



ROYAL OPERA HOUSE COVENT GARDEN

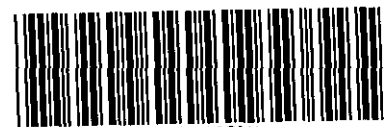
**Royal Opera House Covent Garden Limited
(Limited by guarantee)**

**Trustees' report and consolidated financial statements
26 March 2006**

Registered charity 211775

Registered company number 480523

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Report of the Trustees for the 52 week period ended 26 March 2006

The trustees are pleased to present their report together with the audited financial statements of the Royal Opera House for the 52 week period ended 26 March 2006. These accounts and annual returns will be filed with the Charity Commission and the Registrar of Companies.

Reference and administrative details of the Charity, its Trustees and Advisors

Charity number 211775

Company number 480523

Principal Office

Royal Opera House
Covent Garden
London WC2E 9DD

Auditors

KPMG LLP
8 Salisbury Square
London EC4Y 8BB

Bankers

Coutts & Co
440 Strand
London WC2R 0QS

Solicitors

Linklaters
One Silk Street
London EC2Y 8HQ

Actuaries (to the Royal Opera House Pension Scheme)

Lane Clark & Peacock
30 Old Burlington Street
London W1S 3NN

Directors and Trustees

The directors of the charitable company ('The Royal Opera House' or 'the charity') are its trustees for the purpose of charity law and throughout this report are collectively referred to as the trustees. The trustees who held office during the period were as follows:

Dame Judith Mayhew Jonas DBE

Marco Compagnoni

The Countess of Chichester

Sir Peter Davis (retired 31 August 2005)

Lord Eatwell (retired 31 January 2006)

Bonnie Greer (resigned 23 May 2006)

Sir David Lees

Sir Stuart Lipton (retired 28 February 2006)

Sir Frank Lowe

Thomas Lynch

Prof Margaret Maden

Nicholas Prettejohn (appointed 1 July 2005)

Simon Robertson

Dame Gail Ronson DBE

Lady Sainsbury CBE

Kenneth Tharp OBE

Judith Weir CBE

Sir David Clementi, Peggy Dannenbaum and Simon Robey were appointed on 1 July 2006.

Chief Executive

Tony Hall

Secretary

John Seekings

Trustees' report *(continued)*

Structure, Governance and Management

Governing Document

The Royal Opera House Covent Garden Limited is a company limited by guarantee (company number: 480523) governed by its Memorandum and Articles of Association, which were last amended on 24 May 2006. It is registered as a charity at the Charity Commission (charity number: 211775).

Appointment of Trustees

As set out in the Articles of Association the trustees appoint or re-appoint trustees after such consultation with the Department of Culture, Media and Sport and Arts Council England as these bodies may respectively require. Trustees shall be appointed for a term of three years or less. On the expiry of such terms they shall retire from office but may be re-appointed for a second term of three years or less by approval of the trustees. On the expiry of such second term they shall retire from office but may be re-appointed for a further period of two years or less where the trustees consider there are exceptional circumstances. On the expiry of such further period they may, if the trustees consider the exceptional circumstances still exist, be appointed for a further but final two years or less. The trustees appoint a Chairman who shall be appointed for a term of five years or less and on expiry of such term they may be re-appointed for a second term of three years or less by approval of the trustees provided that on expiry of such second term they shall, unless the trustees otherwise exceptionally determine, retire from office.

Trustee Induction and training

New trustees undergo an induction session with the Company Secretary to brief them on their obligations under charity and company law, the content of the Memorandum and Articles of Association and the committee and decision-making processes. During the induction new trustees are also introduced to key employees and other trustees.

Organisation

The direction and control of the Royal Opera House is determined by the Board of Trustees, which meets at least seven times a year. The role of the Board is to direct the Royal Opera House strategy and to ensure that the Royal Opera House is on the approved strategic course (including artistic strategy), and that it is properly and effectively managed. The following sub-committees of the Board are established (which in the case of Development and fundraising include members who are not trustees):

Finance and audit: Sir David Lees chairs this committee, which meets not less than quarterly. Other members are Dame Judith Mayhew Jonas, Sir David Clementi (appointed 1 July 2006), Lord Eatwell (retired 31 January 2006), Sir Stuart Lipton (retired 28 February 2006), Thomas Lynch, Nicholas Prettejohn, Simon Robertson and Simon Robey (appointed 1 July 2006). Sarah Kemp (the Director of Finance and Business Affairs), Tony Hall, John Mortlock (the Deputy Director of Finance) and John Seekings (the Director of Operations and Company Secretary) report to all meetings. The committee is responsible for reviewing long term financial plans, annual budgets, monthly management accounts and the Royal Opera House's annual financial statements. It makes recommendations to the Board on major capital expenditure and revenue contracts and on the overall framework for delegated financial authority in the Royal Opera House. It is also responsible for reviewing the effectiveness and adequacy of systems of internal control, including consideration of matters raised by the external auditors. The committee is responsible for the appointment of the external auditors and for reviewing their performance and independence.

Development and fundraising: Simon Robertson chairs this committee. Other members are Dame Judith Mayhew Jonas, Michael Bienes, The Countess of Chichester, Marco Compagnoni, Sir Peter Davis (retired 31 August 2005), Peggy Dannenbaum (appointed 1 July 2006), Sir Stuart Lipton (retired 28 February 2006), Thomas Lynch, Simon Robey (appointed 1 July 2006), Dame Gail Ronson, Bernard Taylor and Sir Brian Williamson. Tony Hall and Amanda Saunders (the Development Director) report to all meetings. The committee is responsible for advising the board on the Royal Opera House's fundraising strategies and targets.

ROH2, Education and Access: Professor Margaret Maden chairs this committee. Other members are Dame Judith Mayhew Jonas, Peggy Dannenbaum (appointed 1 July 2006), Bonnie Greer (resigned 23 May 2006), Lady Sainsbury, Kenneth Tharp and Judith Weir. Tony Hall, Deborah Bull (the Creative Director, ROH2) and Darryl Jaffray (the Director of Education and Access) report to all meetings. The committee supports ROH2 and the Education and Access department in

Trustees' report *(continued)*

planning and implementing programmes and monitors the projects, performances and artistic standards.

Nominations: Dame Judith Mayhew Jonas chairs this committee. Other members include Sir David Lees, Professor Margaret Maden, Simon Robertson, and Thomas Lynch. The committee nominates appointees to the Board and other Senior Executives for approval by the Board. It may co-opt additional members where particular expertise is required and a particular role is under consideration. Under the chairmanship of the Senior Non-Executive Director, the committee will also propose candidates for the Chairmanship of the Board. The committee is also responsible for the continuous review of Board membership to ensure that a proper balance of skills, experience and diversity is maintained.

Remuneration: Dame Judith Mayhew Jonas chairs this committee, which meets at least twice a year, and when necessary. Other members are Sir David Clementi (appointed 1 July 2006), Sir David Lees and Sir Stuart Lipton (retired 28 February 2006). Tony Hall and Elizabeth Bridges (the Director of Personnel) attend meetings by invitation. The committee is responsible for reviewing the pay and benefits of the Executive Committee, including the Chief Executive, the Music Director and the Director of the Royal Ballet.

The day to day management is the task of the Royal Opera House Executives. The Trustees appoint the Chief Executive and, with him, the most senior management. Royal Opera House operations are managed by the Chief Executive with the assistance of an Executive Committee comprising:

Chief Executive	Tony Hall CBE
Director of Marketing	Caroline Bailey
Director of Personnel	Elizabeth Bridges
Creative Director, ROH2	Deborah Bull CBE
Director of Education and Access	Darryl Jaffray (retired 31 May 2006)
Director of Policy Development	Ruth Jarratt
Director of Opera Casting	Peter Katona
Director of Finance and Business Affairs	Sarah Kemp
Director of the Royal Ballet	Monica Mason OBE
Director of Press	Chris Millard
Deputy Director of Finance	John Mortlock
Director of Opera	Elaine Padmore
Music Director	Antonio Pappano
Orchestra Director	Hazel Province
Administrative Director of the Royal Ballet	Anthony Russell-Roberts CBE
Development Director	Amanda Saunders
Director of Operations	John Seekings

The Chief Executive (assisted by the Executive Committee) is responsible for the development and implementation of the strategy and business plans of the Royal Opera House. The Executive Committee meets at least once a month to monitor artistic, operational and financial progress against plans approved by trustees. It should be noted that where the title 'Director' is used in the above table this is an internal management term only and does not indicate directorship according to the Companies Act definition.

The Royal Opera Company and the Royal Ballet Company are internal divisions of the charity. The Royal Ballet has a Royal Charter dating in its original form from 1956. The Royal Opera House and the Royal Opera Company have the Sovereign's permission to use the word 'Royal' in their titles.

Related parties

On 26 March 2006 the group included the charity and:

Royal Opera House Covent Garden Trading Limited: a company established to account for the non-arts related retail, venue hire and brand licensing activity and was wholly owned throughout the period; the results for the period are shown in note 2 to the financial statements.

Royal Opera House Foundation: a membership and fund-raising organisation effectively controlled by the Royal Opera House throughout the period. The results for the period are shown in note 2 to the financial statements.

Trustees' report *(continued)*

ROH Holdings Limited: ROH Holdings Limited is a holding company with two subsidiaries, **ROH Management Limited**, a property management company, and **ROH Developments Limited**, a property development company. ROH Holdings Limited was wholly owned throughout the period. The results for the period are shown in note 2 to the financial statements.

The consolidated financial statements include the results of these entities, as detailed in note 2 to the financial statements.

ROH Endowment Fund 2000: The ROH Endowment Fund 2000 supports the work of the Royal Opera House and other organisations by raising funds to support projects which increase the appreciation and understanding of the musical arts in all its forms. It is a separately controlled and registered charity, and its board has a majority of trustees who are independent of the Royal Opera House. The consolidated financial statements of the group do not therefore include ROH Endowment Fund 2000.

Risk Management

During the period the trustees have operated a risk management strategy which comprises:

- an annual review of the risks which the charity may face;
- the establishment of systems and procedures to mitigate those risks identified; and
- procedures designed to minimise any potential impact on the charity should any of those risks materialise.

A detailed review of the risks associated with the achievement of the Royal Opera House's objectives including health and safety, business continuity and security has been completed. Reports on the management of key risks facing the charity are prepared annually for consideration by the Finance and Audit Committee and Board, as well as by the Chief Executive and his senior team. Additional reports are prepared on an ad-hoc basis as necessary.

Health and safety

The charity has a health and safety committee comprised of representatives from all departments. All new employees are issued with a health and safety policy document. In addition, under the supervision of the occupational health unit, there are trained first-aiders in all departments. The Chief Executive reports on Health and Safety issues to all Board meetings. A full report on Health and Safety has been taken by the Board since the publication of the last period financial statements.

Employees

The charity informs and seeks the views of its employees by means of regular department meetings open to all employees and newsletters. Regular meetings are held with the recognised unions: BECTU (Broadcasting Entertainment Cinematograph and Theatre Union), The Musicians' Union and Equity.

Disabled persons

The charity encourages the employment of disabled persons.

It is Board policy to ensure that continued employment is offered, wherever possible, to employees who become temporarily disabled and special arrangements are made for those permanently disabled.

Political and charitable contributions

The charity made no political or charitable contributions during the period, other than as disclosed in Note 7 to the financial statements. In addition, the studio theatres were made available free of charge to certain performing companies engaged primarily in the lyric arts.

Payment policy

It is the charity's policy to pay suppliers in accordance with agreed credit terms. The Royal Opera House had trade creditors equivalent to 46 days supply at the period end (2005: 40).

Trustees' report *(continued)*

Auditors

Disclosure of information to auditors

The trustees who held office at the date of approval of this trustees' 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 trustee has

taken all the steps that he / she ought to have taken as a trustee to make himself / herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the charity is to be proposed at the next Annual General Meeting.

Objectives and activities of The Royal Opera House

The principal activities of the Royal Opera House continue to be the presentation of opera and ballet performances at the Royal Opera House Covent Garden and tours in the United Kingdom and overseas.

The Royal Opera House is established to increase the appreciation and understanding of the musical art in all its forms. To achieve this, the Royal Opera House sets out to attract, excite and inspire the widest possible audiences by performing opera and ballet to the highest international standards at affordable prices, developing the art forms and promoting their appreciation by people of all ages and backgrounds.

Specific objectives include:

- pursuing the highest artistic standards in performances by the Royal Ballet, the Royal Opera, the Orchestra of the Royal Opera House and ROH2;
- presenting a full annual programme of opera and ballet performances, chosen to give excitement and inspiration;
- developing the art forms of opera and ballet through commissioning and hosting of new works, new interpretation of established repertoire and encouragement of young artists;
- developing future audiences for, and public awareness of, opera and ballet through an education programme aimed at people of all ages, backgrounds and abilities, and through well-judged marketing and publications;
- under the banner ROH2, offering a menu of performance and events in the alternative performance spaces at the Royal Opera House – the Linbury Studio Theatre, the Clore Studio Upstairs and the Floral Hall - which complements, supports and extends work on the main stage and which encompasses development of new work, new talent and new and more diverse audiences;
- increasing the accessibility of live performances by the House's companies through flexible pricing that balances the goals of financial responsibility and audience broadening;
- further increasing and broadening the accessibility of Royal Opera House performances, and the appeal of opera and ballet, through radio broadcast, television, video and new media technologies;
- using all three main performance spaces of the Royal Opera House to promote all these objectives and to create a vibrant and diverse cultural centre that attracts and excites the widest range of audiences;
- developing and maintaining good governance, including strong artistic leadership and robust and efficient management, and thereby enhancing the synergy of the Royal Ballet, the Royal Opera, ROH2 and the Royal Opera House;
- ensuring good stewardship of public and private funding within a robust framework of efficiency, risk management and accountability; and
- setting and delivering the highest standards of management of staff, health and safety, and environmental awareness

Trustees' report *(continued)*

- to achieve a breakeven result (after transfers) on the unrestricted general fund.

Achievements and performance

In the main auditorium 146 Royal Opera, 139 Royal Ballet, and 25 visiting company performances attracted total audiences of some 628,000. The Royal Opera Company staged 23 productions including 5 new productions, and 3 new co-productions. The Royal Ballet staged 15 full length and mixed programmes including 3 new one act commissions. ROH2 presented its fourth season. Box office income was healthy across the year and our average audiences were 90% of capacity.

The Royal Opera House continued its work to bring new audiences to opera and ballet. Five schools' matinees were presented to over 9,000 children (six schools' matinees were staged over the season). Four TV relays were watched by 3.5m BBC viewers and 12 radio relays were broadcast by BBC Radio 3 to some 1.7m listeners. Also 7,000 people enjoyed 2 live relays to the Piazza Big Screen and a further 34,000 saw screens in Trafalgar Square, Canary Wharf, Victoria Park – Tower Hamlets, Liverpool, Belfast, Aberdeen, Manchester, Hull and Birmingham. Over 85,000 people came to see performances in the Royal Opera House's smaller performing spaces. Over 140,000 people took part in the Royal Opera House's Education and outreach programme targeting knowledgeable adults with an existing interest in opera and ballet, as well as adults new to the art forms, students and school children. In addition to schools' matinees and events in the Royal Opera House, educational initiatives included Write an Opera courses for teachers, our established Chance to Dance programme in South London schools, and Turtle Opera, a series of creative workshops for young people with autism.

The Royal Opera House Foundation supported the charity in the pursuit of its objectives by raising funds via memberships, gifts, and sponsorships.

Royal Opera House Covent Garden Trading Limited supported the charity in the pursuit of its objectives by trading in the hire of venue space, retail activity and licensing of the Royal Opera House brands. Profits generated were granted to the charity via gift aid.

Financial Review

The results for the period are set out in the consolidated statement of financial activities on page 10. Note 1 to the financial statements sets out the basis on which these financial statements have been prepared.

The result for the 52 week period ended 26 March 2006 was a surplus on unrestricted general funds of £40,000 (2005: deficit of £130,000, restated from surplus of £14,000) after a transfer from restricted funds of £5,202,000 (2005: £4,565,000) representing depreciation of the redeveloped Royal Opera House site, and a transfer of £2,596,000 to an unrestricted designated capital fund for the maintenance of the building and equipment (2005: £827,000). The Royal Opera House reopened in December 1999 following a major redevelopment. Looking forward, both the fabric of the building, and the equipment installed as part of the redevelopment (paid for from Restricted funds) will require replacement or major refurbishment.

For the seventh year in succession the Royal Opera House achieved an ambitious programme of work and balanced its books in its unrestricted activities after the transfer of £2,596,000 referred to above. Continuing to attract commercial sponsorship, grant assistance and individual donations proved a tough challenge but 2005 levels were maintained. Note 13(b) to the accounts shows the prior year surplus on unrestricted activities before restatement in line with FRS17.

£24.9m was received from Arts Council England, 31% of total net incoming resources. The Royal Opera House generates more than £2 for every £1 of grant received. Public support enables the undertaking of a range and depth of work and investment in new work, artist development, craft excellence, education and access which could not be sustained through a wholly commercial model.

Pension scheme

In line with the requirements of FRS17, the Royal Opera House defined benefit Pension scheme is included for the first time. Within the Statement of Financial Activities current service cost and other net finance income (£164,000

Trustees' report *(continued)*

(2005: £144,000) disclosed in full in note 25) is included in cost of productions, sales and operations of the Royal Opera House. The actuarial loss for the period (£4.4m (2005: gain of £191,000)) is shown separately. The liability at the period end (£11.6m (2005: £7.0m)) is also disclosed separately on the balance sheet. Comparative figures have been adjusted throughout, also in line with FRS17, to show the relevant values for 2005. It is important to note that the liability represented by this value (being based upon actuarial assumptions) will alter in response to changes to the future funding and structure of the pension scheme and does not crystallize in the short or medium term.

Investment powers and policy

Under the Memorandum and Articles of Association, the charity has the power to invest funds not immediately required for its purposes in such investments, securities or property as may be considered by the trustees. Aside from balances held with the Royal Opera House bankers, Coutts and Co, monies are only invested in funds with a triple 'A' rating, with a limit of £10m being held with any one institution.

Cash and reserves

At the end of the period Restricted Fund balances were £181.0m. Restricted funds substantially represent funds granted specifically to finance capital expenditure on the development of the Royal Opera House. The deficit for the period on restricted funds of £5.1m arises primarily as a result of a transfer of funds from restricted to unrestricted funds to match the depreciation charge arising on the redeveloped building (which recurs annually).

At 26 March 2006 unrestricted funds (after accounting for the Pension Scheme liability) were £(3.6)m (2005: £(1.8m)). £3.4m (2005: £0.8m) is held in an Unrestricted Designated Capital Fund for the replacement and major refurbishment of capital items. The trustees' priority is to bring unrestricted funds into a positive balance, and they plan to achieve this in the medium term.

The pension scheme deficit, now included within unrestricted funds, is £11.6m at the period end. The Royal Opera House group held positive cash balances throughout the period. Cash held at the period end was £18.1m, including cash committed to planned capital expenditure of £2.0m, advance bookings of £9.1m, as well as cash required to meet the charity's working capital requirements and reserves.

Plans for future periods

The future plans of the charity continue to be the presentation of opera and ballet performances at the Royal Opera House Covent Garden and tours in the UK and overseas and the promotion of opera and ballet to the widest audiences, including further development of education and access initiatives. Specifically our plan is to maintain the following in line with the levels in the 2005/06 period:

- performance numbers
- production numbers
- main auditorium audience numbers
- reach of Education and Access programme
- commissions for new works

It is also a fundamental objective to achieve a breakeven result after making a transfer to the Designated Capital Fund of an amount equal to the difference between unrestricted capital expenditure, unrestricted capital commitments and depreciation. There have been no events since the year end which have affected the undertaking of these plans.

By order of the board


Dame Judith Mayhew Jonas
Chairman

Royal Opera House
Covent Garden
London WC2E 9DD

12 July 2006

Statement of responsibilities of the trustees of Royal Opera House Covent Garden Limited in respect of the trustees report and the financial statements

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

Company law requires the trustees to prepare financial statements for each financial year in accordance with UK accounting standards.

The group and charitable company's financial statements are required by law to give a true and fair view of the state of affairs of the group and charitable company and of the group's excess of income over expenditure for that period.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 group and the charitable company will continue its activities.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



Independent auditors' report to the members of Royal Opera House Covent Garden Limited

We have audited the group and charity financial statements (the 'financial statements') of Royal Opera House Covent Garden Limited for the period ended 26 March 2006 which comprise the group statement of financial activities, the group and charitable company balance sheets, the group cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the trustees and auditors

As described in the statement of trustees' responsibilities on page 8, the charitable company's trustees, who are also the directors of Royal Opera House Covent Garden Limited for the purposes of company law, are responsible for preparing the trustees report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the trustees report is not consistent with the financial statements, if the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the trustees report and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the charitable company's affairs as at 26 March 2006 and of the group's incoming resources and application of resources, including its income and expenditure, for the period then ended; and
- have been properly prepared in accordance with the Companies Act 1985.


KPMG LLP

Chartered Accountants
Registered Auditor

8 Salisbury Square, London, EC4Y 8BB

12 July 2006

Consolidated statement of financial activities (including income and expenditure account and statement of total realised gains and losses)

for the 52 week period ended 26 March 2006

	Note	2006		2005			
		Un- Restricted General Fund £'000	Un- Restricted Designated Capital Fund £'000	Total Un- Restricted Funds £'000	Restricted Funds £'000	Total Funds £'000	Total Funds £'000 (restated, see note 1)
Incoming resources							
Incoming resources from charitable activities							
Operation of Royal Opera House (including box office)	3	37,500	-	37,500	5	37,505	34,169
Incoming resources from generated funds							
Voluntary Income							
Donations, legacies and similar Incoming Resources	5	16,218	-	16,218	646	16,864	16,288
Grants from Arts Council England	4	24,866	-	24,866	-	24,866	23,111
Activities for generating funds							
Commercial trading income	2	802	-	802	-	802	735
Investment income	6	789	-	789	124	913	807
Total incoming resources		80,175	-	80,175	775	80,950	75,110
Resources Expended							
Charitable activities							
Productions, sales and operations	11	(78,611)	-	(78,611)	-	(78,611)	(74,200)
Grants and transfers	7	(25)	-	(25)	(628)	(653)	(476)
Costs of generating funds							
Costs of generating voluntary income	8	(3,011)	-	(3,011)	(23)	(3,034)	(3,178)
Costs of commercial activities	2	(874)	-	(874)	(15)	(889)	(867)
Governance costs	9	(220)	-	(220)	-	(220)	(104)
Total resources expended		(82,741)	-	(82,741)	(666)	(83,407)	(78,825)
Net incoming / (outgoing) resources before transfers / net expenditure		(2,566)	-	(2,566)	109	(2,457)	(3,715)
Transfers							
Gross transfers between funds - Depreciation	12	5,202	-	5,202	(5,202)	-	-
Gross transfers between funds - Designated Capital fund	12	(2,596)	2,596	-	-	-	-
Net incoming / (outgoing) resources before other recognised gains and (losses) / net expenditure after transfers	13a, 13b	40	2,596	2,636	(5,093)	(2,457)	(3,715)
Other recognised gains / (losses)							
Actuarial (losses) / gains on the defined benefit pension scheme		(4,388)	-	(4,388)	-	(4,388)	191
Net movement in funds / net expenditure for the year		(4,348)	2,596	(1,752)	(5,093)	(6,845)	(3,524)
Fund balances brought forward at 27 March 2005 (as previously stated)		4,350	827	5,177	186,096	191,273	194,844
Prior year adjustment in respect of FRS17 (see note 1)		(7,024)	-	(7,024)	-	(7,024)	(7,071)
Fund balances brought forward at 27 March 2005 (restated)		(2,674)	827	(1,847)	186,096	184,249	187,773
Fund balances carried forward at 26 March 2006	21	(7,022)	3,423	(3,599)	181,003	177,404	184,249

Amounts relating to incoming resources and resources expended in the current and previous year derive from continuing activities. No significant new operations have been acquired in the period or the previous period.

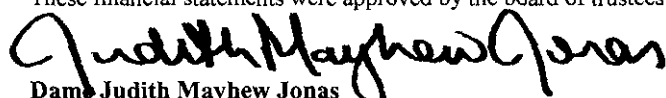
The charity has no recognised gains or losses in either period other than included within the results for the period. There is no difference between the results for the period stated above and their historical cost equivalents.

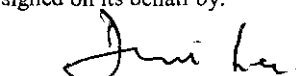
Consolidated balance sheet

for the 52 week period ended 26 March 2006

	Note	2006		2005
		Un- Restricted Funds £'000	Restricted Funds £'000	Total Funds £'000 (restated, see note 1)
Fixed Assets				
Tangible Assets				
Freehold premises		2,210	129,241	131,451
Short leasehold premises		4	-	4
Equipment and vehicles		3,346	51,543	54,889
Total Fixed Assets	15	5,560	180,784	186,344
Current assets				
Productions in preparation		2,082	-	2,082
Stocks	17	467	-	467
Debtors	18	6,499	136	6,635
Cash at bank and in hand		17,422	661	18,083
Creditors: amounts falling due within one year	19	26,470 (23,505)	797 (578)	27,267 (24,083)
Net current assets		2,965	219	3,184
Total assets less current liabilities		8,525	181,003	189,528
Creditors: amounts falling due after more than one year	20	(547)	-	(547)
Net assets excluding pension liability		7,978	181,003	188,981
Defined benefit pension scheme liability	25	(11,577)	-	(11,577)
Net assets including pension liability		(3,599)	181,003	177,404
Funds				
Unrestricted General funds	21	4,555	-	4,555
Unrestricted Designated Capital fund	21	3,423	-	3,423
Unrestricted Funds before pension reserve		7,978	-	7,978
Unrestricted Pension Reserve		(11,577)	-	(11,577)
Restricted funds	21	-	181,003	181,003
Total Charity Funds		(3,599)	181,003	177,404

These financial statements were approved by the board of trustees on 12 July 2006 and were signed on its behalf by:


Dame Judith Mayhew Jonas
Trustee


Sir David Lees
Trustee

Consolidated cash flow statement
for the 52 week period ended 26 March 2006

	<i>Note</i>	2006 £'000	2005 £'000
Cash inflow/(outflow) from operating activities	<i>26</i>	(227)	4,718
Return on investments and servicing of finance	<i>27(a)</i>	865	734
Capital expenditure and financial investments	<i>27(b)</i>	(3,009)	(6,101)
		<hr/>	<hr/>
Cash outflow before financing		(2,371)	(649)
Financing			
Repayment of other loan financing	<i>28</i>	(121)	(157)
		<hr/>	<hr/>
Decrease in net cash in the period	<i>28</i>	(2,492)	(806)
		<hr/> <hr/>	<hr/> <hr/>

Reconciliation of net cash flow to movement in net funds
for the 52 week period ended 26 March 2006

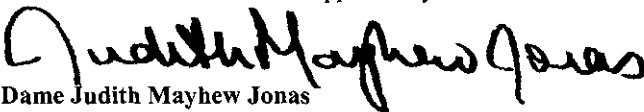
	<i>Note</i>	2006 £'000	2005 £'000
Decrease in net cash	<i>28</i>	(2,492)	(806)
Decrease in debt and lease financing	<i>28</i>	121	157
		<hr/>	<hr/>
Movement in net funds in the period	<i>28</i>	(2,371)	(649)
Net funds at 27 March 2005	<i>28</i>	19,792	20,441
		<hr/>	<hr/>
Net funds at 26 March 2006	<i>28</i>	17,421	19,792
		<hr/> <hr/>	<hr/> <hr/>

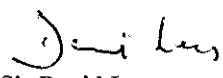
Charity balance sheet

as at 26 March 2006

	Note	2006		2005
		Un- Restricted Funds £'000	Restricted Funds £'000	Total Funds £'000 (restated, see note 1)
Fixed Assets				
Tangible Assets				
Freehold premises		2,210	129,241	131,451
Short leasehold premises		4	-	4
Equipment and vehicles		3,346	51,543	54,889
Investment in subsidiaries	15	5,560	180,784	186,344
	16	2	-	2
Total Fixed Assets		5,562	180,784	186,346
Current assets				
Productions in preparation		2,082	-	2,082
Stocks	17	374	-	374
Debtors	18	4,001	5	4,006
Cash at bank and in hand		16,902	244	17,146
Creditors: amounts falling due within one year	19	23,359 (21,212)	249 (308)	23,608 (21,520)
Net current assets		2,147	(59)	2,088
Total assets less current liabilities		7,709	180,725	188,434
Creditors: amounts falling due after more than one year	20	(547)	-	(547)
Net assets excluding pension liability		7,162	180,725	187,887
Defined benefit pension scheme liability	25	(11,577)	-	(11,577)
Net assets including pension liability		(4,415)	180,725	176,310
Funds				
Unrestricted General funds	21	3,739	-	3,739
Unrestricted Designated Capital fund	21	3,423	-	3,423
Unrestricted Funds before pension reserve		7,162	-	7,162
Unrestricted Pension Reserve		(11,577)	-	(11,577)
Restricted funds	21	-	180,725	180,725
Total Charity Funds		(4,415)	180,725	176,310

These financial statements were approved by the board of trustees on 12 July 2006 and were signed on its behalf by:


Dame Judith Mayhew Jonas
Trustee


Sir David Lees
Trustee

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 financial statements, except as noted below:

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after the balance sheet date';
- The presentation requirements of FRS25 'Financial instruments: presentation and disclosure'; and
- FRS 28 'Corresponding amounts'.
- The full requirements of FRS 17 'Retirement benefits'

The accounting policies under these new standards are set out below together with an indication of the effects of their adoption. FRS 28 'Corresponding amounts' has had no material effect as it imposes the same requirements for comparatives as hitherto required by the Companies Act 1985.

Basis of preparation

The financial statements have been prepared in accordance with the reporting requirements of Companies Act 1985 and applicable accounting standards and under the historical cost accounting rules and in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005 (SORP 2005).

The financial statements are drawn up on the going concern basis which assumes the group will continue in operational existence for the foreseeable future. The charity substantially relies on funding by grants from Arts Council England for its current and future commitments, and operates on the basis that, taking one year with another, revenue will match expenditure (in the unrestricted general fund).

Arts Council England has confirmed funding for the charity to March 2008. The going concern basis used in the preparation of these financial statements is based upon the expectation that the group will continue to receive sufficient support from Arts Council England to match its expenditure with the total revenue that it raises.

The main change in the format of the accounts as a result of adopting SORP 2005 is the allocation of support costs directly to the relevant heading on the Statement of Financial Activities.

Basis of consolidation

The consolidated statement of financial activities and balance sheet include the financial statements of the charity (Royal Opera House Covent Garden Limited or ROHCG Limited) and its subsidiaries as set out in Note 16. The results of Royal Opera House Covent Garden Trading Limited and the ROH Holdings Group Limited have been included in the consolidated statement of financial activities throughout the period. ROH Holdings Limited is the holding company of ROH Developments Limited and ROH Management Limited. In the charity's financial statements, the investment in the subsidiary undertaking is stated at cost.

In addition, The Royal Opera House Foundation has been treated as a subsidiary undertaking on the basis of common control and is consolidated in full throughout the period.

A separate Statement of Financial Activities, or income and expenditure account, has not been presented for the charity in accordance with Section 230 of the Companies Act 1985 and paragraph 397 of SORP 2005. The gross income of the charity is £76.9m (2005: £74.45m) and net movement on funds before transfers is £(2.5m) (2005: £(3.6) m) (see note 21).

Incoming resources

Box office and other income is stated net of Value Added Tax and consists primarily of ticket sales together with sales of other goods and services. Revenue from ticket sales is recognised on the night of the performance.

Subscription income received is recognised on a time-apportioned basis over the period to which the subscription relates.

Notes (continued)

1 Accounting policies (continued)

Unrestricted grants, donations and legacies are recognised on a receivable basis when their receipt is assured. Donations in respect of the redevelopment of the Royal Opera House are recognised on a cash receipts basis and disclosed in a separate restricted fund and are utilised as redevelopment expenditure is incurred.

Liabilities

Liabilities are recognised upon receipt of goods and services supplied. Contracted commitments are not recorded as liabilities on the balance sheet, as the criteria for recognition have not been met. Commitments are disclosed in note 24b.

Fund accounting

Unrestricted funds are those that can be used in accordance with the charitable objectives at the discretion of the trustees. Unrestricted funds are further segregated between general funds, a designated capital fund and a pension reserve. The designated capital fund represents funds for the replacement and major refurbishment of capital items. The pension reserve is disclosed in the primary financial statements for the first time this period in line with the adoption of FRS17 accounting treatment. This accordingly forms a separate fund within unrestricted funds, and is disclosed both on the balance sheet and in note 21 (Statement of Funds).

Restricted funds are funds which have been given for particular purposes and projects. The Development Fund is a restricted fund and grants and donations received in respect of the redevelopment of the Royal Opera House have been credited to this fund. An analysis of restricted funds, including the Development Fund, is shown in note 21.

A transfer is made between restricted and unrestricted funds to match depreciation charged on the redevelopment of the Royal Opera House.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Tangible fixed assets costing less than £1,000 are not capitalised and are expensed through the Statement of Financial Activities. 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:

Freehold land and buildings	-	1 - 5%
Leasehold land and buildings	-	2 - 4%
Stage, production and technical equipment	-	2 - 20%
Other equipment	-	2 - 25%
Computer equipment	-	33%
Motor vehicles	-	25%

The value of fixed assets is reviewed annually for any potential impairment.

Resources expended

Costs of Charitable activities comprise cost of productions, sales and operations of the Royal Opera House, and grants and transfers to third party organisations. Direct expenditure on productions staged is charged to cost of production and sales on the day of the first performance. Costs relating to productions which have not had their first performance by the period end are held on the balance sheet under the caption 'Productions in Preparation'.

Costs of generating funds consist of direct fundraising costs and costs of commercial trading operations.

Support costs, including Management and Administration, and Premises and depreciation costs have been allocated across Costs of production, sales and operation, and Cost of generating voluntary income. Support costs are analysed in note 10.

Governance costs are shown separately in the Statement of Financial Activities and are analysed in note 9.

Any irrecoverable VAT is included as part of the cost to which it relates.

Notes *(continued)*

1 Accounting policies *(continued)*

Leases

Amounts payable under operating lease agreements are charged to the statement of financial activities as incurred.

Pension costs

The charity operates a pension scheme providing benefits based on final pensionable pay. With the adoption of FRS17 for the first time in this period, the pension scheme liability is disclosed on the balance sheet within unrestricted funds. The introduction of these figures has been effected by means of a prior period adjustment, as required by FRS17. The effect of this prior year adjustment is to reduce total funds brought forward at 28 March 2004 by £7,072,000 to £187,772,000 and funds carried forward at 27 March 2005 by £7,024,000 to £184,249,000. The effect on net expenditure for the period ended 27 March 2005 was to reduce net expenditure by £47,000. The pension liability forms part of unrestricted general funds, accordingly, the adjustments described above were recorded in unrestricted general funds. The actuarial loss for the period is disclosed under other recognised gains and losses in the Statement of Financial Activities. The current service costs and finance charge are included within costs of production, sales and operations. These movements are analysed in detail in note 25.

The charity also contributes to three defined contribution schemes for dancers, singers and musicians. The amounts charged to the Statement of Financial Activities represent the contributions payable to the schemes during the period.

Stocks

Retail items are included at the lower of cost and net realisable value. Stocks of production materials are shown at the lower of cost and net realisable value until used in a production, when they are written off to cost of production and sales on the night of the first performance.

Productions in Preparation

Costs relating directly to a production which are incurred in advance of its staging, such as commissioning and build costs, are charged in the first instance to the balance sheet and disclosed under the heading 'productions in preparation'. These costs are subsequently charged to the Statement of Financial Activities in the period in which the production's first performance takes place.

Deferred Income

Membership and sponsorship income is accounted for in the period to which it relates (which for sponsorship income represents the period in which the sponsored production or activity takes place). Income received in advance is held in deferred income.

Comparative figures

Comparative figures are shown for the 52 week period ended 27 March 2005. Comparatives are restated where appropriate (in accordance with FRS 17) to disclose the pension scheme liability and related income/costs. Comparatives have also been restated where appropriate to reflect the allocation of support costs (see note 10). This restatement has no impact on net incoming resources for the period.

Taxation

Royal Opera House Covent Garden Limited is a registered charity and is therefore not subject to corporation tax on its charitable activities.

Notes (continued)

2 Subsidiary companies

Royal Opera House Covent Garden Trading Limited

The wholly owned trading subsidiary, Royal Opera House Covent Garden Trading Limited (ROHCGTL), which is incorporated in the UK, pays all its profits to the charity by gift aid. ROHCGTL trades in the hire of venue space to non-arts organisations, undertakes retail activities in the Royal Opera House shop and the licensing of the Royal Opera House brands. The charity owns the entire issued share capital. Its results for the period have been included in the ROHCG Group Consolidated Financial Statements. Summary trading results are shown below:

Income and expenditure account	2006	2005
<i>For the 52 week period ended 26 March 2006</i>	£'000	£'000
Income	802	735
Cost of sales and administrative expenses	(745)	(714)
	<hr/>	<hr/>
Net profit	57	21
Amount gifted to the charity	(57)	(21)
	<hr/>	<hr/>
Retained in the subsidiary	-	-
	<hr/>	<hr/>

The assets and liabilities of the subsidiary at 26 March 2006 were:

	2006	2005
	£'000	£'000
Current assets	95	94
Creditors: amounts falling due within one year	(93)	(92)
	<hr/>	<hr/>
Total net assets	2	2
	<hr/>	<hr/>
Aggregate share capital and reserves	2	2
	<hr/>	<hr/>

Cost of commercial trading operations (£874,000) shown in the consolidated statement of financial activities on page 10 includes ROHCGTL costs (£745,000) and costs relating to the unrestricted activities of ROH Holdings Limited (£129,000).

Notes (continued)

2 Subsidiary companies (continued)

Royal Opera House Foundation

The Royal Opera House Foundation is a charitable company limited by guarantee which is incorporated in the UK. It operates the membership scheme for the Royal Opera House and other fundraising activities. It has been effectively controlled and consolidated by Royal Opera House Covent Garden Limited since 31 August 2001. Its results for the year have been included in the ROHCG Group consolidated financial statements for the current period. Summary results for the period ended 26 March 2006 are shown below:

	Period Ended 26 March 2006			Period Ended 27 March 2005
	£'000	£'000	£'000	£'000
	Unrestricted	Restricted	Total	Total
Incoming resources				
Donations, Legacies and Similar Income	14,749	651	15,400	15,818
Resources Expended				
Cost of sales and administrative expenses	(3,594)	(23)	(3,617)	(3,940)
Donations and grants	(11,155)	(628)	(11,783)	(11,878)
Retained result	-	-	-	-

The assets and liabilities of the subsidiary at 26 March 2006 were:

	2006			2005
	£'000	£'000	£'000	£'000
	Unrestricted	Restricted	Total	Total
Cash	517	72	589	2,522
Current assets	4,598	113	4,711	3,574
Creditors: amounts falling due within one year	(4,300)	(14)	(4,314)	(5,110)
Total net assets	815	171	986	986
Total funds	815	171	986	986

Notes (continued)

2 Subsidiary companies (continued)

ROH Holdings Limited

ROH Holdings Limited became a subsidiary of the Royal Opera House Covent Garden Limited on 28 March 2002. ROH Holdings has two wholly owned subsidiaries, ROH Developments Limited and ROH Management Limited. The ROH Holdings Group prepares its accounts to 31 March each year.

Summarised trading results are shown below:

	2006 £'000	2005 £'000
Turnover	272	285
Interest Receivable	13	64
	<hr/>	<hr/>
	285	349
Cost of sales	(280)	(304)
Deed of Covenant to Royal Opera House Covent Garden Limited	(5)	(45)
	<hr/>	<hr/>
Retained Result	-	-
	<hr/>	<hr/>

The assets and liabilities of the subsidiary group at 31 March 2006 were:

	2006 £'000	2005 £'000
Cash	346	283
Current assets	240	364
Creditors	(261)	(322)
	<hr/>	<hr/>
Total net assets	325	325
	<hr/>	<hr/>
Aggregate share capital and reserves	325	325
	<hr/>	<hr/>

Notes *(continued)*

3 Incoming resources from operation of Royal Opera House

	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Unrestricted funds:				
Box office receipts:				
The Royal Opera	19,884		18,129	
The Royal Ballet	10,117		9,092	
	<hr/>		<hr/>	
		30,001		27,221
Other income:				
Summer season	656		805	
Catering, Publications and Advertising	2,584		2,512	
Other	3,130		3,022	
	<hr/>		<hr/>	
		6,370		6,339
		<hr/>		<hr/>
UK total		36,371		33,560
Overseas touring receipts		1,129		609
		<hr/>		<hr/>
		37,500		34,169
		<hr/>		<hr/>
Restricted funds:				
Rental Income		5		-
		<hr/>		<hr/>

4 Grants from Arts Council England

	2006 £'000	2005 £'000
Unrestricted funds:		
Revenue grant	24,866	23,111
	<hr/>	<hr/>

Notes (continued)

5 Donations, legacies and similar incoming resources

	2006 £'000	2005 £'000
Unrestricted funds		
Membership	6,732	6,676
Sponsorship	2,567	3,140
Events	592	1,162
Donations, gifts and legacies	5,553	3,774
Grant from Royal Opera House Endowment Fund 2000	300	300
Other	474	758
	<hr/>	<hr/>
	16,218	15,810
	<hr/>	<hr/>
Restricted funds		
Development		
Royal Opera House Trust Development Appeal	646	478
	<hr/>	<hr/>
	16,864	16,288
	<hr/>	<hr/>

Sponsorships, Donations and Legacies include amounts from:-

Individuals

Anonymous (7)
Mr Philip J Adkins
Mr David Bain
Dianne and Michael Bienes
Peter Borender
Robin and Patricia Broke
Lady Brown
David Brownlow
John and Susan Burns
Mr & Mrs Alan Carr
Denis and Ronda Cassidy
Leigh Collins
Marco Compagnoni
Mr and Mrs Nicholas Coulson
Kari and Peggy Dannenbaum
Peter and Barbara Elliston
Mr & Mrs Kurt Engelhorn
Peter and Fiona Espenhahn
John A. Franklin
Mrs Gabriela Gadellius
Mr and Mrs Jacques-Henri Gaulard
Sir Donald Gordon
Dr Carolyn Greenwood
Mr Geoffrey Griffiths
Joseph Hackney
Zoe and Martin Harris
Mrs Marina Hobson MBE
Sarah Jane Ingham
Mr and Mrs Christopher W.T. Johnston
Mrs Philip Kan
Derek Kingsbury CBE
Mrs Wendy Lee-Graham
Deirdre and Thomas Lynch
Tamar and Bob Manoukian
Elizabeth & Andrew Morison
Catherine and David Moss

Mr Fraser Partridge
Jean and Hélène Peters
Jürgen and Clarissa Pierburg
Diana and David Pilling
Judith Portrait
Frances Prescott
Simon and Virginia Robertson
The Robey Family
Mr Gerald M. Ronson and Dame Gail Ronson DBE
Janine Roxborough Bunce
Hugh Stevenson
Sue and Stuart Stradling
Phil and Caroline Swallow
Allen Thomas
Mrs Maurice Trowbridge
Mr & Mrs John Steven Ward
Adrienne Waterfield
Jane and Anthony Weldon
Dr and Mrs Michael West
Robert W Wilson
David and Liz Wootton
Jayne Wrightsman

Trusts and Foundations

American Friends of Covent Garden and The Royal Ballet Inc
The Audrey Sacher Charitable Trust
BBC Children in Need
The Candide Trust
The Dalriada Trust
Dunard Fund
The Friends of Covent Garden
Genesis Foundation
The Headley Trust
Hedley Foundation
The Helen Hamlyn Trust
The Hobson Charity

The Jean Sainsbury Royal Opera House Fund
The Linbury Trust
Oak Foundation
Paul Hamlyn Foundation
The Robert Gavron Charitable Trust
The Royal Opera House Endowment Fund
The Samuel Sebba Charitable Trust
The Shauna Gosling Trust
The Stella and Alexander Margulies Charitable Trust

Corporate

Accenture
Audi
The BOC Group
Bombardier Skyjet International
BP
The Canary Wharf Group
Coutts & Co
Huntswood
JPMorgan
KPMG
Legal & General
Lehman Brothers
Lovells
MAC
Nomura
Perrier Jouët
Reed Elsevier
Teadirect
The Telegraph Group
Travellex Plc
Travel for the Arts
UBS
UBS Wealth Management
Vodafone
Waitrose

Notes (continued)

6 Investment income

	2006 £'000	2005 £'000
Bank interest	913	807
	<u> </u>	<u> </u>

7 Grants and transfers

	2006 £'000	2005 £'000
Unrestricted funds		
Grant to National Opera Studio	20	30
Grant to Royal Ballet School	5	5
	<u> </u>	<u> </u>
	25	35
Restricted funds		
Transfer to Royal Opera House Endowment Fund 2000	628	265
Legacy income transferred to Royal Opera House Endowment Fund 2000	-	176
	<u> </u>	<u> </u>
	653	476
	<u> </u>	<u> </u>

Grants made are in furtherance of the charity's objectives. The restricted funds transfer to The Royal Opera House Endowment Fund 2000 represents surplus cash relating to the Royal Opera House Development Appeal.

8 Costs of generating voluntary income

	Group 2006 £'000	Group 2005 £'000
Fundraising staff costs	2,205	2,170
Fundraising overheads	186	1,008
Support costs	643	-
	<u> </u>	<u> </u>
	3,034	3,178
	<u> </u>	<u> </u>

9 Governance costs

	Group 2006 £'000	Group 2005 £'000
External audit	64	53
Legal and professional costs	156	51
	<u> </u>	<u> </u>
	220	104
	<u> </u>	<u> </u>

Notes (continued)

10 Allocation of support costs

	Cost of production, sales and operations (note 11) 2006 £'000	Cost of generating voluntary income (note 8) 2006 £'000	Governance costs (note 9) 2006 £'000	Total 2006 £'000	Total 2005 £'000
Management and Administration	2,841	109	-	2,950	2,836
Premises	8,137	312	-	8,449	7,956
Depreciation	5,787	222	-	6,009	5,254
External Audit	-	-	64	64	53
Legal advice for trustees	-	-	156	156	51
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	16,765	643	220	17,628	16,150
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Support costs attributable to governance activities are allocated directly. The remaining support costs are pro-rated between the key cost driving areas: production, sales and operations and cost of generating voluntary income.

11 Cost of productions, sales and operations

	2006 £'000	2005 £'000
The Royal Opera	13,414	13,279
The Royal Ballet	7,819	7,298
Orchestra of the Royal Opera House	7,354	7,040
Royalties and hire fees	831	1,299
Production	10,280	9,385
Stage and transport	8,581	7,998
Touring expenses	1,033	604
Other production and sales costs	3,337	3,300
House management	1,695	1,756
Marketing and publicity	5,621	5,301
Education, Archives & Live relays	1,881	1,362
Support costs	16,765	15,578
	<hr/>	<hr/>
Total	78,611	74,200
	<hr/>	<hr/>

Notes *(continued)*

12 Transfer between funds

Depreciation of £5.2m (2005: £4.6m) is charged against unrestricted income, then matched by a transfer from restricted funds. Restricted funds include those funds that have been granted specifically to finance the capital expenditure on the redevelopment of the Royal Opera House.

A transfer of £2.6m (2005: £0.8m) is made from the unrestricted general fund to the unrestricted designated capital fund representing funds to be used for the replacement and major refurbishment of capital items.

13 Net (expenditure)

(a) The net expenditure is stated after charging the following:

	Group 2006 £'000	Group 2005 £'000
Auditors' remuneration - audit	64	53
- taxation/ other services	6	19
Depreciation and other amounts written off		
Tangible fixed assets - owned	6,009	5,254
Operating leases - land and buildings	213	250
Loss on disposal of fixed assets	-	10
	<hr/> <hr/>	<hr/> <hr/>

(b) Comparative net expenditure for the period ended 27 March 2005 comprises the following:

	Group 2005 £'000
Unrestricted general funds (as originally stated)	14
Prior year adjustment in respect of FRS 17 (see note 1)	(144)
	<hr/>
Unrestricted general funds (restated)	(130)
Surplus on unrestricted capital fund	827
Deficit on restricted funds	(4,412)
	<hr/> <hr/>
	(3,715)

Notes (continued)

14 Staff numbers and costs

The average number of full time staff employed by the group during the period was as follows:

	Number of staff	
	2006	2005
Production	376	351
Orchestra	111	114
Royal Ballet	121	119
Royal Opera	90	91
Sales and Marketing	83	79
Management and Administration	45	45
Fundraising	24	24
Education and Archives	17	17
Premises	3	3
Shop	7	5
ROH2	9	5
	<hr/>	<hr/>
	886	853
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2006	2005
	£'000	£'000
Payroll Costs		
Wages and Salaries	31,349	29,444
Social Security costs	3,029	2,868
Other pension costs	2,334	2,226
Redundancy	-	176
	<hr/>	<hr/>
	36,712	34,714
	<hr/>	<hr/>

Notes (continued)

14 Staff numbers and costs (continued)

The trustees (including the Chairman) received no emoluments (2005: £nil). The trustees received no reimbursements during the period nor were they reimbursed out of pocket expenses. No member of the board of trustees had a material interest in any contract or transaction with the charity or its subsidiaries in the period. The number of employees whose emoluments for the period fell within the following bands was as follows:

			Number of staff	
			2006	2005
£60,000	-	£69,999	21	25
£70,000	-	£79,999	3	4
£80,000	-	£89,999	6	8
£90,000	-	£99,999	7	3
£100,000	-	£109,999	1	3
£110,000	-	£119,999	2	-
£120,000	-	£129,999	2	2
£130,000	-	£139,999	1	1
£140,000	-	£149,999	-	2
£150,000	-	£159,999	1	-
£310,000	-	£319,999	1	-
£330,000	-	£339,999	-	1
£530,000	-	£539,999	-	1
£540,000	-	£549,000	1	-
			<hr/>	<hr/>
			46	50
			<hr/>	<hr/>

Emoluments comprise wages and salaries together with benefits in kind including pension contributions and compensation for loss of office.

For employees in the above bandings, contributions of £117,013 (2005: £139,844) were made during the period for the provision of money purchase pension benefits. Retirement benefits are accruing to 21 (2005:30) of the above employees under money purchase pension schemes, and to 21 (2004:16) under a defined benefit pension scheme.

Notes (continued)

15 Tangible fixed assets

	Freehold premises	Short leasehold premises	Equipment & vehicles	Total
	£'000	£'000	£'000	£'000
Group				
Cost				
At beginning of period	147,163	221	71,934	219,318
Additions	269	-	2,740	3,009
Disposals	-	-	(88)	(88)
At end of period	147,432	221	74,586	222,239
Depreciation and diminution in value				
At beginning of period	13,473	214	16,287	29,974
Charge for period	2,508	3	3,498	6,009
Disposals	-	-	(88)	(88)
At end of period	15,981	217	19,697	35,895
Net book value				
At 26 March 2006	131,451	4	54,889	186,344
At 27 March 2005	133,690	7	55,647	189,344
Charity				
Cost				
At beginning of period	147,163	221	71,881	219,265
Additions	269	-	2,740	3,009
Disposals	-	-	(88)	(88)
At end of period	147,432	221	74,533	222,186
Depreciation and diminution in value				
At beginning of period	13,473	214	16,234	29,921
Charge for period	2,508	3	3,498	6,009
Disposals	-	-	(88)	(88)
At end of period	15,981	217	19,644	35,842
Net book value				
At 26 March 2006	131,451	4	54,889	186,344
At 27 March 2005	133,690	7	55,647	189,344

Notes (continued)

16 Fixed asset investments

The following were the subsidiary undertakings of Royal Opera House Covent Garden Limited as at 26 March 2006:

<i>Subsidiary undertaking</i>	Country of incorporation	Principal activity	Percentage of shares held
Royal Opera House Covent Garden Trading Limited	UK	Retail / Venue Hire / Licensing of brand	100%
ROH Holdings Limited	UK	Holding company	100%
ROH Management Limited	UK	Property management	100%
ROH Developments Limited	UK	Property development	100%
ROH Pension Trustee Limited	UK	Trustee company	100%

Royal Opera House Covent Garden Trading Limited is registered in England and Wales. Its principal business is the hire of allocated spaces within the Royal Opera House to non-arts individuals and organisations, the sale of gift merchandise through the Royal Opera House shop and the licensing of the Royal Opera House brand. The issued share capital is 2000 £1 ordinary shares.

ROH Holdings Limited is the holding company of ROH Developments Limited, a property development company, and ROH Management Limited, a property management company. The issued share capital of ROH Holdings is 2 £1 ordinary shares.

ROH Pension Trustee Limited is a non-trading subsidiary which is registered in England. The issued share capital is 100 £1 ordinary shares.

17 Stocks

	Group 2006 £'000	Group 2005 £'000	Charity 2006 £'000	Charity 2005 £'000
Raw materials and consumables	295	287	295	287
Goods for resale	172	155	79	63
	<hr/>	<hr/>	<hr/>	<hr/>
	467	442	374	350
	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

18 Debtors

	Group 2006 £'000	Group 2005 £'000	Charity 2006 £'000	Charity 2005 £'000
Amounts due within one year				
Trade debtors	1,989	2,496	1,885	1,805
Amounts receivable from Arts Council England	-	202	-	202
Amounts receivable from Birmingham Royal Ballet	18	18	18	18
Amounts due from subsidiary and associated undertakings	-	-	93	70
Amounts owing between restricted / unrestricted funds	-	2,130	-	2,130
Other debtors	2,936	1,592	318	396
Prepayments and accrued income	1,692	2,274	1,692	1,629
	<hr/>	<hr/>	<hr/>	<hr/>
	6,635	8,712	4,006	6,250
Amounts due after more than one year				
Amounts recoverable from Birmingham Royal Ballet	-	18	-	18
	<hr/>	<hr/>	<hr/>	<hr/>
	6,635	8,730	4,006	6,268
	<hr/>	<hr/>	<hr/>	<hr/>

19 Creditors: amounts falling due within one year

	Group 2006 £'000	Group 2005 £'000	Charity 2006 £'000	Charity 2005 £'000
Mortgage (note 20)	115	157	115	157
Advance bookings	9,075	9,611	9,075	9,611
Trade creditors	2,453	3,462	2,450	2,962
	<hr/>	<hr/>	<hr/>	<hr/>
	11,643	13,230	11,640	12,730
Other creditors including taxation and social security:				
Taxation and social security	5,162	2,763	851	748
Accruals and deferred income	7,278	10,000	6,936	7,173
Amount due to Royal Opera House Foundation	-	-	2,093	1,079
Amounts owing between restricted / unrestricted funds	-	2,130	-	2,130
	<hr/>	<hr/>	<hr/>	<hr/>
	24,083	28,123	21,520	23,860
	<hr/>	<hr/>	<hr/>	<hr/>

Deferred income within Accruals and deferred income represents £3.9m (2005: £3.7m) membership and sponsorship income paid in advance.

Notes *(continued)*

20 Creditors: amounts falling due after more than one year

	Group and Charity 2006 £'000	Group and Charity 2005 £'000
Mortgage	547	626
	<u> </u>	<u> </u>

The mortgage was taken out in March 1995, and transferred to a new lender in October 2005. The mortgage is secured by a charge over the freehold property at Aberman Park Industrial Estate, Wales.

The mortgage matures as follows:—

	Group and Charity 2006 £'000	Group and Charity 2005 £'000
Instalments payable:		
Within one year (note 19)	115	157
Between one and two years	115	157
Between two and five years	346	469
In five years or more	86	-
	<u> </u>	<u> </u>
	662	783
	<u> </u>	<u> </u>

Notes (continued)

21 Statement of Funds – Group

	At 27 March 2005 £'000 (restated, see note 1)	Incoming Resources £'000	Outgoing Resources £'000	Other gains/ (losses) £'000	Transfers £'000	At 26 March 2006 £'000
Unrestricted General funds	4,350	80,175	(82,576)	-	2,606	4,555
Unrestricted Designated Capital fund	827	-	-	-	2,596	3,423
Unrestricted Funds before pension reserve	5,177	80,175	(82,576)	-	5,202	7,978
Unrestricted: pension scheme liability	(7,024)	-	(165)	(4,388)	-	(11,577)
Total unrestricted funds	(1,847)	80,175	(82,741)	(4,388)	5,202	(3,599)
Restricted funds:						
Development fund	185,816	111	-	-	(5,202)	180,725
ROH Holdings Limited	109	13	(15)	-	-	107
ROH Foundation	171	651	(651)	-	-	171
Total restricted funds	186,096	775	(666)	-	(5,202)	181,003
Total funds	184,249	80,950	(83,407)	(4,388)	-	177,404

The Development Fund represents donations and grants received specifically for the purpose of the redevelopment of the Royal Opera House. ROH Holdings Limited balance represents the group's 100% interest in its share of that company. The Royal Opera House Foundation has been treated as a subsidiary of Royal Opera House Covent Garden Limited since 31 August 2001 on the basis of common control. The balance above represents reserves at the date of acquisition and the Foundation's results from that date. Unrestricted funds are segregated between general funds and a designated capital fund. The latter earmarks funds specifically for the replacement and major refurbishment of capital items. The pension scheme liability is disclosed in accordance with FRS17.

Statement of funds – Charity

	At 27 March 2005 £'000 (restated, see note 1)	Incoming Resources £'000	Outgoing Resources £'000	Other gains/ (losses) £'000	Transfers £'000	At 26 March 2006 £'000
Unrestricted General funds	3,534	76,851	(79,252)	-	2,606	3,739
Unrestricted Designated Capital fund	827	-	-	-	2,596	3,423
Unrestricted Funds before pension reserve	4,361	76,851	(79,252)	-	5,202	7,162
Unrestricted: pension scheme liability	(7,024)	-	(165)	(4,388)	-	(11,577)
Total unrestricted funds	(2,663)	76,851	(79,417)	(4,388)	5,202	(4,415)
Restricted funds: Development fund	185,816	111	-	-	(5,202)	180,725
Total funds	183,153	76,962	(79,417)	(4,388)	-	176,310

Notes *(continued)*

22 Share capital

The charity is limited by guarantee and therefore has no share capital. The liability of the members of the charity is limited to £1 each. At 26 March 2006 there were 14 members (2005: 17).

23 Connected charities and other related party transactions

Connected charities

The Royal Opera House Foundation - registered charity No 211659

The Royal Opera House Foundation (formerly called The Royal Opera Trust) supports the work of the Royal Opera House by raising funds from the private sector.

The Royal Opera House Foundation was invoiced by Royal Opera House Covent Garden Limited during the period for tickets used in its membership scheme. No disclosure is made for grants and recharges between the Royal Opera House Foundation and Royal Opera House Covent Garden Limited, as these take place in the normal course of operating activities.

The Friends of Covent Garden - registered charity No 211660

On 16 August 2001 the Royal Opera House Trust was gifted The Friends of Covent Garden (FOCG), assuming all assets and liabilities at that date. The FOCG continues in a dormant state and has no debtor or creditor balances with Royal Opera House Covent Garden Limited at the year end.

Connected (but not controlled) charities

ROH Endowment Fund 2000 – registered charity No 1089928

The ROH Endowment Fund 2000 was created in December 2001 to support the work of the Royal Opera House, and other organisations by raising funds to support projects which increase the appreciation and understanding of the musical art in all its forms. It is a separately controlled and registered charity and its board has a majority of trustees who are independent of the Royal Opera House. During the year the ROH Group transferred £0.6m to ROH Endowment Fund 2000 representing cash surpluses on the Royal Opera House Development Appeal. Also during the year ROHCG received grants of £0.3m from the Endowment in furtherance of its charitable objectives.

The above charities are based at the Royal Opera House, Covent Garden, London WC2E 9DD.

Notes (continued)

24 Commitments

- (a) The Group has annual commitments under non-cancellable operating leases as follows:

	2006 Land and Buildings £'000	2005 Land and Buildings £'000
Operating leases which expire:		
Less than 1 year	-	12
Between 2 and 5 years	202	202
	<hr/>	<hr/>
	202	214
	<hr/>	<hr/>

Authorised and contracted capital commitments in connection with the redevelopment project are included in creditors.

- (b) The group has entered into contracts with guest artists and suppliers in respect of future productions to be staged at the Royal Opera House. Commitments in respect of these contracts which are not reflected in the balance sheet are:

	2006 £'000	2005 £'000
In less than 1 year	6,992	6,791
Between 2 and 5 years	8,111	7,834
	<hr/>	<hr/>
	15,103	14,625
	<hr/>	<hr/>

25 Pension scheme

The Royal Opera House operates a defined benefit pension scheme, The Royal Opera House Pension Scheme. The scheme funds are administered by trustees and are independent of the Royal Opera House's finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuarial adviser.

In line with the requirements of FRS17, published by the Accounting Standards Board in November 2000 and updated in November 2002, FRS 17 figures are included in the accounts this year for the first time. The introduction of FRS17 figures in to the accounts has been effected by means of a prior period adjustment, as required by FRS17.

The full actuarial valuation as at 5th April 2003 was updated to the accounting date by an independent qualified actuary in accordance with FRS17. As required by FRS17, the value of the defined benefit liabilities has been measured using the projected unit method.

Notes (continued)

25 Pension scheme (continued)

The key FRS17 assumptions used for the scheme are set out below, along with the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS17 liabilities and the deficit of assets below the FRS17 liabilities (which equals the Gross pension liability).

The charity also contributes to three defined contribution schemes sponsored by Arts Council England and Equity (for dancers and singers) and the Musicians' Union (for musicians). Contributions to these and other schemes amounted to £931,000 (2005: £861,000).

Assumptions	2006	2005	2004
Price inflation	3.0% pa	2.9% pa	2.9% pa
Discount rate	5.0% pa	5.4% pa	5.5% pa
Pension increases (according to increases under the scheme rules)	2.5/3.2/3.0% pa	2.5/3.3/2.7% pa	2.5/3.3/2.7% pa
Salary growth	4.5% pa	4.4% pa	4.4% pa

On the basis of the assumptions used for life expectancy, a male pensioner currently aged 65 would be expected to live for a further 19.6 years (2005: 17.1 years). Allowance is made for future improvements in life expectancy.

Asset distribution and expected return

	2006		2005		2004	
	Expected Return	Fair Value £'000	Expected Return	Fair Value £'000	Expected Return	Fair Value £m
Equities	7.4% pa	14,207	7.7% pa	11,649	7.9% pa	11,000
Bonds	4.3% pa	13,595	4.7% pa	10,830	4.7% pa	8,340
Property	5.8% pa	1,247	6.2% pa	1,070	6.3% pa	520
Cash	4.2% pa	107	4.7% pa	630	4.6% pa	1,360
		<hr/>		<hr/>		<hr/>
Total		29,156		24,179		21,220
		<hr/>		<hr/>		<hr/>

Notes *(continued)*

25 Pension scheme *(continued)*

Balance sheet

	2006	2005
	£'000	£'000
Total fair value of assets	29,156	24,179
FRS 17 value of liabilities	(40,733)	(31,203)
	<hr/>	<hr/>
Gross pension asset / (liability)	(11,577)	(7,024)
	<hr/>	<hr/>

The scheme is represented on the balance sheet as at 26th March 2006 as a liability of £11.577m under FRS17 (2005: £7.024m).

Over the year to 26th March 2006, the Royal Opera House made contributions of £1.418m (2005: £1.365m) to the pension arrangements.

The post retirement surplus /(deficit) under FRS17 moved over the period as follows:-

	2006	2005
	£'000	£'000
Post retirement deficit at start of year	(7,024)	(7,071)
Current service cost	(1,403)	(1,365)
Contributions	1,418	1,416
Other net finance charge	(180)	(195)
Actuarial gain or (loss)	(4,388)	191
	<hr/>	<hr/>
Post retirement deficit at end of year	(11,577)	(7,024)
	<hr/>	<hr/>

Notes (continued)

25 Pension scheme (continued)

The following amounts have been included as net finance income under FRS17:

	2006	2005
	£'000	£'000
Expected return on pension scheme assets	1,525	1,382
Interest on post retirement liabilities	(1,705)	(1,577)
	<hr/>	<hr/>
Net charge to finance income	(180)	(195)
	<hr/>	<hr/>

The following amounts have been recognised within the statement of financial activities (SOFA) under FRS17:

	2006	2005
	£'000	£'000
Actual return less expected return on scheme assets	2,699	733
(Loss) / gain due to changes in assumptions underlying the FRS17 value of scheme liabilities	(7,087)	(542)
	<hr/>	<hr/>
Actuarial (loss) / gain recognised in the SOFA	(4,388)	191
	<hr/>	<hr/>

The history of experience gains and losses is:

	2006	2005	2004
	£'000	£'000	£'000
Actual return less expected return on scheme assets	2,699	733	1,484
Percentage of scheme's assets	9%	3%	7%
Percentage of the FRS17 value of the scheme's liabilities	0%	0%	0%
Total amount recognised in the SOFA	(4,388)	191	697
Percentage of the FRS17 value of the scheme's liabilities	(11%)	(1%)	2%

Notes *(continued)*

26 Reconciliation of net incoming resources to net cash outflow from operating activities

	2006 £'000	2005 £'000 (restated)
Net (outgoing) resources before other recognised gains and losses	(2,457)	(3,571)
Pension Scheme	164	144
Net interest receivable	(865)	(734)
Depreciation charge	6,009	5,254
Loss on disposal of fixed assets	-	10
Decrease/(Increase) in productions in preparation	(1,151)	429
Decrease/ (Increase) in stocks	(25)	10
Decrease/ (Increase) in debtors	2,095	(1,246)
Increase/ (Decrease) in creditors	(3,461)	1,864
Increase / (Decrease) in advance bookings	(536)	2,558
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	(227)	4,718
	<hr/>	<hr/>

27 Gross cash flows

a) Return on investment and servicing of finance

	2006 £'000	2005 £'000
Interest received	913	807
Interest paid	(48)	(73)
	<hr/>	<hr/>
Net cash inflow from return on investment and servicing of finance	865	734
	<hr/>	<hr/>

b) Capital expenditure and financial investments

	2006 £'000	2005 £'000
Expenditure on tangible fixed assets	3,009	6,101
	<hr/>	<hr/>

Notes *(continued)*

28 Analysis of net funds

	27 March 2005 £'000	Cash Flow £'000	26 March 2006 £'000
Cash at bank and in hand	20,575	(2,492)	18,083
Less:			
Debt due within one year	(157)	42	(115)
Debt due after more than one year	(626)	79	(547)
	(783)	121	(662)
Net funds	19,792	(2,371)	17,421