

**ROYAL OPERA HOUSE
ENTERPRISES LIMITED**

Directors' report and financial
statements

Registered number 4112266

For the 52 week period ended
25 August 2013

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COMPANIES HOUSE

Directors' report for the 52 week period ended 25 August 2013

The directors present their annual report and the audited financial statements for the 52 week period ended 25 August 2013.

Principal activity

The principal activities of the Company are the provision of catering to customers and staff of the Royal Opera House, the sponsorship of Royal Opera House productions, multimedia production and distribution, hire of allocated spaces within the Royal Opera House, the sale of merchandise through the Royal Opera House shop, the sale of advertising through the Royal Opera House programmes and the licensing of the Royal Opera House brands.

Dividends

No dividends were paid in the period (*52 week period ended 26 August 2012: nil*). The directors do not recommend the payment of a dividend in respect of the period ended 25 August 2013 (*52 week period ended 26 August 2012: nil*).

Donations

The company donated profits for the period of £3.952m (*2012: £4.424m*), under Gift Aid, to Royal Opera House Covent Garden Limited.

Business review

The results for the period and financial position of the company are as shown in the annexed financial statements. These record an operating profit of £3.952m for the 52 week period ended 25 August 2013 period (*52 week period ended 26 August 2012: £4.424m*).

The results show a decrease in turnover by £0.2m compared to the prior year, but after excluding a single corporate sponsorship during the Olympic period in the prior year of £2.1m, turnover actually increased by £1.9m. Without the Olympics, our summer season and promotion activity returned, representing £1m of turnover. This was our second cinema season branded as Royal Opera House Live Cinema Season, which saw a further increase to our distribution network, and as a result an increase in turnover in this area of £0.9m. The continuing change to the physical media market saw this line of business decrease by £0.5m. Most other areas of the business saw an increase over the prior year, reflecting the focus of management on the underlying core business, and our profits continued to remain at a significant level for the period.

Gross profit for the period decreased by £0.5m, but after excluding the gross profit of £1.3m associated with the one-off Olympic sponsorship, the gross profit actually increased by £0.8m, which can mostly be attributed to our summer season and promotion activity, which delivered £0.7m of gross profit.

The Board of Directors monitored the financial results on a monthly basis, considering performance against budget and other key trading indicators.

Looking ahead to the next period, we consider key risks to be, the continued expansion of the digital marketplace and its impact upon our physical media activity, the current general retail conditions and the related impact on both our retail and physical media activities. We are expanding our cinema distribution network with a new distribution partner, increasing our non-performance related catering initiatives and expanding the performance related catering, all of which will support our financial plans for the next period. The significant impact of the one-off Olympic sponsorship income in the prior year will not be replaced, but we have had the return of our summer season for July and August 2013, and again in Summer 2014.

Based on the projected forecast of the trading activities the Board of Directors believe the company's current financial resources will be sufficient to meet the expected cash requirements of the company for twelve months from the signing of the accounts. Accordingly, the directors consider that the forecasts enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment and have accordingly prepared the financial statements on a going concern basis.

Directors' report for the 52 week period ended 25 August 2013 *(continued)*

Directors

The directors who held office during the period were as follows:

Heather Rabbatts CBE (Chairman)	Sir David Lees
Peter Alward	Sally O'Neill
Lord Hall of Birkenhead (resigned 08 March 2013)	Simon Robey

Company Secretary

Mindy Kilby

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director, to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

During the year, Grant Thornton UK LLP were appointed as auditors. Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and Grant Thornton UK LLP will therefore continue in office.

On behalf of the board



Heather Rabbatts
Chairman

Covent Garden
London
WC2E 9DD

04 February 2014

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements for the 52 week period ended 25 August 2013

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 company will continue in business.

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

Independent auditor's report to the members of Royal Opera House Enterprises Limited

We have audited the financial statements of Royal Opera House Enterprises Limited for the 52 week period ended 25 August 2013 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 25 August 2013 and of its result for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Carol Rudge
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

4 February 2014

Profit and loss account

for the 52 week period ended 25 August 2013

	Note	52 week period ended 25-Aug 2013 £'000	52 week period ended 26-Aug 2012 £'000
Turnover		18,886	19,126
Cost of sales		(12,922)	(12,643)
Gross profit		5,964	6,483
Administration expenses		(1,531)	(1,515)
Operating profit before interest		4,433	4,968
Interest payable and similar charges	5	(55)	(55)
Operating profit before exceptional item		4,378	4,913
Exceptional item	2	(426)	(489)
Operating profit		3,952	4,424
Gift aid	3	(3,952)	(4,424)
Result before taxation	2	-	-
Taxation	6	-	-
Result for the financial period		-	-

There is no difference between the result on an historical cost basis and that shown in the profit and loss account.

The revenue and result for the period are derived from continuing operations. 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 or losses has been prepared.

Balance sheet

As at 25 August 2013

	Note	25-Aug 2013 £'000	26-Aug 2012 £'000
Fixed assets			
Goodwill	7	-	-
Intangible fixed assets	8	361	950
Tangible fixed assets	9	-	-
		<hr/>	<hr/>
Total fixed assets		361	950
		<hr/>	<hr/>
Current assets			
Stocks	10	730	716
Debtors	11	3,291	3,016
Cash at bank and in hand		190	96
		<hr/>	<hr/>
		4,211	3,828
Creditors: amounts falling due within one year	12	(2,119)	(2,325)
		<hr/>	<hr/>
Net current assets		2,092	1,503
		<hr/>	<hr/>
Total assets less current liabilities		2,453	2,453
Creditors: amounts falling due after more than one year	13	(2,200)	(2,200)
		<hr/>	<hr/>
Net assets		253	253
		<hr/> <hr/>	<hr/> <hr/>
Shareholder's funds			
Share capital	14	126	1,276
Retained earnings	15	127	(1,023)
		<hr/>	<hr/>
Total shareholder's funds	15	253	253
		<hr/> <hr/>	<hr/> <hr/>

These financial statements were approved by the board of directors on 04 February 2014 and were signed on its behalf by:

Heather Rabbatts
 Director



Notes

(forming part of the financial statements)

1 Accounting policies

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

As described in the directors' report, the financial statements have been prepared on the going concern basis, and the directors believe that the company will continue in operational existence for the foreseeable future.

Under FRS 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that its parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of Royal Opera House Covent Garden Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities that form part of the group. The consolidated financial statements of Royal Opera House Covent Garden Limited, within which this company is included, can be obtained from the address given in note 16.

Turnover

Turnover represents the amounts derived from catering activities, multimedia production and distribution, sponsorship, venue hire, retail sales, concerts, advertising, licensing and other income. Revenue from venue hire, production sponsorship and concerts is recognised on the day of the event. Other commercial turnover is recognised when services are provided or goods are delivered. Income is deferred only to the extent that contractual obligations have not been met at period end.

Sale of goods revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured. Revenue is measured at fair value after making provision in respect of future returns of goods and services supplied by the company prior to the balance sheet date.

The turnover and profit before tax is attributable to the principal activity of the company and arose in the United Kingdom.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

Taxation

Any charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounting basis.

Intangible fixed assets

Intangible fixed assets are investment in programming costs, which are capitalised and amortised over the expected useful life, which is up to two years depending on format and the terms of licenses acquired. The costs capitalised are third party costs that include capture costs, physical media production costs, rights clearances, acquisition costs and other directly attributable costs. These assets are reviewed for impairment where events or changes in circumstances indicate that the carrying amount may not be recoverable. Any anticipated losses on individual projects are charged in the profit and loss account in the period where the event or change in circumstance occurred.

Tangible fixed assets

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

Fixtures & fittings	- 15 – 33%
Computer Equipment	- 33%

Stocks

Stock is stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Cost includes all direct expenditure and an appropriate proportion of fixed and variable overheads.

Pension

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable for the year are charged in the profit and loss account.

Transfer of business

The transfer of business, trading assets and liabilities is accounted for at book value which equates to market value. Consideration in excess of market value is recorded as goodwill and subject to annual impairment review.

Notes (continued)

2 Net profit before taxation

The net profit before taxation is stated after charging:

	52 week period ended 25-Aug 2013 £'000	52 week period ended 26-Aug 2012 £'000
Amortisation of investment in programming	822	982
Exceptional item - change in useful life	426	489
	<hr/>	<hr/>

None of the directors received any remuneration for their services as directors during the period (2012: nil). The auditors' remuneration for the 52 week period ended 25 August 2013 was £12,000 and has been borne by the parent company (for the 52 week period ended 26 August 2012: £12,000 borne by the parent company).

During the year, the company reviewed its useful life for amortisation of its investment in programming asset (intangible fixed asset) and determined that the estimated useful life should be reduced from a six year maximum to a two year maximum. The effect of this change was an additional amortisation charge of £426k in the 52 week period ended 25 August 2013, which has been shown as an exceptional item in the profit and loss account. This follows a review during the previous year, when the company reduced the useful life from an eight year maximum to a six year maximum. The effect of this change was an additional amortisation charge of £489k in the 52 week period ended 26 August 2012, which has been shown as an exceptional item in the profit and loss account.

3 Gift Aid

The gift aid payment is made to the Royal Opera House Covent Garden Limited. The gross amount payable for the year ended 25 August 2013 is £3.952m (2012:£4.424m).

Notes (continued)

4 Staff Costs

	52 week period ended 25-Aug 2013 £'000	52 week period ended 26-Aug 2012 £'000
Wages and salaries	206	186
Social security costs	21	19
Other pension costs	-	-
	<hr/>	<hr/>
	227	205
	<hr/>	<hr/>

Some staff are directly employed by the company, whilst other staff are employed by ROHCG undertaking activities on behalf of ROHE and are re-charged at full cost.

5 Interest payable and similar charges

	52 week period ended 25-Aug 2013 £'000	52 week period ended 26-Aug 2012 £'000
Interest payable to Royal Opera House Covent Garden Limited	55	55
	<hr/>	<hr/>
	55	55
	<hr/>	<hr/>

Interest payable to Royal Opera House Covent Garden Limited represents interest on the loan (see Note 13), which is charged at a rate of 2% above the Bank of England base rate.

Notes (continued)

6 Taxation

No UK corporation tax has arisen in the period (52 week period ended 26 August 2012: nil). No deferred tax has arisen in the period (52 week period ended 26 August 2012: nil).

There is an unrecognised deferred tax asset of £431,198 (26 August 2012: £421,905) which has not been recognised due to uncertainty over the timing of its recoverability.

7 Goodwill

	25-Aug 2013 £'000
Cost at beginning and end of the period	<u>3</u>
Amortisation and impairment at beginning and end of the period	<u>3</u>
<i>Net book value</i>	
At the beginning and end of the period	<u><u>-</u></u>

Goodwill consists of £3,000 from the acquisition of the trade and assets of Royal Opera House Covent Garden Trading Limited on 30 August 2010. Management consider this goodwill to be fully impaired at 25 August 2013.

Notes (continued)

8 Intangible fixed assets

	25-Aug 2013 £'000
<i>Cost</i>	
At beginning of period	10,374
Capitalised costs	659
	<hr/>
At end of period	11,033
	<hr/>
<i>Amortisation</i>	
At beginning of period	9,424
Charge for period	822
Exceptional item - change in useful life	426
	<hr/>
At end of period	10,672
	<hr/>
<i>Net book value at end of period</i>	
At 25 August 2013	361
	<hr/>
At 26 August 2012	950
	<hr/>

9 Tangible fixed assets

	Fixtures & Fittings	Computer Equipment	Total
	£'000	£'000	£'000
Cost at beginning and end of the period	32	128	160
	<hr/>	<hr/>	<hr/>
Accumulated depreciation at beginning and end of the period	32	128	160
	<hr/>	<hr/>	<hr/>
Net book value at 25 August 2013 and 26 August 2012	-	-	-
	<hr/>	<hr/>	<hr/>

Notes (continued)

10 Stocks

	25-Aug 2013 £'000	26-Aug 2012 £'000
Stocks - finished goods	730	716
	<u> </u>	<u> </u>

11 Debtors: amounts falling due within one year

	25-Aug 2013 £'000	26-Aug 2012 £'000
Trade debtors	1,155	1,858
Royal Opera House Covent Garden Limited	1,520	376
Prepayments and accrued income	616	782
	<u> </u>	<u> </u>
	3,291	3,016
	<u> </u>	<u> </u>

12 Creditors: amounts falling due within one year

	25-Aug 2013 £'000	26-Aug 2012 £'000
Trade creditors	866	701
Accruals and deferred income	1,253	1,624
	<u> </u>	<u> </u>
	2,119	2,325
	<u> </u>	<u> </u>

Notes (continued)

13 Creditors: amounts falling due after more than one year

	25-Aug 2013 £'000	26-Aug 2012 £'000
Amount due to Royal Opera House Covent Garden Limited	2,200	2,200
	<u>2,200</u>	<u>2,200</u>

Interest is charged on the unsecured loan from Royal Opera House Covent Garden Limited at a rate of 2% above the Bank of England base rate.

14 Called up share capital

	25-Aug 2013 £'000	26-Aug 2012 £'000
<i>Allotted, issued and fully paid:</i>		
125,987 Ordinary shares of £1 each – fully paid up	<u>126</u>	<u>1,276</u>

During the year, the Company passed a special resolution to reduce its share capital by 1,150,000 ordinary shares, which have now been cancelled and extinguished.

15 Reconciliation of movement in shareholder's funds

	Share capital £'000s	Retained earnings £'000s	Total £'000s
At beginning of period	1,276	(1,023)	253
Reduction in share capital	(1,150)	1,150	-
Net profit for the period	-	-	-
At end of period	<u>126</u>	<u>127</u>	<u>253</u>

During the year, the Company passed a special resolution to reduce its share capital by 1,150,000 ordinary shares, which have now been cancelled and extinguished. This reduction in share capital therefore increased the retained earning of the Company by £1.15m.

Notes (continued)

16 Ultimate parent undertaking

The company is a subsidiary undertaking of Royal Opera House Covent Garden Limited, which is the ultimate parent company incorporated in the United Kingdom.

The largest group in which the results of the company are consolidated is that headed by Royal Opera House Covent Garden Limited, incorporated in the United Kingdom. The smallest group in which they are consolidated is that headed by Royal Opera House Covent Garden Limited incorporated in the United Kingdom. No other group financial statements include the results of the Company. The consolidated financial statements of these groups are available to the public and may be obtained from The Royal Opera House, Covent Garden, London WC2E 9DD.