	1,543

Notes to the Financial Statements

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 2023.

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	2022 £'000	2021 £'000
Corporate bonds and cash	519	471
Equities:		
- UK	1,139	1,157
- US	970	797
- Other equities	422	629
- Property	65	67
	3,115	3,121

The movements in investments held were as follows:

Years ended 31 August:	2022 £'000	2021 £'000
Market value at the beginning of the year	3,121	2,628
Additions at cost	714	442
Disposals at carrying value	(832)	(474)
Net realised and unrealised (losses)/gains	112	525
Market value at the end of the year	3,115	3,121
Historical cost at the end of the year	2,718	2,500
Included within the above is cash held within the portfolio totalling	142	50

Notes to the Financial Statements

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 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Raw materials	114	94	114	94

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 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Trade debtors	532	353	240	61
Amounts owed by Group undertakings	-	-	464	179
Other debtors	123	70	43	61
Taxation	2,044	314	40	66
Prepayments and accrued income	751	1,457	750	1,457
	3,450	2,194	1,537	1,824

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 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Cash at bank and in hand	3,590	6,517	3,337	6,360

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).

Notes to the Financial Statements

11. Creditors: Amounts Falling Due Within One Year

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
At 31 August				
Trade creditors	101	94	101	94
Other creditors including taxation	352	357	352	357
Accruals	494	335	487	330
Deferred grant income	388	448	388	448
Other deferred income	478	2,353	345	2,030
	1,813	3,587	1,673	3,259

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

Analysis of movement in other deferred income

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
At 31 August				
Brought forward	2,353	2,214	2,030	2,047
Released in year	(1,875)	(136)	(1,685)	(17)
Received in year	-	275	-	-
Carried forward	478	2,353	345	2,030

Analysis of movement in deferred grant income

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
At 31 August				
Brought forward	448	66	448	66
Released in year	(10,848)	(10,446)	(10,848)	(10,446)
Received in year	10,788	10,828	10,788	10,828
Carried forward	388	448	388	448

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 2022 was 9 (2021 -14).

Notes to the Financial Statements

13. Unrestricted Funds

At 31 August 2022

Group	Opening balance £'000	Incoming resources £'000	Resources expended £'000	Gains / (losses) £'000	Transfers £'000	Closing balance £'000
Restructuring reserve	437	-	-	-	-	437
Production reserve	2,002	-	-	-	-	2,002
Pension reserve	1,015	-	-	1,681	-	2,696
Revaluation reserve	868	-	-	-	-	868
Income and expenditure	4,054	19,917	(20,185)	(3)	590	4,373
Total Group funds	8,376	19,917	(20,185)	1,678	590	10,376
Company	Opening balance £'000	Incoming resources £'000	Resources expended £'000	Gains / (losses) £'000	Transfers £'000	Closing balance £'000
Restructuring reserve	437	-	-	-	-	437
Production reserve	2,002	-	-	-	-	2,002
Pension reserve	1,015	-	-	1,681	-	2,696
Revaluation reserve	868	-	-	-	-	868
Income and expenditure	3,855	16,568	(18,663)	(3)	590	2,347
Total Company funds	8,177	16,568	(18,663)	1,678	590	8,350

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.

Notes to the Financial Statements

13. Unrestricted Funds (continued)

At 31 August 2021

Group	Opening balance	Incoming resources	Resources expended	Gains / (losses)	Transfers	Closing balance
	£'000	£'000	£'000	£'000	£'000	£'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	Openingbalance	Incoming resources	Resources expended	Gains / (losses)	Transfers	Closing balance
	£'000	£'000	£'000	£'000	£'000	£'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

Notes to the Financial Statements

14. Restricted Funds

At 31 August 2022

Group and Company	Opening balance	Incoming resources	Resources expended	Revalue	Transfers	Closing balance
	£'000	£'000	£'000	£'000	£'000	£'000
Seligman Trust	74	2	-	-	-	76
Schaefer Bursary	18	-	-	-	-	18
C Ball Bursary	5	-	(2)	-	-	3
Parry Family Bursary	11	-	-	-	-	11
Dunard	300	-	-	-	(300)	-
Other	247	232	-	-	(237)	242
Total restricted funds	655	234	(2)	-	(537)	350

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

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.

Notes to the Financial Statements

15. Endowment Funds

At 31 August 2022

Group and Company	Opening balance £'000	Interest income £'000	Resources expended £'000	Revalue £'000	Closing balance £'000
Mary Warner Trust	1,394	40	-	(2)	1,432
RW Pethybridge	501	14	-	(1)	514
Sir John Moores Award	74	2	(53)	-	23
Total endowment funds	1,969	56	(53)	(3)	1,969

At 31 August 2021

Group and Company	Opening balance £'000	Interest income £'000	Resources expended £'000	Revalue £'000	Closing balance £'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

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.

Notes to the Financial Statements

16. Analysis of Net Assets Between Funds

At 31 August 2022

Group	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total £'000
Tangible fixed assets	1,543	-	-	1,543
Fixed asset investments	1,336	64	1,715	3,115
Net current assets	4,801	286	254	5,341
Pension reserve	2,696	-	-	2,696
Net assets	10,376	350	1,969	12,695
Company				
Tangible fixed assets	1,543	-	-	1,543
Fixed asset investments	1,336	64	1,715	3,115
Net current assets	2,775	286	254	3,315
Pension reserve	2,696	-	-	2,696
Net assets	8,350	350	1,969	10,669

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	3,121
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

Notes to the Financial Statements

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 2022, and Company contributions for the year ending 31 August 2023 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 to 31 August 2021. 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 2022	31 August 2021	31 August 2020
	% p.a.	% p.a.	% p.a.
RPI Inflation	3.50	3.30	2.95
CPI Inflation	3.05	2.80	2.35
Pension increases (Pre April 1997 in excess of GMP)	3.00	3.00	3.00
Pension increases (April 1997 – April 2005)	2.95	2.75	2.35
Pension increases (Post April 2005)	2.05	2.00	1.80
Discount rate for Scheme liabilities	4.30	1.75	1.70
Longevity for member currently aged 65:			
- Male	21.9	21.9	21.2
- Female	24.3	24.3	23.2
Longevity for member reaching 65 in 20 years:			
- Male	23.2	23.2	22.5
- Female	25.7	25.7	24.7

Notes to the Financial Statements

17. Pension Schemes (continued)

	Fair value of assets		
	31 August 2022	31 August 2021	31 August 2020
	£'000	£'000	£'000
Equities	7,952	9,686	8,662
Index-linked gilts	6,074	7,920	6,714
Corporate bonds	1,541	1,770	1,693
Other	81	78	61
Total	15,648	19,454	17,130
Reconciliation of funded status to balance sheet			
	Value at	Value at	
	31 August 2022	31 August 2021	
	£'000	£'000	
Fair value of Scheme assets	15,648	19,454	
Present value of funded defined benefit obligations	(12,952)	(18,439)	
(Deficit)/surplus	2,696	1,015	
(Liability)/asset recognised on the statement of financial position	2,696	1,015	
Analysis of profit and loss			
	Value at	Value at	
	31 August 2022	31 August 2021	
	£'000	£'000	
Administration expenses	-	-	
Net interest cost	(17)	20	
Past service cost	-	7	
Expense recognised in profit and loss	(17)	27	

Notes to the Financial Statements

17. Pension Schemes (continued)

Changes to present value of the defined benefit obligation

	Value at 31 August 2022 £'000	Value at 31 August 2021 £'000
Opening defined benefit obligations	18,439	18,275
Administration expenses	-	-
Interest cost	320	307
Remeasurement (gains)/losses		
- Actuarial losses on Scheme liabilities in respect of assumptions	(6,473)	854
- Actuarial losses on Scheme liabilities in respect of experience	1,026	(377)
- From change in demographic assumptions	(13)	(145)
Net benefit paid out	(347)	(482)
Past service cost	-	7
Closing defined benefit obligation	12,952	18,439

Changes to the fair value of Scheme assets

	Value at 31 August 2022 £'000	Value at 31 August 2021 £'000
Opening fair value of Scheme assets	19,454	17,130
Interest income on Scheme assets	337	287
Actuarial gains/(losses)		
- Return on Scheme assets less interest income	(3,796)	2,519
Contributions by the Company	-	-
Net benefits paid out	(347)	(482)
Closing fair value of Scheme assets	15,648	19,454

Analysis of amounts recognised in the Statement of financial activities

	Value at 31 August 2022 £'000	Value at 31 August 2021 £'000
Return on Scheme assets less interest income	(3,796)	2,519
(Losses)/gains on financial assumptions	6,473	(854)
(Losses)/gains on demographic assumptions	13	145
Experience Gains on Scheme liabilities	(1,026)	377
Total (loss)/gain	1,664	2,187

Notes to the Financial Statements

17. Pension Schemes (continued)

Actual return on Scheme assets

	Value at 31 August 2022 £'000	Value at 31 August 2021 £'000
Interest income on Scheme assets	337	287
Return on Scheme assets less interest income	(3,796)	2,519
Total return on Scheme assets	(3,459)	2,806

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:	2022 £'000	2021 £'000
Turnover	2,395	1,303
Cost of sales	2,295	(1,418)
Gross profit	100	(115)
Administrative expenses	(5)	(7)
Operating profit/(loss)	95	(122)
Gift Aid to parent company	-	-
Profit/(Loss) before taxation	95	(122)
Taxation	-	-
Profit/ (loss) for the financial year	95	(122)

The aggregate of the assets, liabilities and funds was:

At 31 August	2022 £'000	2021 £'000
Assets	572	448
Liabilities	(595)	(566)
Shareholder funds	(23)	(118)

Notes to the Financial Statements

18. Additional Information on Subsidiaries (continued)

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

At 31 August	2022 £'000	2021 £'000
Sales	287	212
Purchases	2,746	1,425
Amounts outstanding at year end	104	179

Statement of Changes in Equity

Company	Share capital £	Profit and loss reserves £	Total £
Balance at 1 st September 2020	90	3,706	3,706
Year ended 31 August 2021:			
Profit and total comprehensive income for the year	-	(122,115)	(122,115)
Distributions to parent charity under gift aid			
Balance at 31 August 2021	90	(118,409)	(118,319)
Year ended 31 August 2022:			
Loss and total comprehensive income for the year	-	(23,210)	(23,210)
Balance at 31 August 2022	90	(23,210)	(23,120)

Notes to the Financial Statements

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:	2022	2021
	£'000	£'000
Turnover	10,870	2,476
Cost of sales	(10,859)	(2,465)
Gross profit	11	11
Administrative expenses	(11)	(11)
Operating profit / (loss)	-	-
Profit / (Loss) before taxation	-	-
Theatre tax relief on productions	2,044	312
Profit retained in subsidiary	2,044	312

The aggregate of the assets, liabilities and funds was:

At 31 August	2022	2021
	£'000	£'000
Assets	2,056	328
Liabilities	(7)	(11)
Shareholder funds	2,049	317

Notes to the Financial Statements

18. Additional Information on Subsidiaries (continued)

	2022	2021
	£'000	£'000
At 31 August		
Sales	10,870	2,476
Purchases	10,870	2,476
Amounts outstanding at year end	-	-

Statement of Changes in Equity

Company	Share capital	Profit and loss reserves	Total
	£	£	£
Balance at 1 st September 2020	100	1,107,605	1,107,705
Year ended 31 August 2021:			
Profit and total comprehensive income for the year		(790,472)	(790,472)
Balance at 31 August 2021	100	317,133	317,233
Year ended 31 August 2022:			
Loss and total comprehensive income for the year	-	2,043,568	2,043,568
Distributions' to parent charity under gift aid	-	(312,133)	(312,133)
Balance at 31 August 2022	100	2,048,568	2,048,668

Notes to the Financial Statements

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	2022	2021
	£	£
Income received	68	5,509
Funding awarded	(300)	(5,000)
Debtor	-	-

Welsh National Opera Endowment Fund (charity 1146595).

At 31 August	2022	2021
	£	£
Investment income	33,705	25,861
Bursaries applied for	20,000	60,000
Debtor	59,248	87,284
Creditor	20,000	60,000
Value of portfolio	1,041,789	1,043,834

Consolidated Statement of Financial Activities 2021

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

Years to 31 August:	Note	Unrestricted funds £'000	Restricted funds £'000	Endowed funds £'000	Total 2021 £'000	Total 2020 £'000
Income 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
Net (losses)/gains on investments	7b	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)
Transfer from restricted funds	13	456	(456)	-	-	-
Other gains/losses						
Actuarial (losses)/gains in the defined benefit pension scheme	17	2,187			2,187	881
Net movement in funds		4,124	351	314	4,789	(555)
Fund balance brought forward		4,252	304	1,655	6,211	6,766
Fund balance carried forward		8,376	655	1,969	11,000	6,211

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 28 to 55 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).

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
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:

	Main Board	Audit & Risk	Nominations	CTS Ltd	H&W Group	All Wales Strategy
Nicola Amery	X	X	Chair			
Lynne Berry CBE	X		X		X	
Chitra Bharucha MBE	X			X		
Manon Edwards Ahir	X				Chair	X
Sam Jones	X		X			
Henry Little	X		X			
Martyn Ryan	X	Chair				
Yvette Vaughan Jones (Chair)	Chair		X (obs)			
Aileen Richards	X			X	X	
Stephen Harrison				Chair		
Geraint Davies		X				
Nigel Goldsworthy		X				
Dr Arun Midha	(Appointed 29.07.22)	X				X
Claire Pillman	(Appointed 29.07.22)	X	X			
Prof Medwin Hughes	(Appointed 29.07.22)	X				Chair

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
Stephanie Bradley	Executive Director (Appointed 21.11.22)
Tomáš Hanus	Music Director

Senior Management Team

Huw Davies	Director of Finance & Company Secretary (Retired 16.01.23)
Alison Dunnett	Director of Development, Communications and Strategy (Resigned 28.11.22)
Emma Flatley	Director of Engagement and Partnerships
Peter Harrap	Chorus and Orchestra Director
Jan Michaelis	Technical Director
Alison Woodward	Director of People & Culture
Kate Bayliss	Director of Artistic Administration (Appointed 22.09.21)

