

ROH Developments Limited

Directors' report and financial statements

31 March 1997

Registered number 2580400



ROH Developments Limited

Directors' report and financial statements

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ROH Developments Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 1997.

Principal activities and business review

The principal activity of the company is the development of property for both commercial use and the artistic activities of the Royal Opera House Covent Garden Limited.

Income mainly represents amounts receivable from the rental of commercial properties.

Results

The results for the year are set out on page 4. The directors do not recommend the payment of a dividend (1996: £nil).

Directors and directors' interests

The directors of the company who held office during the year and those appointed since the year end were as follows:

Sir Kit McMahon	(Chairman)
RS Broadhurst	
Sir James Spooner	(resigned 31 December 1997)
DJ Fairclough	
JC Seekings	

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company. No rights to subscribe for shares in the company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

ROH Developments Limited

Directors' report - *(continued)*

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the reappointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Sir Kit McMahon
Chairman

45 Floral Street
London
WC2E 9DD

27 January 1998



PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Report of the auditors to the members of ROH Developments Limited

We have audited the financial statements on pages 4 to 11.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Going concern

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

28 January 1998

ROH Developments Limited

Profit and loss account for the year ended 31 March 1997

	<i>Note</i>	1997 £	1996 £
Turnover	2-3	2,017,806	1,627,425
Cost of sales		(1,953)	(2,304)
		<hr/>	<hr/>
Gross profit		2,015,853	1,625,121
Property and other costs		(49,695)	(68,455)
		<hr/>	<hr/>
Trading profit		1,966,158	1,556,666
Other interest receivable and similar income		312,694	197,735
Interest payable		(751,577)	(642,641)
Deed of covenant payable	6	(1,353,553)	(1,200,000)
		<hr/>	<hr/>
Profit/(loss) for the financial year before and after taxation	3-4	173,722	(88,240)
		<hr/>	<hr/>

The company had no recognised gains or losses other than those included in the profit and loss account and therefore no separate statement of total recognised gains and losses has been presented.

The turnover and loss for the financial year for the current and previous periods are derived from continuing operations. The results on a historic cost basis do not differ from those shown above.

ROH Developments Limited

Balance sheet at 31 March 1997

	Note	1997 £	1996 £
Current assets			
Leasehold property	7	28,501,629	12,978,123
Work in progress	8	1,216,675	579,081
Debtors	9	2,597,723	1,085,421
Cash at bank and in hand	10	6,192,059	6,066,004
		<u>38,508,086</u>	<u>20,708,629</u>
Creditors: amounts falling due within one year	11	<u>(4,558,346)</u>	<u>(2,432,610)</u>
Net current assets		33,949,740	18,276,019
Creditors: amounts falling due after more than one year	12	<u>(9,500,000)</u>	<u>(9,500,000)</u>
Net assets		<u>24,449,740</u>	<u>8,776,019</u>
Capital and reserves			
Called up share capital	13	2	2
Other reserves	14	24,499,999	9,000,000
Profit and loss account	14	<u>(50,261)</u>	<u>(223,983)</u>
Equity shareholders' funds	15	<u>24,449,740</u>	<u>8,776,019</u>

These financial statements were approved by the board of directors on ^{27 January} 1998 and were signed on its behalf by:

Kit McMahon

Sir Kit McMahon
Chairman

ROH Developments Limited

Notes

(forming part of the financial statements)

1 **Going concern**

The Royal Opera House and surrounding properties are being redeveloped to provide a refurbished and expanded House, new facilities for the performing companies and commercial rental space. The existing House is owned by Royal Opera House Covent Garden Limited (ROHCG). The surrounding land is owned by Royal Opera House Development Land Trust (DLT) which has granted long leases to ROH Developments Limited (ROHDL), a subsidiary of DLT, to enable the properties to be redeveloped. ROHCG and the Arts Council of England are Trustees of DLT. When the development is completed the benefit of the land and the associated redevelopment will be passed to ROHCG. If the development is not completed the benefit of certain lands will revert to the Arts Council. Development expenditure relating to the artistic facilities (currently owned partly by ROHCG and partly by ROHDL) is being capitalised as it is incurred by ROHCG. Expenditure on the commercial rental space is being capitalised by ROHDL.

The directors consider it appropriate to adopt the going concern basis used in the preparation of these financial statements which assumes the availability of sufficient funds for the development. The total cost of the development has been estimated by professional advisors at £193 million. The Arts Council of England's National Lottery Board has allocated a grant of £58.5 million towards the cost of the development. The balance of the costs is to be met by a public fund-raising appeal and by the realisation of certain properties. For the development to continue as planned it will be necessary for the progress made by the fund-raising appeal to continue and for the planned property realisations to be successful. The Board continue to monitor this carefully. To date, funds have been provided to meet the costs of the development incurred by the Company as they have fallen due for payment.

Since the year end, there have been a number of events which may have an impact on the fund-raising and/or its timing and/or the provision of funds by the Trustees of the Appeal. These include the announcement on 4 November 1997 that the Secretary of State for Culture, Media and Sport had asked Sir Richard Eyre to chair a working group to look at the future of the Royal Opera House performing companies and English National Opera and a report by the Culture, Media and Sports Committee of the House of Commons printed on 25 November 1997. In addition, the timing of the planned expenditure will require borrowings, the facilities for which are still to be negotiated.

If the financial statements were not prepared on a going concern basis, then provision for substantial contract termination costs would be necessary for which no calculations are currently available.

ROH Developments Limited

Notes (continued)

2 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

Financial Reporting Standard 1

The company is exempt from including a cash flow statement as part of its financial statements on the basis that it is entitled to the exemptions available under sections 246-249 of the Companies Act 1985 for small companies.

Leasehold properties and work in progress

Leasehold properties gifted to the company are initially recorded at the valuation as at the date of the gift. Subsequent expenditure is included in work in progress until the property is complete, at which time it is added to the carrying value of leasehold properties. Interest incurred on loans funding work in progress is capitalised. Leasehold properties and work in progress are written down to realisable value if lower.

Turnover

Turnover represents amounts (excluding value added tax) derived from rental income of leasehold properties and fees charged for development services.

2 Analysis of turnover

	1997	1996
	£	£
<i>By activity</i>		
Rent receivable	1,283,250	1,206,077
Development fees	689,385	417,637
Other charges	45,171	3,711
	<hr/>	<hr/>
	2,017,806	1,627,425
	<hr/>	<hr/>

ROH Developments Limited

Notes (continued)

4 Profit for the financial year

The auditors' remuneration has been borne by a related company.

5 Directors and staff

None of the directors who served during the year received any remuneration for their services as directors (1996: £nil). The company had no employees (1996: nil).

6 Deed of covenant

The deed of covenant is payable to The Royal Opera House Development Land Trust. The gross amount payable for the year under the deed of covenant is £1,550,000 adjusted for overpayments in previous years of £196,447. The deed of covenant payment reduces the profits chargeable to corporation tax to nil and consequently no tax charge is payable for the year.

7 Leasehold properties

The company acquired the 250 year lease to the premises of 4-9 James Street in September 1992, the 250 year lease to the premises of 51-54 Long Acre in September 1994 and the 250 year lease to the land and buildings at Russell Street, Bow Street, Floral Street, James Street and the North and East Piazza ("the Island site") on 4 April 1996. The leaseholds were gifts from The Royal Opera House Development Land Trust and are held with the intention of resale. Those properties are shown in the balance sheet at valuation at the commencement of the lease together with development costs of completed properties. In determining the cost of leasehold properties, interest of £170,111 (1996: £170,111) on a bank loan is included.

8 Work in progress

	1997	1996
	£	£
Work in progress	<u>1,216,675</u>	<u>579,081</u>

In determining the cost of work in progress, interest of £77,166 (1996: £54,871) on a bank loan is included.

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Notes (continued)

8 Debtors

	1997 £	1996 £
Amounts owed by ultimate parent undertaking	31,057	-
Amounts owed by parent undertaking	93	100
Other debtors	415,893	740,093
Prepayments and accrued income	2,150,680	345,228
	<u>2,597,723</u>	<u>1,085,421</u>

At 31 March 1997, the company was owed £406,494 (1996:£740,093) by the Royal Opera House Covent Garden Limited. In addition an amount of £1,921,078 (1996:£nil) was awaiting invoicing as at that date.

9 Cash at bank and in hand

There is a charge over £1,500,000 (1996:£5,000,000) held on deposit. This security is given in respect of part of the liabilities of The Royal Opera House Development Land Trust, the ultimate parent of the company.

10 Creditors: amounts falling due within one year

	1997 £	1996 £
Bank loans and overdrafts	1,230,488	-
Trade creditors	1,139,547	999,160
Amounts owed to parent undertaking	5,000	5,000
Other creditors, including taxation	372,000	158,383
Accruals and deferred income	1,811,311	1,270,067
	<u>4,558,346</u>	<u>2,432,610</u>

ROH Developments Limited

Notes (continued)

12 Creditors: amounts falling due after more than one year

	1997 £	1996 £
Mortgages falling due:		
30 December 2002	5,600,000	5,600,000
29 December 1998	400,000	400,000
30 December 2002	3,500,000	3,500,000
	<u>9,500,000</u>	<u>9,500,000</u>

Mortgages totalling £6,000,000 are at fixed interest rates approximating to 9.4% until 29 December 1998 and then at three month LIBOR plus 1.375%. The remaining amount is at the interest rate of three month LIBOR plus 1.375%.

All the mortgages are secured on the lease of 4-9 James Street.

13 Called up share capital

	1997 £	1996 £
<i>Authorised</i>		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted and called up:</i>		
2 ordinary shares of £1 each - fully paid up	<u>2</u>	<u>2</u>

ROH Developments Limited

Notes (continued)

13 Reserves

	Other reserves	Profit and loss account	Total
	£	£	£
At beginning of year	9,000,000	(223,983)	8,776,017
Transfer of leasehold property	15,499,999	-	15,499,999
Retained profit for the year	-	173,722	173,722
	<hr/>	<hr/>	<hr/>
At end of year	24,499,999	(50,261)	24,449,738
	<hr/>	<hr/>	<hr/>

The other reserves represent the value of leasehold interests gifted to the company as at the date of transfer. The valuations are based on the leases as at the date of grant and before any development of the property.

14 Reconciliation of movements in equity shareholders' funds

	1997 £	1996 £
Profit/(loss) for the financial year	173,722	(88,240)
Transfer of leasehold property	15,499,999	415,000
Opening equity shareholders' funds	8,776,019	8,449,259
	<hr/>	<hr/>
Closing equity shareholders' funds	24,449,740	8,776,019
	<hr/>	<hr/>

15 Capital commitments

Total authorised and contracted capital commitments in connection with the development amount to £137.8 million as at the date of approval of the financial statements. Of this amount, £133.5 million is due to be recharged to The Royal Opera House Covent Garden Limited.

16 Ultimate parent undertaking

The company is a subsidiary undertaking of The Royal Opera House Development Land Trust which is the ultimate parent undertaking whose principal place of business is in England.

The largest group in which the results of the company are consolidated is that headed by The Royal Opera House Development Land Trust. The consolidated accounts of this group are available from the Charity Commissioners. The smallest group in which they are consolidated is that headed by ROH Holdings Limited, registered in England and Wales, whose accounts are available from the Registrar of Companies, Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.