



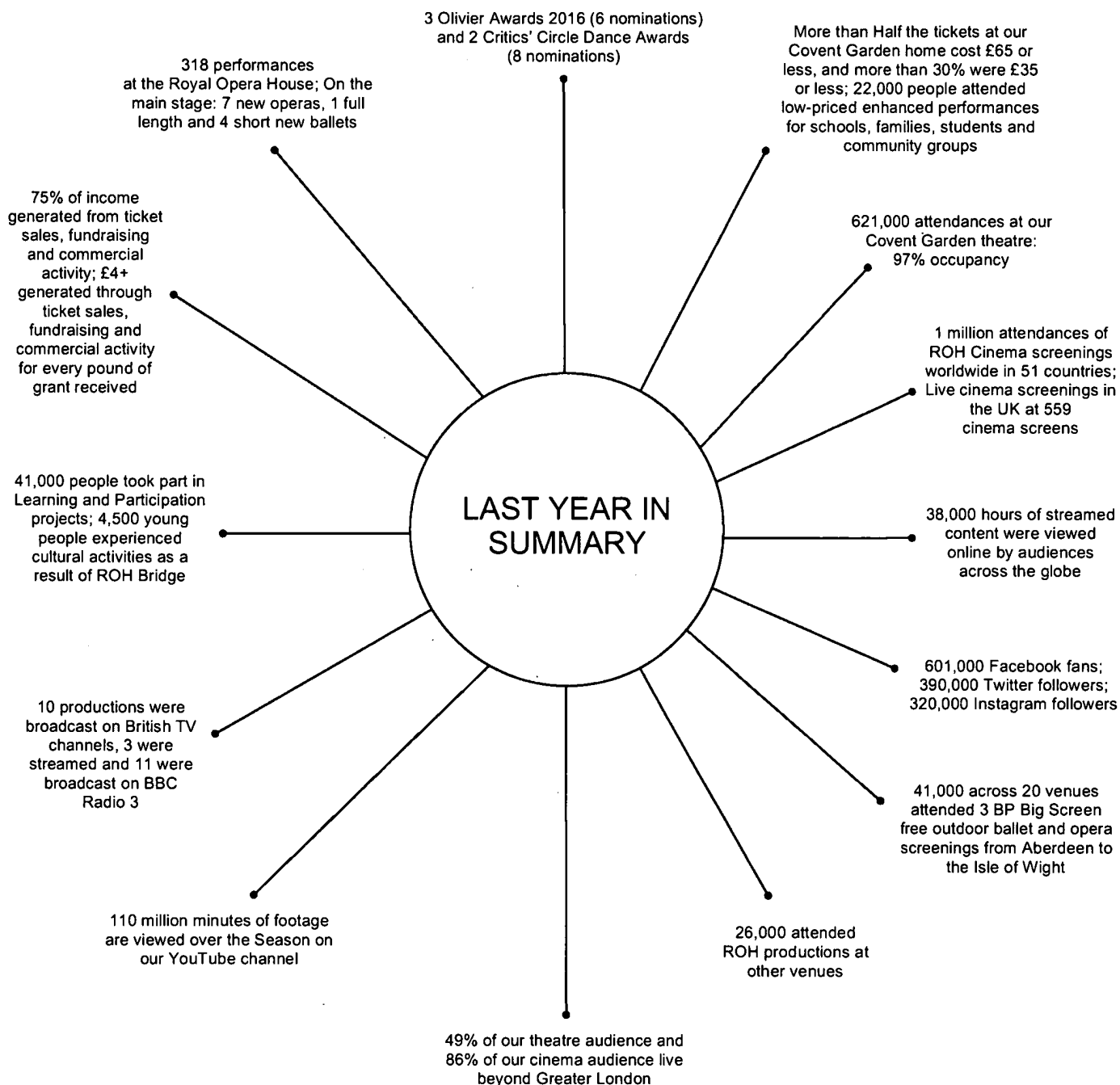
ROYAL
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Royal Opera House Covent Garden Foundation

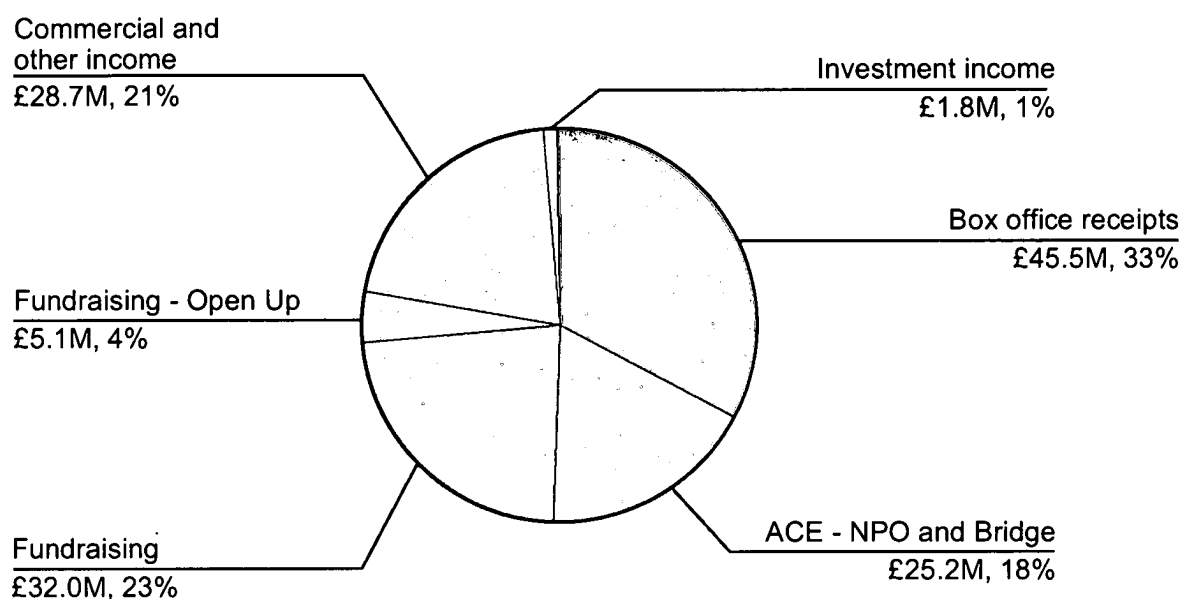
THE ANNUAL
REPORT

2017/18



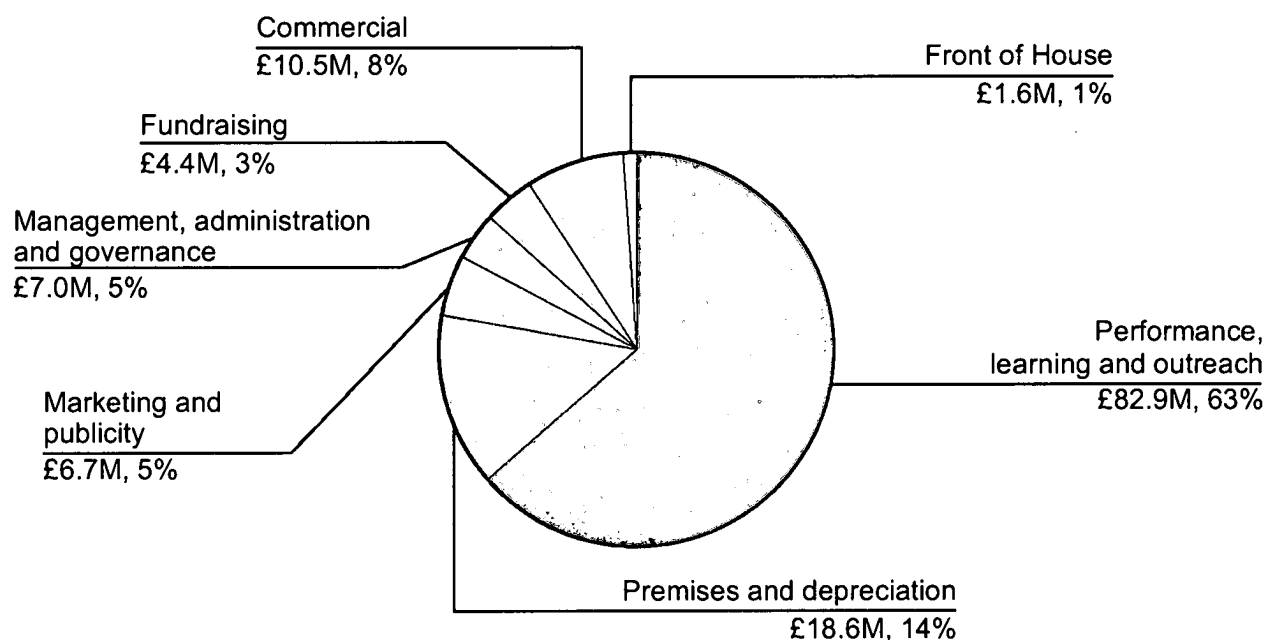


INCOME 2018



Total income £138.3M, including capital donations and funding of £5.1M

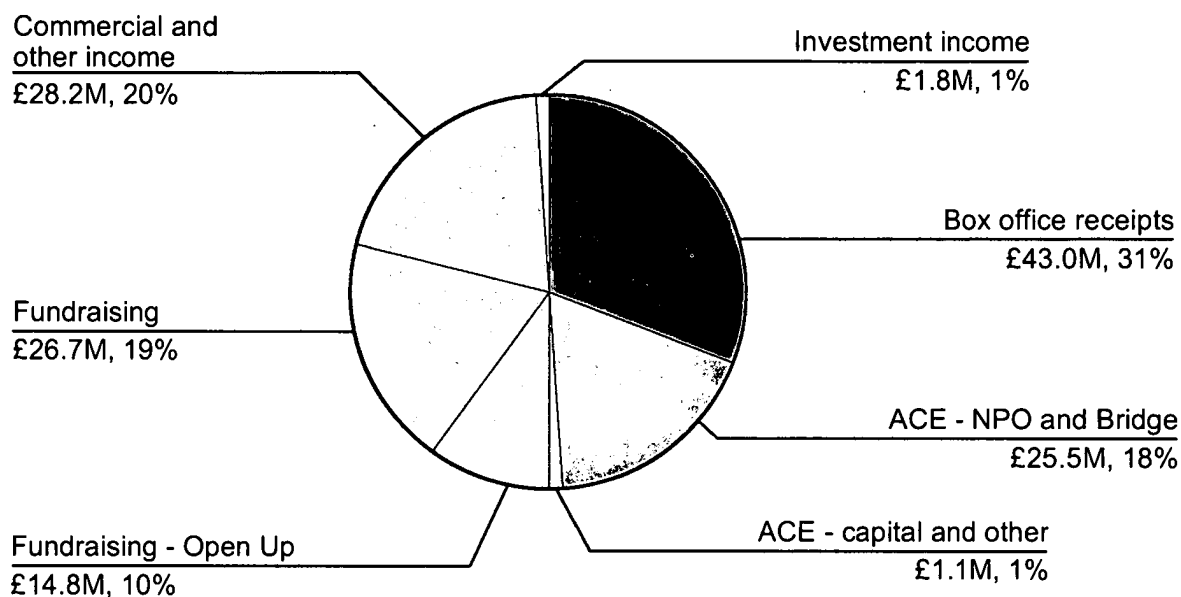
EXPENDITURE 2018



Total expenditure £131.8M excluding capital expenditure

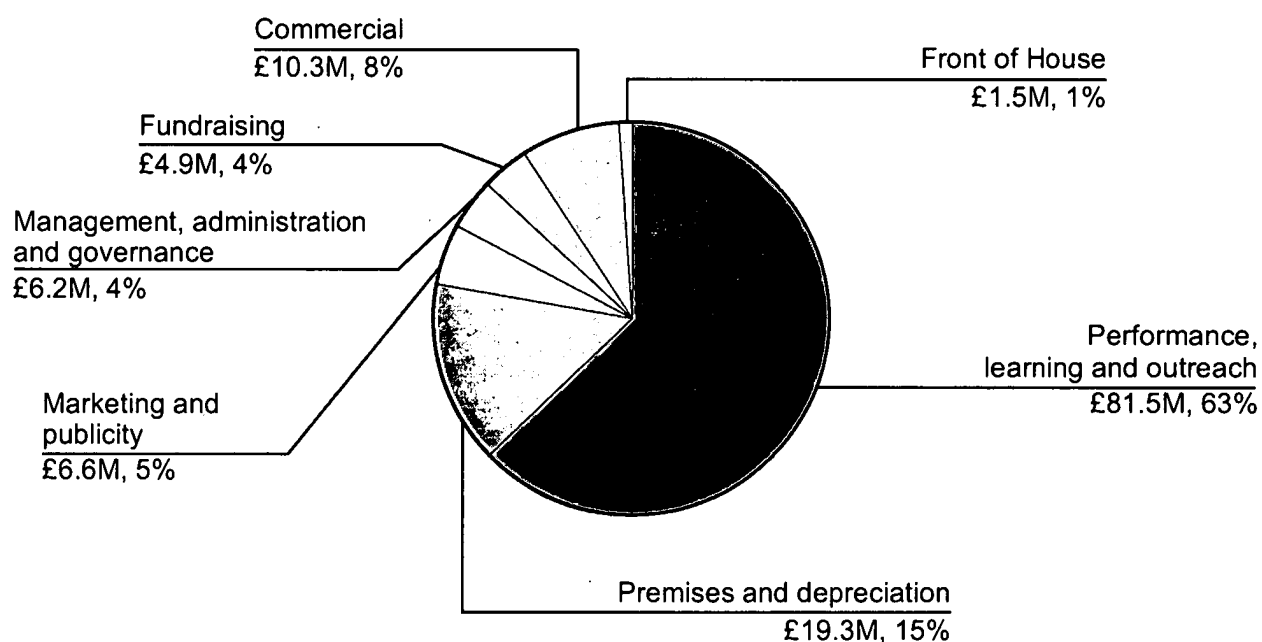
Figures exclude gains on investment and taxation.

INCOME 2017



Total income £141.0M, including capital donations and funding of £15.9M

EXPENDITURE 2017



Total expenditure £130.3M excluding capital expenditure

Figures exclude gains on investment and taxation.

TIMESCALE FOR THIS REPORT

The Trustees are pleased to present their report together with the audited financial statements of the Royal Opera House Covent Garden Foundation for the 52-week period ended 26 August 2018.
The comparative period is the 52-week period ended 27 August 2017.

This document will be filed with the Charity Commission and the Registrar of Companies.

IAN TAYLOR Chair

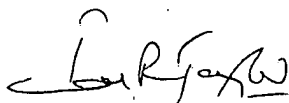
Welcome to the Royal Opera House Covent Garden Foundation (Limited by Guarantee) 2017/18 Annual Report.

As we reflect on the past year and look forward to the year ahead, we should be pleased with our achievements in what continue to be challenging and uncertain times, not just in the creative industries but across the whole country. During these periods of uncertainty, the arts are more important than ever, which is why I am delighted that we have completed our third and final year of construction for the Open Up project. The project will transform our Covent Garden home and make the Royal Opera House a daytime destination. At the heart of the project, our new Linbury Theatre will provide the West End with its newest, most intimate venue.

This huge transformation has continued apace without causing interruptions to the rich artistic programming on our main stage. Almost 1,000 world-class performances have gone ahead and, crucially, we have been able to achieve a break-even financial out-turn for our 19th consecutive year.

None of this would be possible in such a challenging political and economic climate without the tremendous passion, dedication and constant striving for the highest standards by each and every member of the Royal Opera House's staff and the resilience of every team across the organisation. I would like to thank them for their invaluable contribution over the last year.

It's also with gratitude that I must, on behalf of the whole board, thank those individuals, Trusts, Foundations and corporate partners who care so much for us and our work. It is only with this support, together with investment from Arts Council England and support from the Department for Digital, Culture, Media and Sport which provides the bedrock for our creativity, that we are able to achieve all that we do.

A handwritten signature in black ink, appearing to read 'Ian Taylor', with a stylized flourish at the end.

Ian Taylor, Chair
26 February 2019

ALEX BEARD Chief Executive

An exceptional 2017/18 Season has seen the Royal Opera House approach one of the defining moments in its history, re-shaping the organisation to grasp new opportunities and to meet the many challenges ahead. In this review, we reflect on a Season of extended national reach and artistic renewal, as vital new foundations were laid for future success.

We completed the final year of construction on Open Up, with staff from across the organisation working tirelessly to plan for welcoming a new public with an introduction to our artforms and a taste of the remarkable creativity at play here, in one of the world's leading artistic enterprises. The Open Up project will make the Royal Opera House a daytime destination open to everyone, every day from 10am, seven days a week and provides the West End with its newest, most intimate venue in the Linbury Theatre, opening the doors to a whole new generation of ballet and opera lovers.

The Royal Ballet delighted packed houses with new work and revivals alike. The Company joined forces with four other UK ballet companies to celebrate the life and works of Kenneth MacMillan in a landmark festival celebrating the talents of one of the 20th century's towering artistic geniuses. World renowned American choreographer Twyla Tharp returned to create *The Illustrated Farewell* alongside Arthur Pita's main stage debut *The Wind* and the first revival of Hofesh Shechter's *Untouchable* in a programme that showcased the breadth of contemporary ballet idioms on our dancers' virtuosic talents. We also marked the centenary of Leonard Bernstein's birth with an all-Bernstein programme from the Company's three resident choreographers: Wayne McGregor's new *Yugen*, Christopher Wheeldon's new *Corybantic Games*, and the return of Liam Scarlett's *The Age of Anxiety*.

An undoubted highpoint of the Season was our new production of *Swan Lake*, arguably the best-loved of all classical ballets, featuring additional choreography from Artist in Residence Liam Scarlett, and designs by his long-term collaborator and Royal Opera House favourite John Macfarlane. A huge critical success, the Company took this transfixing new production to the Teatro Real, Madrid, for the Company's first visit in more than twenty years. The Teatro Real proved an enthusiastic partner in our collaboration with the British Council, and particularly in the accompanying workshops with hundreds of young dancers from communities across Spain.

2017/18 marked Oliver Mears's first full Season as Director of Opera, in a year which featured landmark world premieres, fresh interpretations of the core repertory and brilliantly realised revivals. Our acclaimed Music Director Antonio Pappano brought us a host of extraordinary role debuts and world firsts: from his intimate recital with renowned mezzo-soprano Joyce DiDonato, to an epic revival of *Macbeth* and an award-winning new production of Rossini's *Semiramide* directed by David Alden.

Australian Director Barrie Kosky followed his 2016 debut at the Royal Opera House with a boldly theatrical new production of Bizet's *Carmen*. George Benjamin followed the extraordinary success of *Written on Skin*, now already established in the repertory for opera companies across the world, with the equally compelling and visceral *Lessons in Love and Violence*, once more with Martin Crimp's poetic and lucid text. Director Richard Jones brought us a focused and deeply moving new production of Puccini's classic *La bohème* and David Alden's new production *Lohengrin* whetted Wagnerians' appetites for our upcoming *Der Ring des Nibelungen*, the rehearsals for which started at the end of this review period.

This remarkable range of work was underpinned by the extraordinary musicianship and commitment of the Orchestra of the Royal Opera House and the Royal Opera Chorus, the musical backbone of our reputation for artistic excellence.

As the new Linbury Theatre reached its final construction stages, we strengthened relationships with venues and audiences beyond Covent Garden for smaller scale and more intimate work. Our partnership with the Roundhouse brought John Fulljames's new production of *The Return of Ulysses* to Camden, and Aletta Collins staged the world premiere of Mark-Anthony Turnage's *Coraline*, based on the prize-winning novella by Neil Gaiman, at the Barbican Centre. The Royal Ballet joined forces with the National Ballet of Canada in *The Dreamers Ever Leave You*: an extraordinary and immersive new dance experience performed in the remarkable London Docklands setting of the Printworks.

Our collaboration with V&A, the agenda setting exhibition *Opera: Passion, Power and Politics*, reached more than 140,000 visitors in South Kensington, taking audiences on a journey through 400 years of operatic history. It was accompanied by an extensive series of insight events and live performances at the V&A, including contributions from many other UK opera companies, together with a

hugely ambitious season of opera programming *#operapassion* from the BBC on radio, TV and online reaching hundreds of thousands more people.

National learning programmes went from strength to strength. National Nutcracker, Create and Sing Carmen, Design Challenge and Fanfare blended live and digital learning to bring ballet, opera, theatre craft and music composition to teachers and pupils across the country. 41,000 people took part in Learning and Participation projects in more than 1,100 schools, 79% of which were outside London. We also continued to provide opportunities for young people through our Youth Opera Company, our sector leading apprenticeship programme, and through ROH Bridge, part of a network of 10 'bridge' organisations across England funded by the Arts Council to connect children and young people with great art and culture.

Audiences enjoyed our most successful ROH Live Cinema season to date, with more than half a million tickets sold in more than 500 cinemas across the UK. Internationally our productions were seen in a further 1,200 cinemas in 50 countries. We also delivered the most popular ever BP Big Screens Season, encouraging more than 41,000 people to experience the very best of opera and ballet in their home town, for free.

This year we broadcast free screenings of *Don Giovanni*, *Swan Lake* and *La bohème* across more than 20 venues, from Aberdeen to the Isle of Wight.

In addition to our broadcast achievements, social media engagement continues to grow, and now more than 601,000 people follow us on Facebook, a further 390,000 on Twitter, with a rapidly expanding following of 320,000 on Instagram. We are now the most subscribed to arts organisation in the world on Youtube, with 380,000 subscribers, nearly 110 million minutes of footage watched and 745,000+ people viewing World Ballet Day Live.

Our purpose at the Royal Opera House is to bring the very best of opera and ballet to as many people as possible, and as this report lays out we made significant progress over the last year. None of this work would be possible without the dedication, professionalism and flair of all the staff and artists of the Royal Opera House and our extended family of collaborating partners. All our work in turn crucially depends on the shared enthusiasm, loyal support and remarkable generosity of our friends, patrons, philanthropists and audiences, and to them I extend our sincere gratitude.

Alex Beard, Chief Executive
26 February 2019

WHO WE ARE AND WHAT WE DO

Who we are and what we do

The Royal Opera House's aim is for many more people to enjoy and engage in exceptional ballet and opera.

As The Royal Ballet, The Royal Opera and the Orchestra of the Royal Opera House, we bring together the world's most extraordinary ballet and opera artists in more than 500 performances every year; live events that thrill, move and excite, that transport people to other worlds.

Our theatre is in Covent Garden but our work is experienced across the UK and globally, with 1.5m+ attending a performance in a theatre or cinema each year, and many millions more enjoying our work on radio, TV and online.

We constantly question and discover, re-imagining the great masterpieces of the past, and investing in new works, exceptional talent and innovative ideas. Our Learning and Participation programme opens up opportunities to 25,000 people each year, reaches many more through digital insights and resources, and connects 22,000 people with affordable performances for families, schools, students and community and health groups.

We are a National Portfolio Organisation, supported by the British public via Arts Council England, and a registered charity, receiving donations from those who share our ambition.

Our priorities

Strengthen Excellence – consistently reflect today's best people and ideas, appealing to the broadest possible audience

Open Up – welcome many more people into the heart of ballet and opera so they feel they belong and want to deepen their involvement

Ensure Financial Resilience – improve how we use our resources and grow income to ensure a healthy organisation

Be a Great Place to Work – make working here safer, inclusive and productive

ACHIEVEMENTS AND FUTURE PLANS

The overall ROH Plan was approved by the Board and shared with staff and with our principal funder Arts Council England. Over the coming pages we will expand on what was delivered against each priority during 2017/18 and provide an overview of our Plan for 2018/19 to 2022/23.

2017/18 IN SUMMARY

STRENGTHEN EXCELLENCE

Develop exciting, deliverable programming

The Royal Opera House presents the world's most accomplished ballet and opera artists in productions of extraordinary quality and scale. The 2017/18 Season featured outstanding artistic contributions from The Royal Ballet, the Royal Opera Chorus, the Orchestra of the Royal Opera House, Lucy Bailey, George Benjamin, Roberto Bolle, Nicole Carr, Martin Crimp, Tansy Davies, Joyce DiDonato, Michael Fabiano, Stefan Herheim, Richard Jones, Barrie Kosky, Wayne McGregor, Katie Mitchell, Andris Nelsons, Anna Netrebko, Marianela Nunez, Natalia Osipova, Antonio Pappano, Liam Scarlett, Twyla Tharp, John Tomlinson, Philip Venables, Eva-Maria Westbroek, Christopher Wheeldon, Mark Wigglesworth, Roderick Williams and hundreds of other artists too numerous to mention here. We achieved 97.2% occupancy and 86% of available financial capacity on the main stage.

The Royal Ballet began the season with an acclaimed revival of *Alice's Adventures in Wonderland*, following which it convened *Kenneth Macmillan: A National Celebration*; a unique collaboration that saw The Royal Ballet, Birmingham Royal Ballet, English National Ballet, Northern Ballet, Scottish Ballet and Yorke Dance Project perform on our Covent Garden stage and in the Clore Studio and share the influential former Royal Ballet Resident Choreographer's legacy around the UK. The Royal Ballet's new production of *Swan Lake* by Liam Scarlett was critically acclaimed, with sensitive updating and stunning designs by John Macfarlane. *Swan Lake* was seen by more than 157,000 people in Covent Garden, in cinemas, at a free BP Big Screen relay and on tour in Madrid, while the production will remain in our repertory for years to come. New work included two commissions for the Bernstein centenary – Wayne McGregor's moving, lyrical *Yugen* and Christopher Wheeldon's powerful, technically challenging *Corybantic Games* – along with Arthur Pita's visually arresting, atmospheric *The Wind* and Twyla Tharp's *The Illustrated Farewell*. Away from Covent Garden, the Company performed Robert Binet's *The Dreamers Ever Leave You* with National Ballet of Canada at Printworks in East London, revived *Elizabeth* at the Barbican, opened Hull New Theatre in one of the highlights of the City of Culture celebrations and toured to Madrid.

'#ROHLessons George Benjamin is clearly the real deal. He inhabits a musical world of his own and it's amazing to be invited in. Wonderfully intense performances from @HanniganBarbara @Stephdegout and Gyula Orendt. Wow.'

'Tears were shed. There were times I had to remind myself to breathe.'

'4.48 Psychosis is deeply unsettling, very disturbing but essential viewing for people working in #MentalHealth – the cast, players and production are all stupendous @LyricHammer #448psychosis @TheRoyalOpera'

The Royal Opera's Season opened with Richard Jones's clear and beautiful new production of *La bohème* with other new productions including David Alden's multi-Olivier-winning *Semiramide* and his new *Lohengrin*, Barry Kosky's fresh and invigorating interpretation of *Carmen* and Krzysztof Warlikowski's UK debut with a powerful *From the House of the Dead*. A major highlight was *Lessons in Love and Violence*, the expertly-crafted, eagerly-awaited new opera from three of the UK's most admired opera-makers: George Benjamin, Martin Crimp and Katie Mitchell. Aletta Collins directed the premiere of Mark-Anthony Turnage's *Coraline*, based on Neil Gaiman's popular children's book, at the Barbican. Tansy Davies's *Cave* was given its premiere at Printworks with London Sinfonietta, and Doctoral Composer in Residence Na'ama Zisser's first opera *Mamzer Bastard* was given its premiere at Hackney Empire. At the Roundhouse, John Fulljames's production of *The Return of Ulysses* included performances from the Early Opera Company and community ensembles and the Jette Parker Young Artists presented *La Tragédie de Carmen* at Wilton's Music Hall. The multi-award-winning *4.48 Psychosis* returned to the Lyric Hammersmith.

Our programming and budgets reflect our aim for many more people to enjoy and engage with exceptional ballet and opera. More than 30% of tickets at our Covent Garden home cost £35 or less. 22,000 people attended low-priced enhanced performances for schools, families, students and community groups. At our Annenberg Family Performances, 65% attended

through partnerships with health and community groups including Mousetrap Theatre Projects, Ballet Boyz Parkinson's Group, Synergy Theatre Project, Great Ormond Street Hospital, charities working with families living near Grenfell Tower and through outreach in Stoke, Hull, Grantham and North Devon. At Schools Matinees, 65% of schools attended from outside M25, average 16% free school meals (national average: 13%) and we drew on a partnership with Kids Connection to promote these events to London and South East state schools who had not previously attended.

We aim to sustain the current quality and range of work during 2018/19, presenting internationally acclaimed artists in a balance of new work and revivals, including Wagner's Ring cycle; new productions of *Hansel and Gretel*, *The Queen of Spades*, *Katya Kabanova*, *La forza del destino* and *Billy Budd*; new ballets from Sidi Larbi Cherkaoui and Alistair Marriott; and the first Season in the new Linbury Theatre, discussed below. Looking further ahead, it is becoming increasingly challenging to realise our artistic ambitions within our financial and operational constraints.

Reopen the Linbury Theatre

The new Linbury Theatre was under construction throughout the year and is the West End's newest, most intimate theatre. The season ahead presents an ambitious and wide-ranging programme on our second international stage with the first performances in January.

Nurture astonishing, diverse artists

Across the programme, and particularly in our mid-scale work and within our talent development programmes, there has been an increase in participation from ethnically diverse performers and female practitioners. However, we recognise that our organisation and our artforms have further to go to be representative of Britain's national diversity. Staff from across the organisation engaged with the process of revising our Diversity and Inclusion Strategy which was agreed by the Board and is now fully embedded in our organisational plan.

Charlotte Edmonds completed her tenure as Choreographic Apprentice, sharing in the Clore Studio her new works *Piggy in the Middle* and *Sink or Swim*, a moving short film about the experience of depression. The Aud Jebson Young Dancer scheme continues to provide a bridge between vocational training and The Royal Ballet, while our collaboration with Southbank Sinfonia supports recent music college graduates to develop their skills in performing and auditioning for ballet and opera.

The Jette Parker Young Artists Programme continues to provide two years of full-time training to support singers, directors, conductors and répétiteurs towards an international career in opera. Thanks to the generosity of Oak Foundation, the programme has been expanded to identify and nurture diverse artists at an earlier stage in their careers, with new initiatives including a Conducting for Opera course for women with the Royal Philharmonic Society and the National Opera Studio, talent identification trips and masterclasses in South Africa, and three Link Artist positions. The Royal Opera developed two projects with disabled-led companies and worked with Opera North, Leicester Curve, the Albany and Gem Arts to offer research and development on projects by BAME composers and writers. The year also saw performances of two productions developed through our Doctoral Composer in Residence with the Guildhall School: the world premiere of Na'ama Zisser's *Mamzer Bastard* at Hackney Empire; and a revival of Philip Venables' multi-award-winning *4.48 Psychosis* at the Lyric Hammersmith.

Youth talent programmes included the 54-strong Youth Opera Company, drawn from socially diverse parts of London, and the long-running Chance to Dance scheme in London and Thurrock which will be expanded further across the country.

'I found the choreography session very informative and useful because it allowed me to look at choreographing from different perspectives and points; it also helped me to broaden my choreographic knowledge and ability.'

Participant, Young Creatives

Expand first opportunities nationally

Our three core programmes – Create and Sing, Create and Dance, Design and Make – were rolled out to 717 schools (an estimated 20,000+ pupils), of whom 87% were outside London (well ahead of target). We are planning to more than double participation by 2021/22. 95.7% of participating teachers surveyed say that taking part has had a positive impact on the resilience and confidence of the class and children as individuals, and that it has helped the class work together as a team. In addition, we took part in a BBC Live Lesson about The Nutcracker, reaching a further 1,057 classrooms. To encourage participation from a wide range of schools, especially in areas of low cultural engagement, we delivered taster Continuing Professional Development sessions and formalised partnerships with Music Education Hubs from Devon to Tees Valley. There were 10,173 downloads of our Digital Learning Platform, which includes a wide range of teacher-written schemes of work and 'how-to videos' to support delivery of ROH programmes and wider classroom learning.

With the support of Thurrock Borough Council, Trailblazer continues to embed cultural learning at the heart of Thurrock's schools, reflecting our continued commitment to the community in which our production workshops are sited. 85% of Thurrock schools have taken part in the Trailblazer programme, with all secondaries currently signed up. 93% of 'Cultural Champion' teachers supported through the programme reported an in-depth change in the quality of their school's arts provision and 84% had been able to enhance the curriculum with stimulating experiences.

As well as directly delivering creative learning about ballet and opera, ROH delivers Arts Council England's Bridge programme in North Kent, Essex, Hertfordshire and Bedfordshire, building connections and infrastructure that last year resulted in 4,500 young people taking part in cultural activities and 364 schools applying for ArtsMark status.

'These experiences broaden their perspective on life, particularly those children living in our area of the borough which is deprived, with low employment. We have found that aspirations are raised for those children with experience of high-quality art.'

Thurrock teacher

'Our Year 5 pupils are very excited about the live lesson and would love to hear our name on air! In Cumbria, we don't often get an opportunity to work with national companies so it's great to be able to join in the live lesson to learn a new skill. Hopefully it will help us when we begin to learn the waltz next week as part of our Victorian topic...!'

Fairfield Primary School, Gallowbarrow, Cockermouth

OPEN UP

Enhance and animate front of house space

A major focus for 2017/18 was the Open Up capital project. The £50.7m project was delivered, while continuing to present a full programme of 996 performances, plus rehearsals, within the main auditorium. More than 30 trade contracts, 500 individual contractors and 120 sub-contractors/suppliers were involved; more than 180 miles of cable and 400m² of glass used. All of the £50.7m was raised from private philanthropy.

Expand cinema and digital participation

ROH Cinema attendance passed the 1m mark for the first time. Half of the attendances took place in the UK, with non-London UK attendances 17% ahead of target. Eleven titles will be broadcast during 2018/19 and we are aiming to increase UK attendance by 38% by 2020/21. Three productions were relayed to free BP Big Screens in more than 20 parks and public spaces, from Exmouth to Aberdeen, of which two were also live-streamed. Nine productions were broadcast on BBC Radio 3 and two on BBC television, amplified further by international broadcast partnerships.

35,000 hours of masterclasses, workshops, discussions, rehearsals and performance extracts were viewed online. The Royal Opera House's contribution to World Ballet Day attracted 1,095,000 views both live and during the on-demand period. We also convened #OperaPassion Day alongside the V&A exhibition *Opera: Passion, Politics and Power*, in conjunction with the British Council, BBC and other opera companies, attracting 315,000 views and offered our first MOOC (Massive Open Online Course) Inside Opera: Why Does It Matter? Social media reach continues to grow with 387,179 YouTube subscribers (48% year-on-year growth), 601,000 Facebook fans (84%), 390,000 Twitter followers (56%) and 320,000 (4%) Instagram followers.

We also established a small Audience Labs unit to explore the potential of immersive and other new technologies in engaging new audiences. Featured in the DCMS Culture is Digital report, it will work with culture, technology and higher education partners to deliver research and development projects and several commissions.

'ROHswanlake from Barcelona. Incredible pas de deux. Amazing!'

'Loving every minute with my mum in Suffolk! Truly amazing #ROHswanlake'

'ROHswanlake so inspiring, watching from Devon! Especially after just doing a ballet lesson!'

Twitter feedback regarding cinema screening of Swan Lake

Participate in high-impact national events

The Royal Ballet visited Hull as part of the City of Culture celebrations, opening the Hull New Theatre with a spectacular gala and highlighting talented dancers from the city. The performance was screened to 3,500 people in Hull's Trinity Square. Over the preceding weeks, 100 young dancers from local dance schools took part in community programme that culminated in free large-scale performances in Trinity Square.

The V&A, in collaboration with the Royal Opera House, presented a landmark exhibition presenting key moments in the story of opera from its origins in late Renaissance Italy to the present day. *Opera: Passion, Power and Politics* was complemented by digital events and BBC activity involving other UK opera companies and promoting wider understanding and discussion of the art form. The Royal Ballet convened Kenneth MacMillan: A National Celebration, working with other national companies to celebrate the choreographer's centenary and providing a catalyst for performances around the UK. There was also surrounding programme of Insights bringing together the influential artists who worked with MacMillan.

Improve our understanding of audiences

A transformed approach to data collection, analysis and strategic marketing played a key role in achieving our best box office revenue results in many years. We reviewed our media channels, making a substantial shift from print and out-of-home media to trackable digital media, and we are using smart technology to model and find audiences on platforms including Facebook and Instagram as well as broader digital networks. We are refining pricing and seat maps for each production, and utilising the improved data analysis for planning.

Our data management and handling practices were brought into line with the new General Data Protection Regulations.

ENSURE FINANCIAL RESILIENCE

Grow earned income

By exceeding Box Office, fundraising and commercial targets, we were able to maintain a stable level of income, balance our expenditure and deploy reserves to finance much needed infrastructure projects such as the renewal of our get-in lift. As discussed above, changes to data analysis and marketing enabled us to achieve strong box office performance. Cinema attendance continues to grow and we are forecasting 10% growth on both gross and net income.

Fundraising continues to deliver against very high targets but, in setting future budgets, we remain mindful of the potential impact on our donor base, for example, Brexit, the winding up of two large cultural charitable foundations and increased European competition for ballet and opera projects. Corporate hire opportunities were limited by the Open Up construction work which also necessitated the closure of the Level 5 restaurant and bar mid-way through the season, mitigated in part by a nightly 'pop-up' bar in the Clore Studio. Looking ahead, the opening up of our public spaces will help us to increase catering and retail revenues for future years as well as build back up the business for ROH Events.

Lay foundations for future philanthropy

To build our Endowment, we have stepped up our promotion of legacy giving. At several final dress rehearsals, Dame Vivien Duffield, Chair of the Royal Opera House Endowment Fund, and various artists addressed the audience from the stage, talking of the value of giving in this way to the ROH.

We have mailed loyal audience members with legacy information and are developing plans for a targeted Endowment campaign. We also launched our Young Philanthropists scheme and will further develop this to encourage overall more cultural philanthropy and involvement from younger ballet and opera lovers.

'The Royal Opera House is one of the residuary beneficiaries of my will because it has given me so much pleasure over the years and I want to give something back.'

Anne Ross

Make permanent cost savings

Given declining Arts Council funding, the economic uncertainties of leaving the European Union, inflationary pressures and the need to invest in our back-of-house infrastructure, it is crucial that we look for potential savings across every aspect of our operation.

Last year we reviewed the balance of print and digital marketing, commissioned new Artistic Planning and Producing Software to support more efficient working and began reviewing the resourcing of specific parts of the organisation. Identifying further savings will be a major focus for 2018/19.

Futureproof our theatre

To remain open and deliver our plans, our buildings must be safe, compliant with legislation, financially and environmentally sustainable, fit for purpose and welcoming. Our estate is large and complex, comprising three locations: London, Thurrock and Aberdare. Much of the equipment and infrastructure installed in the 1990s Covent Garden development needs to be upgraded or replaced. Last year we commissioned fabric, technical, accommodation, MEP (mechanical, engineering and plumbing) and IT infrastructure reviews and from these we will develop a 10–20-year estates plan.

In addition to the Open Up construction programme and general repairs, two major projects took place: enabling work began on the replacement of the main stage flying system and we undertook a major upgrade of the Get In lift which brings sets and equipment into the building. We also continued to improve our environmental sustainability, achieving a 4-star Creative Green certification and introducing new recycling arrangements.

Optimise our use of technology

Several projects have been rolled out to support us to work more efficiently, increase revenues and ensure compliance, among them the new website, new retail systems, new Wifi, payment card compliance and the upgrading of computer-aided design software. Priorities for 2018/19 include the introduction of eProcurement and a new planning and scheduling system.

BE A GREAT PLACE TO WORK

Improve health, safety and wellbeing

In our second People Survey, staff reported a positive working life index of 67%, broadly in line with the previous year. The level of health and safety incidents per performance has fallen and levels of reporting have improved. Provision for muscular-skeletal injuries and mental health was increased and we signed the Time to Change pledge initiated by Mind and Rethink Mental Health with positive engagement and roll out to staff and artists across the Royal Opera House.

Embed ROH values and behaviours

We reiterated our no-tolerance stance on harassment and introduced a confidential whistleblowing service. We are a Stonewall Champion, surveyed staff about LGBTQT inclusion, and supported staff and artists to participate in the annual Pride celebrations.

Improve how we plan and produce

Against a backdrop of considerable change and challenge, it is imperative that we continue to be a place where the world's finest artists produce and perform their best work. We have been evaluating the ways we produce ballet and opera with a view to improving processes and resource management to this end. Last year this work included the commissioning of the new Artistic Planning and Producing System, entering into discussions around rights and developing new measures for assessing capacity and managing workflow in Technical and Production areas.

Support staff to learn, develop and share

More than 1,000 people work at the ROH, with many more involved in creating and performing in our productions on stage as freelancers. 49% of staff completed the People Survey and more than 600 staff attended workshops about our forward plan. Training was offered on management skills, safety and unconscious bias, and BAME and disabled staff had the opportunity to participate in the Accelerate management programme, delivered in conjunction with the Southbank Centre and the National Theatre.

We continue to share our learning and skills with the wider sector and to convene best practice. Alexander Whitley Dance Company, Fallen Angels Dance Theatre, Fuel and Oedipa completed their tenure as ROH Links partners; from 2018/19 the programme will be expanded to involve a wider group of organisations in 'Conversation Days'. We tested new digital opportunities, convening partners to create events such as World Ballet Day and #OperaPassion Day, and launched Audience Labs to test the potential of new technologies drawing new partners and new audiences to the ROH. Staff were encouraged to share their skills as Board members of other organisations and their learnings at a variety of conferences in the UK and overseas.

Develop a resource plan for the future

Staff turnover dropped slightly to 15%. After a significant rise in recent years, we maintained the number of new BAME and disabled employees at 16% and 4% respectively. We continue to develop partnerships and working practices to increase this. The overall diversity of the ROH is increasing as new more diverse people join, and has increased to 11% and 3% respectively. We continue working with Mind and the Camden Society to attract people from a wide range of backgrounds, we are a Disability Confident employer, and we have continued to ensure that all ROH staff receive Living Wage as a minimum. 18 apprenticeships were offered in specialist backstage areas, along with 155 work placements, and we continue to deliver the BA in Costume Making with Thurrock Adult Community College at our Bob and Tamar Manoukian Costume Centre in Thurrock.

Thank you to the following organisations who worked with us during 2017/18

Alexander Whitley Dance Company
Albany, Deptford
Arts 4 Dementia
Ballet Boyz Parkinson's Group
Barbican
Bavarian State Opera
BBC
Birmingham Royal Ballet
Britten Sinfonia
Candoco Dance Company
Camden Society
Creative People and Places
Chroma
Clare Leadership Programme
Dutch National Ballet
Early Opera Company
English National Ballet
Fallen Angels Dance Theatre
FutureLearn
Gem Arts
Graeae
Grantham Olympics
Gran Teatre del Liceu, Barcelona
Great Ormond Street Hospital
Guildhall School of Music and Drama
Hamburg State Opera
High House Production Park
Hull 2017
Hull New Theatre
La Monnaie, Brussels
Leeds Secondary Music Network
Leicester Curve
Leicester Primary Teacher Network
London Sinfonietta
Lyric Hammersmith
Lyric Opera of Chicago
Manchester Music and Drama Expo
Mousetrap Theatre Projects

Music Education Hubs
National Ballet of Canada
National College Creative Industries
National Opera Studio
National Theatre
Northern Ballet
Oedipa
Opéra de Lille
Opéra de Lyon
Opera North
Oper Frankfurt
Opera Vlaanderen
Parents in Performing Arts
Picturehouse Cinemas
Printworks
Rambert
Roundhouse
Royal Academy of Music
Royal Ballet School
Scottish Ballet
Shubbak Festival
Sino-UK Performing Arts Skills Exchange
Southbank Centre
Southbank Sinfonia
Stonewall
Synergy Theatre Project
Teatro Real, Madrid
Theater Freiberg
Theatrecraft
Thurrock Adult Community College
Tonic Theatre
Trinity Laban
Victoria and Albert Museum
Victoria Opera
Wilton's Music Hall
Yorke Dance Project

Risk Management

During the period the Trustees have operated a risk management strategy and framework which comprises:

- An annual review by the full Board of Trustees of the risks which the charity may face and the approach to risk management.
- A detailed review by the Audit and Risk Committee of strategic and operational risks, including the Major Incident Plan, at least three times during the year.
- The establishment of systems, policies and procedures to mitigate those risks identified.
- Mitigating actions designed to minimise any potential impact on the charity should any of those risks materialise.

During the year, there have been three major reviews of the risks facing the charity at the Audit and Risk Committee, covering progress in the management of operational risks and a full discussion of strategic risks. The governance and management of risk is divided between **Strategic risks** (managed directly by the senior executive team) and **Operational risks**.

At its annual review of risk management, the Board discussed the strategic risks and assured themselves of the adequacy of controls and mitigations in place. These are listed below:

Strategic Risks

1. **Financial sustainability:** Our ability to secure sufficient box office, public funding, fundraising and commercial income to deliver our programme and run our building. Caused by reputational issues, drop in public appetite, economic downturn or other political/social factors, poor planning and/or cost pressures. Mitigated through an overall framework and governance for balancing priorities and change programmes, three-year budget process, resource management, robust pricing strategy, informed and effective fundraising strategy, and strong stakeholder relations.
2. **Health, safety and security:** The inherent risks involved in theatre production and presentation (e.g. working at height, noises, chemical, manual handling), combined with the challenges of operating a busy public venue and the potential for a terrorist attack on London. Mitigated through a robust management and governance structure for safety issues and reporting, staff training and awareness raising, investigation of near misses and incidents, and by drawing on specialist external support as required.
3. **Organisational capacity:** Failure to marry our increased organisational and artistic ambitions with sufficiently robust structures, planning systems and decision making structures. Mitigated by alignment of objectives, rigorous planning processes, integrated change planning and continuous reviews of systems and processes.
4. **Position of opera and ballet in society:** The risk that opera and ballet cease to hold meaning and value in society, either because the sector has failed to make its work sufficiently appealing, relevant and accessible and/or through the decreasing emphasis on arts subjects within the school curriculum. Mitigated through presentation of an outstanding programme, delivered across a variety of platforms, that seeks to place opera and ballet in a broader cultural context, through national Learning and Participation programmes, through measures to increase the diversity of artists, workforce and audiences, and through collaborations that strengthen the wider sector.
5. **Reputation of ROH:** Perceived drop in the quality and relevance of artistic output, health and safety/security failure, or association with an individual or organisation whose reputation becomes damaged, impacting all income streams and our ability to attract talent. Mitigated by high artistic standards, clear processes for sharing production concepts, advocacy activity, and through best practice in health and safety, customer care and fundraising.
6. **Sufficiently skilled and committed staff and artists:** Inability to recruit and retain the people we need to deliver a high quality programme owing to insufficient/inadequate training pathways, inability to pay competitive fees and salaries, impact of Brexit, reputational concerns or organisational capacity issues. Mitigated by a range of talent development initiatives, creative and workforce diversity strategies, fair pay, advocacy on employment issues and a multi-layered staff engagement programme.

Operational risk is reviewed and updated by the Operational Risk Group which meets quarterly and operates under clear terms of reference. The membership of the Operational Risk Group is made up of senior managers from across the Royal Opera House with representation from Technical, Finance, Business Affairs, Facilities, Human Resources, Information Technology,

Health and Safety and the Opera and Ballet Companies. The Director of Finance attends the Operational Risk Group meetings and a regular report is produced and discussed with the senior executive team.

Finance and Governance

The Royal Opera House continues to present an ambitious programme of work while balancing its books in its unrestricted activities in each full financial year.

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

The ROH's business plan includes a set of key performance indicators (KPIs), agreed with the Executive team and Board of Trustees. Linked to a detailed action tracker, these include: the level of new work being generated; public engagement across performances, digital activity and learning and participation initiatives; diversity of audiences, participants, staff and artists; results against budget; and environmental performance. Performance against the KPIs is reviewed in detail at the end of each year. Progress with the action tracker is reviewed by the full Executive team every 3–4 months. During 2017/18, two-thirds of the numbers specified within the KPIs were either achieved or over-achieved (in some by a significant margin), and good progress was made with all areas of the strategy.

In addition, the Board of Trustees and Arts Council England receive Management Accounts on a monthly basis, enabling them to closely monitor progress against financial targets throughout the year

The important continuing investment from Arts Council England enables the undertaking of a range and depth of work and investment in new work, artist development, craft excellence, engagement and access which could not be sustained otherwise.

As a National Portfolio Organisation (NPO), a grant of £24.5m (52-week period ended 27 August 2017: £24.8m) was received from Arts Council England, representing 22% of total (unrestricted) income (52-week period ended 27 August 2017: 23%). The Royal Opera House is one of only four National Portfolio Organisations to be awarded funding from Arts Council England to lead the Bridge programme for Bedford Borough, Central Bedfordshire, Luton, Hertfordshire, Essex, Thurrock, Southend, Dartford, Gravesham, Swale and Medway. Funding of £0.7m was received in the current year (52-week period ended 27 August 2017: £0.7m). In the previous financial year, the Royal Opera House also received grants from Arts Council England (52-week period ended 27 August 2017: £0.9m) for capital projects and (52-week period ended 27 August 2017: £0.2m) for industry professional development and skills exchange between the UK and China.

An overall balanced financial result on the unrestricted general funds has been achieved for the 19th successive year. This has been achieved through careful financial stewardship: managing the Arts Council grant with carefully considered box office pricing and optimisation, commercial activities, sustained levels of fundraising income and targeted efficiencies and cost reductions, including those through procurement and tendering activity, within the overall contingency set for the year.

Excluding income within the Endowment, fundraising income targets of £27.5m (52-week period ended 27 August 2017: £26m) were set against fundraising activities in the development department for the period and these were met with funds raised of £27.9m (52-week period ended 27 August 2017: £26.3m).

For our Open Up capital project, there is an overall fundraising target of £50.7m. As of 26 August 2018, funding commitments of £50.7m (27 August 2017 £50.5m) have been pledged and £45.9m received.

Our trading subsidiary, Royal Opera House Enterprises Limited, recorded a profit before tax of £4m for the 52-week period ended 26 August 2018 (52-week period ended 27 August 2017: £4.5m). This decrease in operating profit is attributable to reduced profits from our catering, retail and venue hire activities, which were impacted by the Open Up building works. This was anticipated in our planning for the capital project, and actual results were better than our original expectations. On 03 September 2018, the trading subsidiary entered into an agreement to sell the trade and assets of Opus Arte, the trading name of the recording label. The effective date of the transaction was 31 October 2018.

The overall result for the group unrestricted general funds was an increase of the funds of £0.1m (52-week period ended 27 August 2017: £0.2m) after transfers from Restricted funds of £17.3m (52-week period ended 27 August 2017: £18.9m) and net transfers to Unrestricted Designated funds of £11.7m (52-week period ended 27 August 2017: £13.3m).

At 26 August 2018 unrestricted funds were £219.2m (27 August 2017: £206.4m) before Unrestricted pension reserve deficit of £19.7m (27 August 2017: £23.1m). There is £212.3m (27 August 2017: £200.6m) held in Unrestricted Designated funds and a further £2.4m (27 August 2017: £1.5m) held in Unrestricted Revaluation funds.

At the end of the period Restricted fund balances were £15.1m (27 August 2017: £20.6m). For further details refer to Note 25. At the end of period the Endowment fund balance of £40.1m (27 August 2017: £39.1m) is represented by restricted capital assets of the Royal Opera House Endowment Fund 2000.

The Royal Opera House group held positive cash balances throughout the period. Unrestricted cash, including unrestricted cash with a notice period of more than 3 months, held at the period end was £39.3m (27 August 2017: £33.2m), including advance bookings of £11.7m (27 August 2017: £10.2m), as well as cash required to meet the charity's working capital requirements and reserves.

Reserves

The Trustees regularly review reserve levels, and designated the following amounts at the period end:

- Fixed Asset and Heritage Asset funds equivalent to the tangible and intangible fixed assets owned by the charity, plus the current anticipated excess of capital expenditure over depreciation in the next season.
- Designated Future Project Fund. This fund comprises specific amounts put aside for future activity, which includes a fund of £2.6m (27 August 2017: £3.5m) toward the planned artistic activity in future seasons.

The level of free reserves (represented by the Unrestricted General fund) at 26 August 2018 of £4.4m (52-week period ended 27 August 2017: £4.3m) equates to only 3.2% of total unrestricted incoming resources. The Trustees agree that a higher level of reserves is desirable, and a target level of free reserves nearer £10m would protect against a reduction in box office and fundraising income, economic uncertainties and any further reductions in public funding. However, Trustees acknowledge that any increase to free reserves over the next two to three years will be unlikely due to the identified needs for the programme of major capital works.

The total funds held at 26 August 2018 was £255m (27 August 2017: £243m). The designated Future Projects Fund is likely to be spent in the next two to three years, in line with our forward planning assumptions.

The financial strategy is to budget for a minimum £2.5m contingency in annual budgets, while building designated funds for specific future, longer term planning.

Levels of unrestricted funds, both current and forecast, are monitored closely to ensure they remain at an adequate level in order to provide financial flexibility and a buffer against operational risk.

Pension scheme

In line with the requirements of FRS 102 S28 'Employee Benefits', the Royal Opera House defined benefit Pension Scheme liability and related costs are included in these financial statements. Within the Statement of Financial Activities employer contributions as determined by the actuary are recorded as an operating cost in the unrestricted general fund. The difference between contributions paid and the cost / (credit) in profit or loss charged to the statement of financial activities in accordance with FRS 102 was a gain of £0.1m (52-week period ended 27 August 2017: cost of £0.1m) (refer to note 29 of the financial statements). The actuarial gain, net of actual return less interests on plan assets for the period was £3.3m (52-week period ended 27 August 2017: gain of £12.6m). The gross pension liability at the period end was £19.7m (27 August 2017: £23.1m), with the decrease from the prior period driven by the increase in the discount rates used, a change in the post-retirement mortality assumption and asset returns in excess of the discount rate, all as part of the actuarial assumptions. 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 (as well as to economic and investment market conditions) 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 appropriate by the Trustees. Aside from balances held with the Royal Opera House bankers, Coutts & Co. monies are only invested in funds that are regulated by the FSA.

The Trustees of the Royal Opera House Endowment Fund 2000 have no restrictions on their investment powers and are permitted to invest and reinvest the Trust Fund, providing the objectives and purposes of the charitable fund are met, and subject to such consents as may be required by law.

The Trustees reviewed and agreed an Investment Policy in line with the Charities Commission Guidance CC14. This is not shown in full in the accounts but a summary of the key investment objectives are as follows:

- Generate investment income to maximize the grant income available to support the Royal Opera House Covent Garden Foundation;
- Deliver capital growth, as well as income, to maintain the real value of investments for future years;

To achieve the above objectives the Trustees have set the investment benchmark of a blended return of RPI +5% on a rolling basis, (net income 3% and capital return of RPI+2%).

The investment managers, Stonehage Fleming Investment Management Limited, Troy Asset Management Limited and Newton Investment Management Limited, achieved a combined capital growth and income return net of investment management fees of 5.86% for the year ended 26 August 2018 (year ended 27 August 2017: 5.13%). The return for 2018 fell short of the blended target of CPI plus 5% (7.4%). Investments with Stonehage Fleming Investment Management Limited which are long term in nature are being progressively wound down. Troy investments' capital gain was only 0.47% this year with a total return achieved of 4.06%. Newton investments' return exceeded the target (10.08%)

Financial Risk Management

The following statements summarise the Board's policy in managing identified forms of financial risk.

Credit Risk: Risk on amounts owed to the charity by its customers is low as payment for ticket sales and operations through the trading subsidiary are mostly settled at the point of purchase.

Price risk: Payroll costs represent 44% of total expenditure for the Royal Opera House and higher levels of inflation represent a risk also as 18% of the total income for the Royal Opera House group comes from Arts Council England, which has decreased further from April 2018. The Royal Opera House has freedom over its ticket pricing, and box office income represents 33% of revenue. The pricing strategy aims to hold the lowest ticket price at an accessible level.

Cash flow risk: Excluding Endowment assets, surplus funds are placed on short-term deposits with major clearing banks and CCLA. Short-term deposits are those with a term no greater than six months.

Liquidity risk: The Royal Opera House has one loan with an outstanding loan balance for the year ended 26 August 2018 of £1.44m. Risk on repayment of loans is low as the annual loan payment is 0.1% of total income and the property for which the loan was secured is mortgaged against the loan.

Going Concern

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). The financial statements are drawn up on a going concern basis. In making this assessment the Trustees have considered the level of Arts Council England funding, including the 3% cut from April 2018 for the 4-year NPO funding period of April 2018 to March 2022. The Trustees believe that despite this drop in funding the group will continue in operational existence for the foreseeable future, and based on future forecasts prepared to February 2020, be in a position to continue to meet its liabilities as they fall due for at least 12 months from signing these financial statements.

STRUCTURE, GOVERNANCE AND MANAGEMENT

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 and since period end were as follows:

Ian Taylor (Chairman)
Lady Heywood (Deputy Chairman and Senior Independent director)
Tim Bunting
Kirstine Cooper
Dr Genevieve Davies
Sir Lloyd Dorfman CBE
Dame Vivien Duffield DBE
Hamish Forsyth (resigned 11 December 2018)
Sue Hoyle OBE
Sir Nicholas Hytner
Sir John Kingman
Julian Metherell
Munira Mirza
Paul Morrell OBE
Laura Wade-Gery
Roger Wright CBE
Danny Wyler

Chief Executive

Alex Beard CBE

Company Secretary

Fiona Le Roy (retired 30 September 2018)

Ivan Daffern (appointed 1 October 2018)

Governing Document

The Royal Opera House Covent Garden Foundation is a company limited by guarantee (company number: 480523) governed by its Memorandum and Articles of Association, which were last amended on 7 July 2017 for changes in Trustee re-appointment terms. It is registered as a charity at the Charity Commission (charity number: 211775).

Charitable objects

Our charitable objects, as stated in the Royal Opera House governing document, are:

to promote and assist in the advancement of education so far as such promotion and assistance shall be of a charitable nature and in particular, to raise the artistic taste of the country, and to procure and increase the appreciation and understanding of the musical art in all its forms. The achievement of our aims as listed above (pp 10–32) enable us to fulfil our charitable objects and therefore our legal purpose.

Public benefit

The Trustees refer to the Charity Commission's general guidance on public benefit when shaping and reviewing the Charity's aims, objectives and future strategies. In setting the level of ticket prices, charges and concessions, and in developing digital and broadcast distribution, the Trustees give careful consideration to the accessibility of the Royal Opera House to those on low incomes. As outlined in this report, this is addressed through maintaining a wide range of ticket prices, as well as through several ticket subsidy schemes, free events, digital and broadcast activity and an extensive learning and participation programme.

Appointment of Trustees

Trustees are appointed for an initial term of up to four years. Trustees are self-appointing with new Trustees being elected at Board meetings, to be ratified at the next following Annual General Meeting of the Company. On the expiry of such initial term they may be re-appointed for additional terms expiring on or before the financial year end following either the second or fourth anniversary of the date of re-appointment. No Trustee shall be appointed for a term exceeding twelve years. The Trustees appoint a Chair for a term of five years or less and on expiry of such term he or she may be re-appointed for a second term of three years or fewer by approval of the Trustees provided that on expiry of such second term he or she shall, unless the Trustees otherwise exceptionally determine, retire from office. The People and Organisation Committee reviews regularly the structure, size, composition, diversity and succession needs of the Board, ensuring that the Board has the required blend of skills and experience and its remit is to identify, assess and formally recommend to the Board candidates for appointment as Trustees.

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 contents of the Memorandum and Articles of Association, the board manual 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 six 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 Learning and Participation, include members who are not Trustees).

Audit and Risk: The committee meets at least three times a year. The committee is chaired by Julian Metherell. Other members are Kirstine Cooper, from 13 November 2018, Lady Heywood, Sir Nicholas Hytner, Sir John Kingman, Paul Morrell, Ian Taylor, Laura Wade-Gery and Danny Wyler. Alex Beard, Mindy Kilby (Director of Finance), Sally O'Neill (Chief Operating Officer) until 12 December 2017, and Heather Walker (Director of Operations) from 01 March 2018, report to all meetings. The committee is responsible for considering and reviewing matters relating to the control environment, including internal audit, health and safety and risk management, including consideration of matters raised by the external auditors. The committee is responsible for the appointment of the external auditors, meets regularly with them and reviews their performance and independence.

Finance and Operations: The committee meets six times a year. The committee is chaired by Lady Heywood. Other members are Sir Lloyd Dorfman, Sir Nicholas Hytner, Sir John Kingman, Julian Metherell, Paul Morrell, Ian Taylor, Laura Wade-Gery and Danny Wyler. Alex Beard, Mindy Kilby (Director of Finance), Sally O'Neill (Chief Operating Officer) until 12 December 2017, and Heather Walker (Director of Operations) from 01 March 2018, report to all meetings. The committee is responsible for reviewing and assessing the balance, integrity and transparency of financial information, the adequacy of financial planning, budgeting and forecasting, 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.

Development: Ian Taylor chairs this committee. Other members are Ian Andrews, Roger Barron, Sue Butcher, The Countess of Chichester, Dr Genevieve Davies, Simon Holden, Martin Houston, Robert Kalf, Sophie Lecoq, Thomas Lynch, Bernard and Genevieve Mensah, Julian Metherell, Sir Simon Robertson, Kristina Rogge, Dame Gail Ronson, John Singer, The Earl of Snowdon, Natasha Tsukanova, Danny Wyler and Lady Young of Graffham. Alex Beard and Amanda Saunders (Director of Development and Enterprises) report to all meetings. The committee supports the Development department in maximising fundraising opportunities and income.

Ethics: Ian Taylor chairs this committee. Other members are Alex Beard, Kirstine Cooper, Lady Heywood, Amanda Saunders and Lucy Sinclair. The committee supports the organisation around the ethical acceptance/rejection of sponsorship, donations and membership. This includes making decisions, recommending referral of those decisions to the Charity Commission where appropriate, assessing the potential impact of those decisions while advising the business communications department with regard to their rationale, advising the main Board on the associated risks, annually reviewing the policy on accepting/rejecting such funds and monitoring compliance with this policy.

Learning and Participation: Munira Mirza chairs this committee. Other members are Alex Beard, Hilary Carty, Dame Vivien Duffield, Jane Ellison, David Hall, Richard Hallam, Anne McElvoy, Dame Theresa Sackler and Ian Taylor. Jillian Barker (Director of Learning

and Participation) reports to all meetings. The committee supports the organisation in planning, implementing and monitoring programmes and initiatives focused on learning, participation and widening engagement.

People and Organisation Committee: Ian Taylor chairs this committee. Other members are Dame Vivien Duffield, Lady Heywood, Julian Metherell and Munira Mirza.

Alex Beard also attends these meetings. 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 Independent 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. The committee is responsible for reviewing and benchmarking internationally the pay, benefits and total compensation of the Executive Team. The activities of the Royal Opera House are driven by the artistic plans of The Royal Ballet and The Royal Opera, and managed by the Chief Executive with the support of the Chief Operating Officer. The Committee consider the Chief Executive, Music Director, Director of the Royal Ballet, Director of Opera and the Chief Operating Officer as key management personnel responsible for these activities. The Committee conducts an annual review of executive compensation, focusing on survey data from a range of comparable UK and international arts organisations, and also takes into account the annual pay award for all staff.

Executive Team: 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 Team comprising:

Jillian Barker, Director of Learning and Participation
Heather Baxter, Administrative Director, The Royal Ballet
Alex Beard, Chief Executive
Melanie Crompton, Orchestra Administrative Director (started 4 December 2017)
Jane Crowther, Director of Human Resources
Mark Dakin, Technical Director
Helen Dunne, Acting Orchestra Administrative Director (started 1 September 2018 until 31 August 2019)
John Fulljames, Associate Director of Opera (left 1 September 2017)
Lindsey Glen, Head of Policy and Strategy
Peter Katona, Director of Casting
Mindy Kilby, Director of Finance
Joe McFadden, Chief Technology Officer
Oliver Mears, Director of Opera
Sally Mitchell, Orchestra Administrative Director (left 31 January 2018)
Kevin O'Hare, Director, The Royal Ballet
Sally O'Neill, Chief Operating Officer (left 12 December 2017)
Antonio Pappano, Music Director
Hazel Province, Director of Planning
Amanda Saunders, Director of Development and Enterprises
Cormac Simms, Administrative Director, The Royal Opera
Lucy Sinclair, Director of Audiences and Media
Heather Walker, Director of Operations
Sarah Younger, Open Up Project Director (left 31 December 2018)

The Chief Executive (assisted by the Executive Team) is responsible for the development and implementation of the strategy and business plans of the Royal Opera House. The Executive Team meets weekly 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, The Royal Ballet and The Royal Opera Company have the Sovereign's permission to use the word 'Royal' in their titles.

We would also to thank the following for support, advice and encouragement throughout the year:

Ambassadors

The Countess of Chichester

Dame Gail Ronson DBE

The Board of the Royal Opera House Endowment Fund

Dame Vivien Duffield Chair, Sir David Lees, Sir Stuart Lipton, Julian Metherell, Sir Simon Robertson, Sir Simon Robey, Baroness Shackleton of Belgravia, Peter Troughton CBE

Board of Honorary Directors

Ian Taylor Chair

The Countess of Chichester Honorary Vice Chair

Dame Gail Ronson Honorary Vice Chair

Gregory and Regina Annenberg Weingarten

Lady Ashcroft

Mikhail Bakhtiarov

Mr and Mrs Baha Bassatne

Celia Blakey

BP International – Peter Mather

Tim and Sarah Bunting

Ricki Gail Conway

Coutts & Co. – Peter Flavel

Dr Peter and Fiona Cruddas

Dr Genevieve Davies

Sir Lloyd Dorfman CBE

Dame Vivien Duffield DBE

Hani Farsi

Aline Foriel-Destezet

Hamish and Sophie Forsyth

Kenneth and Susan Green

Jane Hamlyn

Linda and Philip Harley

Dr Catherine Høgel

Aud Jebsen

Anna and Moshe Kantor

Doug and Ceri King

Alfiya and Timur Kuanyshev

Lord and Lady Laidlaw

Rena and Sandro Lavery

Margarita Louis-Dreyfus and Phillipp Hildebrand

Bertrand and Elisabeth Meunier

Marit Mohn

Mrs Susan A Olde OBE

Stefan Sten Olsson

Jette and Alan Parker

Natalie Parker

Mrs Clarissa Pierburg

Yvonne and Bjørn Rieber

Sir Simon and Lady Robertson

Rolex – Amaud Boetsch

Dame Theresa Sackler DBE

Mrs Lily Safra

Lord and Lady Sainsbury of Preston

Candover

Kim Samuel

Ian and Tina Taylor

Lindsay and Sarah Tomlinson

Tsukanov Family

Van Cleef & Arpels – Geoffroy Medinger

Dr and Mrs Michael West

Anonymous (1)

REFERENCE AND ADMINISTRATIVE DETAILS

Charity number
211775

Company number
480523

PRINCIPAL OFFICE

Royal Opera House
Covent Garden
London WC2E 9DD

AUDITORS

Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU

BANKERS

Coutts & Co.
440 Strand
London WC2R 0QS

INVESTMENT

ADVISORS

Stonehage Fleming Investment
Management Limited
15 Suffolk Street
London SW1Y 4HG

Troy Asset

Management Limited
Brookfield House
33-34 Davies Street
London W1K 4BP
Newton Investment
Management Limited

BNY Mellon Centre
160 Queen Victoria Street
London
EC4V 4LA

ACTUARIES

(to the Royal Opera House
Pension Scheme)
Lane Clark & Peacock LLP
95 Wigmore Street
London W1U 1DQ

INTERNAL AUDITORS

RSM UK Group LLP
25 Farringdon Street
London EC4A 4AB



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**ARTS COUNCIL
ENGLAND**

Group entities

On 26 August 2018 the group included the charity and:

Royal Opera House Endowment Fund 2000

Royal Opera House Enterprises Limited

ROH Holdings Limited

ROH Developments Limited

The consolidated financial statements include the results of these entities, as detailed in Note 2. See Note 2 for the principal activities of these entities.

Equality policy/statement

The Royal Opera House has an ongoing commitment to promoting diversity throughout all its work – as an employer, in the art we perform, and in the extent of our audience. We report annually to Arts Council England on our progress against an action plan, which is keenly monitored by the Board of Trustees.

Environmental strategy

It is the ambition of the Royal Opera House to be a leader in environmental sustainability and to act as a catalyst for positive change in this field.

Recognising our global reach and leadership role within the UK arts sector, we embrace our responsibility and obligation to reduce our impact on the environment and we aim to engage with our audiences, staff, suppliers and partners to raise awareness about sustainability issues. It is our belief that reducing our environmental impact will not only have a positive effect on the environment, but will also make our operations more efficient and economical and will enhance our organisational resilience in the long term.

Health and safety

The charity has a health and safety committee comprised of representatives from many 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. A full report on Health and Safety is considered annually by the Board.

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 contributions during the period. No charitable contributions were made during the period, other than as disclosed in Note 9 to the financial statements.

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 15 days supply at the period end (52-week period ended 27 August 2017: 19 days).

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.

Fundraising statement

Our guiding principle for fundraising is to build secure, long term fundraising support from our Members, encouraging their interest in our charitable work, allowing them to engage with our staff and projects and seeing how their additional gifts help us. Our fundraising materials are written and designed around this principle.

Fundraising activities include targeted direct mail, events and leaflets at promoting donations and bequests, donations through our website, and approaches to Trusts, Foundations, companies and individual benefactors.

Our fundraising is carried out by our in-house fundraising teams and we are a registered member of The Fundraising Regulator. There are no arrangements for others to act on our behalf as professional fundraisers or commercial participators. We have procedures in place to ensure our staff and volunteers comply with fundraising standards and regulation; we are not aware of any failure by our staff or volunteers to meet these standards. We are committed to acting promptly if we receive any information indicating we have not met these standards.

In 2017/18 we did not receive any general fundraising complaints about our fundraising activity. If complaints are received we respond quickly and ensure corrective action is taken as required; if complaints are received about the suggested donations added to ticket purchases, these are refunded at the point of complaint. Those corrective actions might include retraining fundraisers and updating monitoring processes.

We take our responsibilities on managing our contact data very seriously and we strive to ensure that our policies and procedures around data and processing meet our legal requirements, our high expectations and those of our supporters. As part of the risk-based audit plan and in line with our risk management processes, Internal Audit performs regular reviews of the Fundraising team activities and control environment.

We recognise the need to protect vulnerable people. We ensure comprehensive training is provided to ensure that empathy and respect are demonstrated towards people in vulnerable circumstances and that no donation is sought or gained from someone who may not have the capacity to make an informed and considered decision.

We respect our supporters' privacy and rights to decide how and if we contact them. We make it easy for supporters to choose how they want to hear from us, and if they ask us not to contact them we will not, unless it is a legal or administrative requirement.

Trustees' responsibilities statement

The Trustees (who are also directors of Royal Opera House Covent Garden Foundation for the purposes of company law) are responsible for preparing the Trustees' Annual Report (incorporating the Strategic 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. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable group will continue in business.

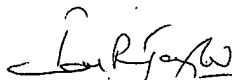
The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with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

The Trustees confirm that:

- so far as each Trustee is aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Trustees have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

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

The Trustees' Annual Report, including the Strategic Report, was approved by the Board of Trustees and signed on 26 February 2019.

A handwritten signature in black ink, appearing to read 'Ian Taylor', with a stylized flourish at the end.

Ian Taylor, Chairman

Independent auditor's report to the members of Royal Opera House Covent Garden Foundation

Opinion

We have audited the financial statements of Royal Opera House Covent Garden Foundation (the 'parent charitable company') and its subsidiaries (the 'group') for the period ended 26 August 2018 which comprise the consolidated statement of financial activities, the consolidated income and expenditure account, the consolidated and parent charitable company balance sheets, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 26 August 2018 and of the group's incoming resources and application of resources, including its income and expenditure, for the 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.

Basis for opinion

We have been appointed as auditor under the Companies Act 2006 and report in accordance with regulations made under that Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to?

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Trustees' Annual Report and Acknowledgements, set out on pages 2 to 47 and 86 to 88. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors' Report, prepared for the purposes of company law, included in the Trustees' Annual Report for the financial period for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report included in the Trustees' Annual Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report included in the Trustees' Annual Report.

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

Responsibilities of trustees for the financial statements

As explained more fully in the Trustees' Responsibilities Statement set out on pages 46–47, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor's report.

Carol Rudge

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

Date: 26 February 2019

FINANCIAL STATEMENTS

ROYAL OPERA HOUSE COVENT GARDEN FOUNDATION (LIMITED BY GUARANTEE)

Consolidated financial statements
52-week period ended 26 August 2018

Registered charity number: 211775. Registered company number: 480523.

Consolidated statement of financial activities
for the 52-week period ended 26 August 2018

	Note				52-week period ended 26-Aug-18	52-week period ended 27-Aug-17
		Total Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	Total Funds £'000	Total Funds £'000
Income and endowments from:						
Charitable activities						
Operation of the Royal Opera House (including box office)	3	60,337	750	-	61,087	57,560
Donations and legacies						
Donations, legacies and similar incoming resources	5	11,233	23,495	97	34,825	38,937
Grants from Arts Council England	4	24,462	727	-	25,189	26,556
Other trading activities						
Commercial trading income	6	15,359	-	-	15,359	16,138
Investments	7	1,004	805	-	1,809	1,835
Total income and endowments		112,395	25,777	97	138,269	141,026
Expenditure on:						
Charitable activities						
Productions, sales and operations	8	(101,744)	(13,875)	-	(115,619)	(114,052)
Raising Funds						
Generating voluntary income	10	(4,947)	(141)	-	(5,088)	(4,823)
Commercial activities	11	(11,019)	-	-	(11,019)	(11,345)
Interest payable	14,24	(64)	-	-	(64)	(71)
Total expenditure	14	(117,774)	(14,016)	-	(131,790)	(130,291)
Net income/(expenditure)		(5,379)	11,761	97	6,479	10,735
Net gains on investments	17	-	32	903	935	580
Net income/(expenditure) before taxation		(5,379)	11,793	1,000	7,414	11,315
Taxation	34	-	-	-	-	-
Net income/(expenditure) after taxation		(5,379)	11,793	1,000	7,414	11,315
Transfers between funds	15	17,310	(17,310)	-	-	-
Net income/(expenditure) after transfers and before other recognised gains and (losses)		11,931	(5,517)	1,000	7,414	11,315
Other recognised gains and (losses)						
Gains on revaluation of heritage assets	17,21	951	-	-	951	-
Actuarial gain (loss) on the defined benefit pension scheme	29	3,342	-	-	3,342	12,598
Taxation relief on donations under the gift aid scheme	34	-	-	-	-	826
Net movement in funds		16,224	(5,517)	1,000	11,707	24,739
Fund balances brought forward at 27 August 2017	25	183,295	20,590	39,068	242,953	218,214
Fund balances carried forward at 26 August 2018	25	199,519	15,073	40,068	254,660	242,953

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

There is no difference between the results for the period stated above and their historical cost equivalents, except for unrealised gains and losses on investments and heritage assets (see note 17).

Notes from pp. 57–84 form part of the financial statements.

Consolidated income and expenditure account
for the 52-week period ended 26 August 2018

	Note	52-week period ended 26-Aug-18 Total Income Funds £'000	52-week period ended 27-Aug-17 Total Income Funds £'000
Income and endowments from			
Charitable activities			
Operation of the Royal Opera House (including box office)	3	61,087	57,560
Donations and legacies			
Donations, legacies and similar incoming resources	5	34,728	38,605
Grants from Arts Council England	4	25,189	26,556
Other trading activities			
Commercial trading income	6	15,359	16,138
Investments	7	1,809	1,835
Total income and endowments		<u>138,172</u>	<u>140,694</u>
Expenditure on:			
Charitable activities			
Productions, sales and operations	8	(115,619)	(114,052)
Raising Funds			
Generating voluntary income	10	(5,088)	(4,823)
Commercial activities	11	(11,019)	(11,345)
Interest payable	14,24	(64)	(71)
Total expenditure	14	<u>(131,790)</u>	<u>(130,291)</u>
Net income before taxation		6,382	10,403
Taxation	34	-	-
Net income after taxation		<u>6,382</u>	<u>10,403</u>

The consolidated income and expenditure account is prepared for Companies Act purposes and presents the group's gross income and expenditure. The consolidated statement of financial activities includes the consolidated income and expenditure account along with movements in endowment funds and unrealised gains and losses and actuarial gains and losses on pension liability.

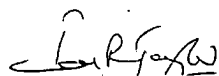
Notes from pp. 57–84 form part of the financial statements.

Consolidated balance sheet
as at 26 August 2018

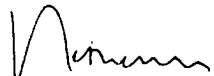
	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	26 August 2018 Total Funds £'000	27 August 2017 Total Funds £'000
Fixed assets						
Intangible fixed assets	18	1,555	-	-	1,555	1,191
Tangible fixed assets	19	189,849	11,153	-	201,002	181,819
Heritage assets	21	11,550	-	-	11,550	10,600
Investments	20(a)	-	-	36,645	36,645	33,854
Total fixed assets		202,954	11,153	36,645	250,752	227,464
Current assets						
Productions in preparation		1,802	-	-	1,802	2,511
Stocks	22	580	-	-	580	568
Debtors: amounts falling due after more than one year	23	1,755	-	5,430	7,158	9,844
Debtors: amounts falling due within one year	23	15,506	774	9	16,289	24,248
Cash at bank and in hand		28,830	2,162	-	30,992	23,835
Short term Investments: Deposits	32	10,500	-	-	10,500	14,000
		58,973	2,936	5,439	67,348	75,006
Creditors: amounts falling due within one year	24	(42,749)	2,427	(2,016)	(42,338)	(34,909)
Net current assets		16,224	5,363	3,423	25,010	40,097
Total assets less current liabilities		219,178	16,516	40,068	275,762	267,561
Creditors: amounts falling due after one year	24	-	(1,443)	-	(1,443)	(1,482)
Net assets excluding pension liability		219,178	15,073	40,068	274,319	266,079
Defined benefit pension scheme liability	29	(19,659)	-	-	(19,659)	(23,126)
Net assets including pension liability		199,519	15,073	40,068	254,660	242,953
Funds						
Unrestricted General funds	25	4,399	-	-	4,399	4,278
Unrestricted Revaluation funds	25	2,447	-	-	2,447	1,496
Unrestricted Designated funds	25	212,332	-	-	212,332	200,647
Unrestricted Funds before pension reserve		219,178	-	-	219,178	206,421
Unrestricted pension reserve	29	(19,659)	-	-	(19,659)	(23,126)
Restricted funds	25	-	15,073	-	15,073	20,590
Endowment funds	25	-	-	40,068	40,068	39,068
Total funds		199,519	15,073	40,068	254,660	242,953

These financial statements were approved by the board of Trustees on 26 February 2019 and were signed on its behalf by:

IAN TAYLOR
Trustee



JULIAN METHERELL
Trustee



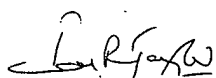
Notes from pages 57–84 form part of these financial statements.

Parent charitable company balance sheet
as at 26 August 2018

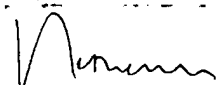
	Note		26-Aug-18	27-Aug-17
		Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Fixed assets				
Intangible fixed assets	18	1,384	-	995
Tangible fixed assets	19	189,849	11,153	181,819
Heritage assets	21	11,550	-	10,600
Investment in subsidiaries	20(b)	6,676	-	6,676
Total fixed assets		209,459	11,153	220,612
Current assets				
Productions in preparation		1,802	-	2,511
Debtors: amounts falling due after more than one year	23	1,000	-	4,500
Debtors: amounts falling due within one year	23	15,742	816	24,837
Cash at bank and in hand		27,465	-	21,894
Short term Investments: Deposits	32	10,500	-	14,000
		56,509	816	67,742
Creditors: amounts falling due within one year	24	(40,992)	-	(33,793)
Net current assets		15,517	816	33,949
Total assets less current liabilities		224,976	11,969	234,039
Creditors: amounts falling due after one year	24	-	(1,443)	(1,482)
Net assets excluding pension liability		224,976	10,526	232,557
Defined benefit pension scheme liability	29	(19,659)	-	(23,126)
Net assets including pension liability		205,317	10,526	209,431
Funds				
Unrestricted General funds	25	4,424	-	4,347
Unrestricted Revaluation funds	25	2,447	-	1,496
Unrestricted Designated funds	25	218,105	-	206,419
Unrestricted Funds before pension		224,976	-	212,262
Unrestricted pension reserve	29	(19,659)	-	(23,126)
Restricted funds	25	-	10,526	20,295
Total Charity funds		205,317	10,526	209,431

These financial statements were approved by the board of Trustees on 26 February 2019 and were signed on its behalf by:

IAN TAYLOR
Trustee



JULIAN METHERELL
Trustee



Notes from pages 57–84 form part of these financial statements.

Consolidated statement of cash flows
for the 52-week period ended 26 August 2018

	Note	52-week period ended 27-Aug-18	52-week period ended 27-Aug-17
		£'000	£'000
Cash inflow from operating activities	30(a)	32,565	12,196
Cash outflow from investing activities	30(b)	(25,306)	(8,682)
Cash (outflow)/inflow from financing activities	30(c)	(102)	-
Change in cash and cash equivalents in the reporting period		7,157	3,514
Cash and cash equivalents at the beginning of the reporting period		23,835	20,321
Cash and cash equivalents at the end of the reporting period		30,992	23,835

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:

Basis of preparation

The financial statements have been prepared in accordance with FRS102: The Financial Reporting Standard applicable in the UK and Republic of Ireland and under the historical cost convention, modified to include the revaluation of investments and heritage assets, and in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" applicable to charities preparing their accounts in accordance with the Financial Reporting Standard in the UK and Republic of Ireland (FRS102) (effective 1 January 2015) and Companies Act 2006. There are no material departures from FRS102.

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 2022. The Trustees believe that despite the drop in funding the group will continue in operational existence for the foreseeable future and be in a position to continue to meet its liabilities as they fall due for at least 12 months from signing these financial statements.

Comparative figures are shown for the 52-week period ended 27 August 2017.

Basis of consolidation

The consolidated statement of financial activities and balance sheet include the financial statements of the charity (Royal Opera House Covent Garden Foundation (Limited by Guarantee), incorporated in the United Kingdom with registered address and principal address of Royal Opera House, Covent Garden, London WC2E 9DD) and its subsidiaries as set out in Note 20(b). All subsidiary results are presented for their statutory financial period, which falls within three months of the year end of the charity. The results of the ROH Holdings Limited Group and Royal Opera House Enterprises Limited (Company Number 4112266) have been included in the consolidated statement of financial activities throughout the period. ROH Holdings Limited (Company Number 2580395) is the holding company of ROH Developments Limited (Company Number 2580400). In the charity's financial statements, the investment in subsidiary undertakings is stated at cost.

The Royal Opera House Endowment Fund 2000 (Charity Registration Number 1089928) has also been consolidated in full throughout the period. Since its inception the Fund has been able to make grants (directly or indirectly) for the benefit of the Royal Opera House. The extent to which the Royal Opera House benefits from the Royal Opera House Endowment Fund 2000 and the extent of grants and consideration of grants to other bodies has been reviewed annually by the Trustees since its creation. Since the beginning of the period ended 25 March 2007, the Trustees have considered it appropriate to consolidate the Royal Opera House Endowment Fund 2000 into the Royal Opera House Covent Garden Foundation Group (formerly the Royal Opera House Covent Garden Limited Group). In the Trustees' view, Royal Opera House Covent Garden Foundation has control in that it actually exercises dominant influence over the Royal Opera House Endowment Fund 2000, through influencing the operating and financial policies for the benefit of the ROH and both entities are managed on a unified basis. Also, the objects of Royal Opera House Endowment Fund 2000 are substantially confined to the benefit of Royal Opera House Covent Garden Foundation.

A separate Statement of Financial Activities, or income and expenditure account, has not been presented for the charity in accordance with Section 408 of the Companies Act 2006. The income and expenditure of the charity are detailed in note 25. A separate cash flow statement has not been presented for the charity in accordance with FRS 102 section 1.12(b).

Public Benefit Entity

The Royal Opera House Covent Garden Foundation (Limited by Guarantee) is a Public Benefit Entity under FRS102.

Significant judgements and key sources of estimation uncertainty

Management have exercised their judgement and estimation in the following areas:

Determining that the fair value of the leased commercial units at the inception of the leasing arrangement amounts to the initial payments paid by the third party and the present value of rent receipts over the term of the lease and determining that the residual value of the leased units at the end of the lease term is negligible when discounted to present value. See Note 23 for carrying values for the current and prior periods.

Assessing the useful lives of tangible fixed assets (see **Tangible fixed assets and depreciation** below) as well as any impairment provision required for those assets. See Note 19 for carrying values for the current and prior periods.

The valuation method of heritage assets. See **Heritage assets** below and Note 21 for more details and for carrying values for the current and prior periods.

The decision to include ROH Endowment Fund 2000 in the Group Consolidation. See **Basis of consolidation** above.

That the rate payable on the intragroup loan payable from Royal Opera House Enterprises Limited to Royal Opera House Covent Garden Foundation Limited approximates a commercial rate of interest and that, given the decision to continue not to demand immediate payment, that the long term portion of the loan continue to be disclosed in **Debtors: amounts due after more than one year** (see Note 23).

In addition, the pension actuarial assumptions (see **Pension Costs** below and Note 29) are areas of significant judgement.

Functional Currency

The Group operates primarily economically in the UK and the functional currency as well as the reporting currency is the pound sterling.

Income

Box office and other income from the operation of the Royal Opera House 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.

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

Grants, donations and legacies are accounted for when the receipt is probable, there is evidence of entitlement and can be measured reliably. Entitlement is assessed using performance and time-restriction conditions.

Sponsorship income represents income from commercial organisations in support of specific activities. Income is recognised at the point of delivery of goods or services.

Grants from Arts Council England are recognised on entitlement and when their receipt is probable.

Commercial trading income and other income is recognised at the point of delivery of goods or services.

Investment income is recognised on an accruals basis. Specifically, interest is recognised using the effective interest method and dividend income is recognised when the right to receive payment is established.

Amounts due to the Royal Opera House in respect of the Theatre Tax Credit is included in the financial year to which the claim relates. These amounts are recognised in income, rather than as a tax credit or recovery of expenditure, as the intention and nature of the Theatre Tax Credit is akin to government grant income.

Payment from a trading subsidiary under Gift Aid

Royal Opera House Enterprises Limited has adopted a policy of paying all its taxable profits to its parent charity, Royal Opera House Covent Garden Foundation, under Gift Aid. These gift aid payments are recognised in Royal Opera House Enterprises Limited as distributions through equity in the financial period in which the profits arise, under the terms of the Deed of Covenant between Royal Opera House Enterprises Limited and Royal Opera House Covent Garden Foundation.

Assets

Assets are resources which are controlled by the company as a result of a past event, from which future economic benefits are expected to flow to the Charity. Assets are recognised only when it is probable that future economic benefits will flow to the Charity when the item has a cost or value that can be measured reliably.

Debtors

Debtors fall into the definition of assets and encompass trade debtors, accrued income, prepayments and intra-group balances. Debtors are measured at the cost of the transaction where receipt is not deferred beyond normal terms. Where receipt is deferred beyond normal terms, the debtor is measured at the present value of the future receipts discounted at a market rate of interest for a similar debt instrument. In both instances, measurement is net of provision for doubtful debts.

Liabilities

Liabilities arise when there is a present obligation (legal or constructive) as a result of a past event, from which future economic benefits are expected to flow to the supplier or counterparty. Liabilities are recognised only when it is probable that future economic benefits will flow to the supplier or counterparty and when the item has a cost or value that can be measured reliably. Contracted commitments are not recorded as liabilities on the balance sheet, as the criteria for recognition have not been met. Commitments are disclosed in notes 28(b) and 28(c).

Creditors

Creditors fall into the definition of liabilities and encompass trade creditors, accruals for costs not yet billed or processed, deferred income and intra-group balances. Creditors are measured at the cost of the transaction where payment is not deferred beyond normal terms. Where payment is deferred beyond normal terms, the creditor is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Fund accounting

Unrestricted funds are those that can be used in accordance with the charitable objectives at the discretion of the Trustees and include designated funds, representing unrestricted funds which have been earmarked for particular purposes.

Restricted funds are to be used in accordance with charitable objects and specific restrictions placed by the donor. Restricted funds have been further subdivided into restricted income funds and endowment funds.

Restricted income funds are expendable at the discretion of the Trustees on specific purposes as required by donors.

Endowment funds represent those assets that are required to be invested to produce income to meet expenditure, either as directed by the endowment or for general purposes.

A transfer is made between restricted capital funds, representing tangible fixed assets required to be held for restricted purposes, and unrestricted funds to match depreciation charged on those tangible fixed assets.

Cash at bank and in hand

Cash at bank and in hand includes cash equivalents which are defined as short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. These include deposits with more than 24 hours' notice to access. Any cash deposits at institutions with a notice period of longer than three months are separately disclosed under Short term investments: Deposits.

Short term investments: Deposits

Cash deposits with notice periods of more than three months are separately disclosed on the balance sheet and included in investing activities for the purposes of the cash flow statement. These have a maturity date of less than one year and are held for investment purposes rather than to meet short-term cash commitments as they fall due.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Tangible fixed assets costing less than £1,500 are not capitalised and are expensed through the income and expenditure account. 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	1–10%
Equipment and vehicles:	2–33%
Stage, production and technical equipment	2–20%
Other equipment	2–25%
Computer hardware	33%
Motor vehicles	25%

Assets in course of construction are transferred to functional tangible fixed asset categories when the asset is ready for use and depreciated thereafter.

Heritage assets

The Royal Opera House maintains the following types of heritage assets:

- Fine art
- Costumes and accessories
- Other collections

Heritage assets are carried at fair value. Fair value of the fine art collection is based on retail replacement cost. Management have made reference to the latest available external valuations in forming their assessment of period end fair value. Gains and losses on revaluation are recognised through 'Other recognised gains' in the Statement of Financial Activities.

The Royal Opera House only recognises new acquisitions on the Balance Sheet where the value of these acquisitions is greater than £10,000. Purchases under £10,000 are recognised as an expense in the income and expenditure account in the period they were incurred.

Expenditure which is required to preserve or prevent further deterioration of individual collection items is recognised in the income and expenditure account when it is incurred. The Collections department has a rolling programme of review and restoration and the budget put aside for this on an annual basis is £15,000.

Investments

Investments, excluding investments in subsidiaries, are shown at fair value as at the balance sheet date. Realised and unrealised gains on investments are recognised in the income and expenditure account.

Investments in subsidiaries are recorded at cost in the individual balance sheet of the charity.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the exchange rate ruling at balance sheet date. Transactions in foreign currency are translated at the exchange rate ruling at that date of the transaction.

Foreign currency gains and losses are recognised as resources expended in the income and expenditure account.

Intangible fixed assets

Intangible fixed assets include investment in programming costs and computer software.

Investment in programming costs are capitalised and amortised over their expected useful life, which is up to two years depending on format and the terms of licences acquired. The costs capitalised are third party costs that include capture costs, post-production costs, rights clearances 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 expensed in the income and expenditure account.

Computer software is stated at cost less accumulated amortisation. Computer software costing less than £1,500 is not capitalised and is expensed through the income and expenditure account. Amortisation is provided at an annual rate of 33% on a straight-line basis to write off the cost of the computer software over its estimated useful life. Computer software in course of construction is transferred to the intangible asset category when the asset is ready for use, and amortised thereafter.

Basic Loans

Loans payable are included at their amortised cost and disclosed in Note 24. The long term portion is included in Creditors: amounts falling due after one year with the current portion included in Creditors: amounts falling due within one year.

Loans receivable are included at their amortised cost and disclosed in Note 23. The long term portion is included in Debtors: Amounts due after one year with the current portion included in Debtors: amounts due within one year.

Expenditure

Expenditure on charitable activities comprises expenditure on 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 costs of production and sales on the day of the first performance. Expenditure 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.'

Expenditure on raising funds consist of direct fundraising costs and costs of commercial trading operations. These costs are recognised when incurred.

Support costs, including management and administration, and premises and depreciation costs have been allocated across expenditure on production, sales and operation, and expenditure on raising funds. Support costs are analysed in note 13.

On occasion, management decides to make redundancy or termination payments for operational reasons. These are expensed in the SOFA on an accruals basis.

Governance costs, including audit fees and legal and professional fees on statutory and governance matters, are allocated across expenditure on productions, sales and operation, and expenditure on raising funds. These are analysed in note 12.

Interest payable is shown separately in the Statement of Financial Activities and in note 24.

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

Leases

As a lessee: Operating lease rentals are charged to the Statement of Financial Activities on a straight line basis over the period of the lease.

As a lessor: Finance leases are leases in which substantially all the risks and rewards of ownership, other than legal title, are transferred to the lessee. Assets acquired and held for use under finance leases are presented as a debtor at an amount equal to the net investment in the lease. Finance income is subsequently recognised at a constant periodic rate of return on that net investment. Contingent rentals arising under finance leases are recognised on receipt.

Pension costs

The charity operates a pension scheme providing benefits based on final pensionable pay, which is now closed to future accrual. Pension scheme assets are measured at fair value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability method. The pension scheme liability is disclosed on the balance sheet within unrestricted funds. The actuarial gain or 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 expenditure on productions, sales and operations. These movements are analysed in detail in note 29.

The group also contributes to five defined contribution schemes for dancers, singers, musicians, and administration staff. The amounts charged to the Statement of Financial Activities represent the contributions payable to the schemes during the period. The amounts are shown in the Statement of Financial Activities in the same activity as the payroll costs which relate to that activity. For amounts which relate to payroll costs within support costs, these are allocated to the relevant activity on the same basis as other support costs (see Note 13).

Any liabilities for unpaid contributions at year end are included in unrestricted creditors in the balance sheet.

Stocks

Retail items are included at the lower of cost and net realisable value.

Productions in preparation

Expenditure relating directly to a production which is incurred in advance of its staging, such as commissioning, build costs and stocks of production materials, are held in the first instance on the balance sheet and disclosed under the heading 'Productions in preparation.' These costs are subsequently charged to the income and expenditure account in the period in which the production's first performance takes place.

Gifts in kind

Investments and other assets donated to the charity are included as donated voluntary income valued at market value at the time of receipt.

Volunteers

The Royal Opera House Group benefits from the role played by volunteers which includes assisting in certain learning and participation activities, helping with large mail-outs and some general administrative support. The Royal Opera House Volunteer Programme includes a number of volunteers in Thurrock. Donated services such as the contribution from unpaid volunteers are not recognised in the Statement of Financial Activities as the amounts involved would be impractical to measure.

Financial Instruments

Financial instruments are accounted for in accordance with FRS102. Financial instruments are recognised only when the Group and Charity becomes a party to the contractual provisions of the instrument.

The initial amount recognised is the transaction price, except for financing transactions (for example, loans below market rate or accounts where payment is deferred beyond normal terms) where the amount recognised initially is the present value of the future payments, discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost using the effective rate of interest determined at inception of the loan.

Subsequent measurement at each year end for non-financing transactions is:

- (i) undiscounted cash receivable or payable for debt instruments due or receivable within one year (this includes intra-group balances, apart from intra-group loans, which are deemed to be repayable on demand); or
- (ii) amortised cost using the effective interest rate method for debt instruments due or receivable for more than one year; or
- (iii) fair value for investments in publicly traded shares, funds and bonds.

For financial assets measured at amortised cost, an impairment assessment is conducted at year end and if there is any objective evidence of an impairment loss, that loss is recognised in the Statement of Financial Activities immediately. Where there is subsequently objective evidence that the circumstances have improved, the impairment loss is reversed in the Statement of Financial Activities immediately, limited to what the carrying amount would have been without the initial impairment.

A financial asset and a financial liability is offset and the net amount presented in the Balance Sheet when, and only when, (a) there is currently a legally enforceable right to set off the recognised amounts; and (b) there is intention either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial instruments are disclosed in Note 31. See policies above for specific policies for cash at bank and in hand, debtors, creditors, investments and basic loans.

Taxation

As a charitable entity, the Royal Opera House Covent Garden Foundation (Limited by Guarantee) is exempt from corporate taxation. There are no recognised deferred tax amounts in the subsidiaries as there are no recognised significant timing differences.

2. Subsidiary undertakings

Charitable subsidiaries

The charity has one charitable subsidiary – the Royal Opera House Endowment Fund 2000. The Royal Opera House Endowment Fund 2000 is a connected charity.

Royal Opera House Endowment Fund 2000 (the "Endowment Fund") 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 forms. It is a separately registered charity, and its board has a majority of Trustees who are independent of the Royal Opera House.

The summary results for the Endowment fund are shown below:

	Endowment Fund	
	Year Ended 31-Aug-18	Year Ended 31-Aug-17
	£'000	£'000
Income		
Donations, legacies and similar income	5,422	639
Investment income	1,676	1,675
Expenditure		
Cost of sales and administrative expenses	(29)	(25)
Donations and grants to other group undertakings	(2,472)	(1,641)
Investment managers' fees	(237)	(232)
Gains on revaluation and disposal of investments	936	580
Net movement in funds	5,296	996

The assets and liabilities of the Endowment fund were:

	Endowment Fund	
	31-Aug-18	31-Aug-17
	£'000	£'000
Fixed asset investments	36,645	33,854
Current assets	8,773	6,856
Current liabilities	(206)	(794)
Total net assets	45,212	39,916
Total funds	45,212	39,916

Except for fixed asset investments, which at 26 August 2018 had an historical cost of £29.6m (27 August 2017: £25.8m) there is no difference between the carrying values and their historical cost equivalents.

Trading subsidiaries

The charity has two trading subsidiaries – ROH Holdings Limited and Royal Opera House Enterprises Limited.

Royal Opera House Enterprises Limited ("ROHEL") is a wholly owned trading subsidiary, whose principal activities are 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. The charity owns the entire issued share capital. The reporting date of ROHEL is the same as the charity's, which falls on the last Sunday in August each year.

ROH Holdings is a holding company and has one wholly owned subsidiary, ROH Developments Limited, a property development company. The ROH Holdings Group prepares its accounts to 31 August each year.

Summary trading results of all trading subsidiaries are shown below:

	ROHEL		ROHHL	
	52-week period ended 26-Aug-18 £'000	52-week period ended 27-Aug-17 £'000	52-week period ended 31-Aug-18 £'000	52-week period ended 31-Aug-17 £'000
Turnover	17,540	17,744	5	5
Cost of sales	(12,160)	(11,930)	(5)	(5)
Gross profit	5,380	5,814	-	-
Administration and financial expenses	(1,355)	(1,349)	-	-
Taxation	-	826	-	-
Net profit for the period	4,025	5,291	-	-
Donations under the gift aid scheme	(4,025)	(5,241)	-	-
Retained result in subsidiary for the period	-	50	-	-

The assets and liabilities of each trading subsidiary were:

	ROHEL		ROHHL	
	26-Aug-17 £'000	27-Aug-17 £'000	31 August 2017 £'000	31 August 2017 £'000
Intangible fixed assets	171	196	320	320
Current assets	3,919	4,361	17	10
Current liabilities	(2,914)	(3,181)	(17)	(10)
Non-current liabilities	(1,200)	(1,200)	-	-
Total net assets	176	176	320	320
Aggregate share capital and reserves	176	176	320	320

3. Income from operation of Royal Opera House

	52-week period ended 26-Aug-18 £'000	52-week period ended 26-Aug-18 £'000	52-week period ended 27-Aug-17 £'000	52-week period ended 27-Aug-17 £'000
Unrestricted funds:				
Box office receipts:				
The Royal Opera	29,087		28,454	
The Royal Ballet	16,372		14,555	
		45,459		43,009
Other income:				
Publications	835		829	
Other	7,484		6,536	
Theatre Tax Credit	6,959		6,363	
		15,278		13,728
UK total		60,737		56,737
Overseas touring receipts		350		823
		61,087		57,560

Other income includes £7.484m (52-week period ended 27 August 2017: £6.536m). This represents box office receipts from productions, other than those on the main stage, co-production income and income from production and costume hires, income from audio-visual exploitation, income from learning and participation, income from ice-cream sales and backstage tours and other income from sundry sources. Theatre tax credit of £6.959m (52-week period ending 27 August 2017: £6.363m) included £0.298m related to the prior year.

4. Grants from Arts Council England

	52-week period ended 26-Aug-18 £'000	52-week period ended 27-Aug-17 £'000
Unrestricted funds:		
Arts Council England - grant-in-aid	24,462	24,772
Restricted funds:		
Arts Council England - Bridge funding	727	727
Arts Council England - China skills exchange	-	180
Arts Council England - Large capital grant	-	877
	727	1,784

5. Donations, legacies and similar incoming resources

	Unrestricted Funds	Restricted Funds	Endowment Funds	52-week period ended 26-Aug-18
	£'000	£'000	£'000	£'000
Membership	7,471	-	-	7,471
Events	792	-	-	792
Donations, gifts and legacies	2,970	23,495	97	26,562
	11,233	23,495	97	34,825

	Unrestricted Funds Restated	Restricted Funds Restated	Endowment Funds Restated	52-week period ended 27-Aug-17
	£'000	£'000	£'000	£'000
Membership	7,301	-	-	7,301
Events	1,238	-	-	1,238
Donations, gifts and legacies	2,019	27,982	332	30,333
Grants	-	65	-	65
	10,558	28,047	332	38,937

Other forms of government assistance, apart from Arts Council England, included grants from the Thurrock Borough Council and other government agencies for learning and participation projects of £0.2m (52-week period ended 27 August 2017: £0.4m) and an Education, Audiovisual and Culture Executive Agency grant of nil (52-week period ended 27 August 2017: £65k) for the European Opera Digital Project, administered by Opera Europa, for live-streaming opera performances.

6. Commercial Trading Income

	52-week period ended 26-Aug-18	52-week period ended 27-Aug-17
	£'000	£'000
Unrestricted funds		
Catering	7,122	7,681
Sponsorship	2,256	2,532
Sales of audio-visual materials	1,335	1,664
Cinema broadcast	2,576	2,166
Retail	470	472
Promotions and summer season	680	702
Advertising	472	471
Property recharges	392	390
Licensing	56	60
	15,359	16,138

The Open Up Project adversely impacted trading in catering and retail, as turnover reduced compared to the prior year which had been anticipated. Improvements to our cinema distribution model delivered increased income as compared to the prior year.

7. Investment income

	Unrestricted Funds	Restricted Funds	Endowment Funds	52-week period ended 26-Aug-18
	£'000	£'000	£'000	£'000
Dividend and interest income	697	805	-	1,502
Finance lease interest income	270	-	-	270
Contingent rents	37	-	-	37
	<u>1,004</u>	<u>805</u>	<u>-</u>	<u>1,809</u>
	Unrestricted Funds	Restricted Funds	Endowment Funds	52-week period ended 28-Aug-17
	£'000	£'000	£'000	£'000
Dividend and interest income	718	810	-	1,528
Finance lease interest income	270	-	-	270
Contingent rents	37	-	-	37
	<u>1,025</u>	<u>810</u>	<u>-</u>	<u>1,835</u>

Dividend and interest income is earned on funds managed (for the Royal Opera House Endowment Fund 2000) by the investment managers Stonehage Fleming Investment Management Limited, Troy Asset Management Limited and Newton Investment Management Limited, and as well as interest received on bank deposits. Finance lease interest income is derived from the leases for the retail units on the site of the Royal Opera House.

8. Expenditure on productions, sales and operations

	Unrestricted Funds	Restricted Funds	Endowment Funds	52-week period ended 26-Aug-18
	£'000	£'000	£'000	£'000
The Royal Opera	19,793	-	-	19,793
The Royal Ballet	11,587	-	-	11,587
Orchestra of the Royal Opera House	10,916	-	-	10,916
Royalties and hire fees	1,329	-	-	1,329
Production	1,868	13,003	-	14,871
Stage and transport	12,874	-	-	12,874
Touring expenses	560	-	-	560
Other production and sales costs	6,909	-	-	6,909
Front of House	1,634	-	-	1,634
Marketing and publicity	6,686	50	-	6,736
Education, archives and live relays	3,400	699	-	4,099
Support costs (note 13)	24,303	123	-	24,426
Grants (note 9)	10	-	-	10
Gain on pension scheme	(125)	-	-	(125)
	<u>101,744</u>	<u>13,875</u>	<u>-</u>	<u>115,619</u>

8. Expenditure on productions, sales and operations (continued)

	Unrestricted Funds Restated £'000	Restricted Funds Restated £'000	Endowment Funds Restated £'000	52-week period ended 27-Aug-17 £'000
The Royal Opera	20,232	-	-	20,232
The Royal Ballet	11,754	-	-	11,754
Orchestra of the Royal Opera House	10,404	-	-	10,404
Royalties and hire fees	1,450	-	-	1,450
Production	1,595	12,932	-	14,527
Stage and transport	12,528	-	-	12,528
Touring expenses	783	-	-	783
Other production and sales costs	5,626	65	-	5,691
Front of House	1,491	-	-	1,491
Marketing and publicity	6,585	-	-	6,585
Education, archives and live relays	3,371	730	-	4,101
Support costs (note 13)	24,365	60	-	24,425
Grants (note 9)	10	-	-	10
Expense on pension scheme	71	-	-	71
	100,265	13,787	-	114,052

The employer cash contribution to the defined benefit pension scheme is included in the expenditure on productions, sales and in operations in the Unrestricted fund in the Statement of Financial Activities. The expense on the pension scheme above, which is recognised in the Unrestricted pension reserve in note 25, represents the difference between the cash contributions and the expense in the Statement of Financial Activities as calculated by the Scheme's actuary (refer to note 29).

9. Grants

	52-week period ended 26-Aug-18 £'000	52-week period ended 27-Aug-17 £'000
Unrestricted funds		
Grant to Royal Ballet School	10	10
	10	10

Grants made are in furtherance of the charity's objectives.

10. Expenditure on generating voluntary income

	Unrestricted Funds	Restricted Funds	Endowment Funds	52-week period ended 26-Aug-18
	£'000	£'000	£'000	£'000
Fundraising staff costs	1,614	-	-	1,614
Fundraising overheads	2,259	141	-	2,400
Support costs	1,074	-	-	1,074
	<u>4,947</u>	<u>141</u>	<u>-</u>	<u>5,088</u>

	Unrestricted Funds Restated	Restricted Funds Restated	Endowment Funds Restated	52-week period ended 27-Aug-17
	£'000	£'000	£'000	£'000
Fundraising staff costs	1,593	-	-	1,593
Fundraising overheads	2,059	137	-	2,196
Support costs	1,034	-	-	1,034
	<u>4,686</u>	<u>137</u>	<u>-</u>	<u>4,823</u>

11. Expenditure on commercial activities

	52-week period ended 26-Aug-18	52-week period ended 28-Aug-16
	£'000	£'000
Unrestricted funds		
Retail costs	321	288
Sponsorship costs	518	1,066
Audio visual recording, production and distribution costs	1,115	1,011
Cinema broadcast costs	1,485	1,428
Property recharges	392	390
Catering costs	6,051	6,574
Other commercial costs	1,137	588
	<u>11,019</u>	<u>11,345</u>

12. Governance costs

	52-week period ended 26-Aug-18 £'000	52-week period ended 27-Aug-17 £'000
Unrestricted funds		
External audit (see note 14)	95	93
Legal and professional costs	391	273
	<u>486</u>	<u>366</u>

13. Allocation of support costs

	Expenditure on production, sales and operations (note 8) 26-Aug-18 £'000	Expenditure on generating voluntary income (note 10) 26-Aug-18 £'000	Total 52-week period ended 26-Aug-18 £'000
Management and administration	6,142	270	6,412
Premises	10,946	481	11,427
Depreciation, amortisation and impairment	6,872	302	7,174
External audit	91	5	96
Legal and professional costs	375	16	391
	<u>24,426</u>	<u>1,074</u>	<u>25,500</u>

	Expenditure on production, sales and operations (note 8) 27-Aug-17 £'000	Expenditure on generating voluntary income (note 10) 27-Aug-17 £'000	Total 52-week period ended 27-Aug-17 £'000
Management and administration	5,574	236	5,810
Premises	10,269	435	10,704
Depreciation and amortisation	8,231	348	8,579
External audit	89	4	93
Legal and professional costs	262	11	273
	<u>24,425</u>	<u>1,034</u>	<u>25,459</u>

Directly attributable support costs are allocated to governance costs where appropriate. The remaining support costs are pro-rated between the key cost driving areas: expenditure on productions, sales and operations and expenditure on raising funds, based on their proportional costs to the overall costs.

14. Total expenditure

Net income/(expenditure) is stated after charging the following:

	52-week period ended 26-Aug-18 £'000	52-week period ended 27-Aug-17 £'000
Fees payable to the charitable company's auditor for the audit of the charitable company's annual accounts	70	68
Fees payable to the charitable company's auditor for other services:		
Audit of the charitable company's subsidiaries, pursuant to legislation	25	25
Depreciation and other amounts written off:		
Tangible fixed assets – owned (note 19)	6,948	7,089
Amortisation of intangible fixed assets (note 18)	2,265	1,877
Impairment of tangible fixed assets – owned (note 19)	-	1,131
Operating leases – land and buildings	124	259
Interest payable	64	71

15. Gross transfers between funds

	Notes	Unrestricted General Fund £'000	Unrestricted Designated Fund £'000	Restricted Funds £'000	Endowment Funds £'000	52-week period ended 26-Aug-18 £'000
Gross transfers between funds		£'000	£'000	£'000	£'000	£'000
Depreciation and Amortisation	15(a)	233	-	(233)	-	-
Fixed Asset Fund	15(b)	(1,916)	17,506	(15,590)	-	-
Other Designated Funds	15(c)	5,072	(5,072)	-	-	-
Other Restricted Funds	15(d)	-	-	-	-	-
Endowment	15(e)	1,487	-	(1,487)	-	-
		4,876	12,434	(17,310)	-	-

15. Gross transfers between funds (continued)

	Notes	Unrestricted General Fund	Unrestricted Designated Fund	Restricted Funds	Endowment Funds	52-week period ended 27-Aug-17
Gross transfers between funds		£'000	£'000	£'000	£'000	£'000
Depreciation and Amortisation	15(a)	388	-	(388)	-	-
Fixed Asset Fund	15(b)	4,357	12,387	(16,744)	-	-
Other Designated Funds	15(c)	(900)	900	-	-	-
Other Restricted Funds	15(d)	1,127	-	(1,127)	-	-
Endowment	15(e)	633	-	(633)	-	-
		5,605	13,287	(18,892)	-	-

(a) Depreciation of £0.2m (52-week period ended 27 August 2017: £0.4m) was 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 Bob and Tamar Manoukian Production Workshop and the Bob and Tamar Manoukian Costume Centre.

(b) A net transfer of £1.9m (52-week period ended 27 August 2017: £4.4m transfer to) was made from the Unrestricted General Fund. There was a transfer from the Restricted Funds of £15.6m, representing amounts expended on the Open Up Project and other restricted capital projects during the period (52-week period ended 27 August 2017: £16.7m). This was exceeded by a transfer of £17.5m to the Unrestricted Fixed Asset Fund from the Unrestricted General Fund, representing a transfer for the net increase in the charity's tangible fixed assets, excluding the Open Up Project (52-week period ended 27 August 2017: £12.3m).

(c) A net transfer of £5.1m (52-week period ended 27 August 2017: £0.9m transfer to) was made from other designated funds. A transfer was made from other designated funds from Unrestricted General Funds of £5.1m representing use of funds which was planned for the 2017/18 season.

(d) A transfer of £1.1m was made in 2016/17 was made to Unrestricted Funds from Restricted Funds from the Arts Council England Capital Fund representing the Large Capital Grant received and expended on capital additions during the period (£0.9m) and the Conservatory Fund donation received and expended on capital additions during the period (£0.2m).

(e) Transfers of £1.5m (52-week period ended 27 August 2017: £0.6m) were made to Unrestricted General Funds from Restricted Funds.

16. Staff numbers and costs

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

	Number of staff	
	52-week period ended 26-Aug-18	52-week period ended 27-Aug-17
Production	449	444
Orchestra	126	127
Royal Ballet	141	141
Royal Opera	88	91
Sales and marketing	83	85
Management and administration	103	99
Fundraising	35	35
Education and collections	35	37
Premises	5	5
Opus Arte	6	6
Shop	7	7
	1,078	1,077

The aggregate payroll costs of these persons were as follows:

	52-week period ended 26-Aug-18	52-week period ended 27-Aug-17
	£'000	£'000
Payroll Costs		
Wages and salaries	48,495	47,474
Social security costs	5,780	5,567
Other pension costs, of which:	4,056	4,047
-contributions to defined contribution pension schemes	2,964	2,982
-operating costs of defined benefit pension scheme	1,092	1,065
	58,331	57,088

The average salary cost per employee (£44,986) is a small increase compared to prior period (£44,080) and includes our pay award for the year (on average, 2%) and increase for the London Living Wage. Included in the wages and salaries are termination and redundancy payments of £345,950 (for 52-week period ended 27 August 2017: £748,979).

16. Staff numbers and costs (continued)

The emoluments of all employees, including employees whose emoluments exceeded £60,000 for the period, fell within the following bands:

		Number of staff 52-week period ended 26-Aug-18			Number of staff 52-week period ended 27-Aug-17		
		Performers	Artistic and General Management	Total	Performers	Artistic and General Management	Total
up to	£59,999	179	745	924	202	734	936
£60,000	- £69,999	49	17	66	45	20	65
£70,000	- £79,999	24	8	32	25	11	36
£80,000	- £89,999	18	6	24	5	5	10
£90,000	- £99,999	6	2	8	3	1	4
£100,000	- £109,999	-	2	2	4	5	9
£110,000	- £119,999	2	1	3	1	-	1
£120,000	- £129,999	4	1	5	3	1	4
£130,000	- £139,999	3	1	4	2	-	2
£140,000	- £149,999	1	1	2	2	1	3
£150,000	- £159,999	1	2	3	-	3	3
£160,000	- £169,999	1	1	2	-	-	-
£170,000	- £179,999	-	-	-	-	-	-
£180,000	- £189,999	-	-	-	-	1	1
£190,000	- £199,999	-	1	1	-	1	1
£230,000	- £239,999	-	-	-	-	-	-
£250,000	- £259,999	-	-	-	-	-	-
£260,000	- £269,999	-	-	-	-	-	-
£280,000	- £289,999	-	-	-	-	1	1
£290,000	£299,999	-	1	1	-	-	-
£610,000	- £619,999	-	1	1	-	-	-
£730,000	- £739,999	-	-	-	-	-	-
£790,000	- £799,999	-	-	-	-	1	1
		288	790	1,078	292	785	1,077

Emoluments comprise wages and salaries together with benefits in kind.

For employees in bandings from £60,000 and above, contributions of £848,045 (for 52-week period ended 27 August 2017: £794,276) were made during the period to defined contribution pension schemes. Retirement benefits were accruing to 145 (27 August 2017: 141) of the above employees under defined contribution pension schemes, and to nil (27 August 2017: nil) under a defined benefit pension scheme.

Emoluments for the five key management personnel are as follows:

	Salary (£)	Fees (£)	Total Emoluments (£)	Pension (£)	National Insurance (£)	52-week period ended 26-Aug-18 Total (£)
Sir Antonio Pappano, Music Director	115,000	495,061	610,061	11,500	83,047	704,608
Alexander Beard, CBE, Chief Executive	292,000	-	292,000	-	39,155	331,155
Kevin O'Hare, Director, The Royal Ballet	197,268	-	197,268	19,500	26,082	242,850
Sally O'Neill, Chief Operating Officer*	63,201	-	63,201	6,320	8,346	77,867
Oliver Mears, Director of Opera	145,017	-	145,017	4,351	18,871	168,239
	812,486	495,061	1,307,547	41,671	175,501	1,524,719

	Salary (£)	Fees (£)	Total Emoluments (£)	Pension (£)	National Insurance (£)	52-week period ended 27-Aug-17 Total (£)
Sir Antonio Pappano, Music Director	115,000	679,591	794,591	11,500	108,531	914,622
Alexander Beard, CBE, Chief Executive	286,095	-	286,095	-	38,359	324,454
Kevin O'Hare, Director, The Royal Ballet	192,563	-	192,563	19,116	25,452	237,131
Sally O'Neill, Chief Operating Officer	189,603	-	189,603	18,960	25,043	233,606
Kasper Holten, Director of Opera***	120,602	22,500	143,102	12,060	19,095	174,257
Oliver Mears, Director of Opera**	88,654	-	88,654	1,875	11,578	102,107
	992,517	702,091	1,694,608	63,512	228,058	1,986,178

* until 31 December 2017

** from 30 January 2017

*** until March 2017

Emoluments for Sir Antonio Pappano and Kasper Holten comprise a salary and separately contracted fees for conducting and directing, respectively. The total level of fees varies season to season depending on the number of Royal Opera House engagements undertaken.

Key management personnel are reflected in the table above. Their compensation for the 52-week period ended 26 August 2018 included emoluments of £1.3m (52-week period ended 27 August 2017: £1.69m) which together with pension costs of £41,671 (52-week period ended 27 August 2017: £63,512) and employer contributions to national insurance of £175,501 (52-week period ended 27 August 2017: £228,058) came to £1.52m (52-week period ended 27 August 2017: £1.99m). Key management personnel also include Trustees who receive no compensation as detailed in Note 27. Key management personnel do not include all of the Executive Team as listed in the Trustees' report.

17. Net Gains on investments and on revaluation of heritage assets

	52-week period ended 26-Aug-18 £'000	52-week period ended 27-Aug-17 £'000
Endowment Funds		
Realised gains on disposal of investments	1,997	136
Unrealised gains on revaluation of investments	(1,062)	444
Gains on investment assets	<u>935</u>	<u>580</u>
Unrestricted Funds		
Unrealised gains on revaluation of heritage assets	951	-
Gains on heritage assets	<u>951</u>	<u>-</u>

18. Intangible fixed assets

Group	Investment in Programming 26-Aug-18 £'000	Computer Software 26-Aug-18 £'000	Total 26-Aug-18 £'000
Cost			
At beginning of period	21,544	4,224	25,767
Additions	1,861	768	2,629
At end of period	<u>23,405</u>	<u>4,992</u>	<u>28,396</u>
Amortisation			
At beginning of period	20,646	3,930	24,576
Amortisation for period	2,039	226	2,265
At end of period	<u>22,685</u>	<u>4,156</u>	<u>26,841</u>
Net book value			
At 26 August 2018	<u>720</u>	<u>836</u>	<u>1,555</u>
At 27 August 2017	<u>898</u>	<u>294</u>	<u>1,191</u>

Charity	Investment in Programming 26-Aug-18 £'000	Computer Software 26-Aug-18 £'000	Total 26-Aug-18 £'000
Cost			
At beginning of period	11,666	4,224	15,890
Additions	1,607	768	2,375
At end of period	13,273	4,992	18,265
Amortisation			
At beginning of period	10,964	3,930	14,895
Amortisation for period	1,760	226	1,986
At end of period	12,724	4,157	16,881
Net book value			
At 26 August 2018	549	835	1,384
At 27 August 2017	702	294	995

19. Tangible fixed assets

	Freehold premises	Assets in the course of construction	Equipment & vehicles	Total 26-Aug-18
Group	£'000	£'000	£'000	£'000
Cost				
At beginning of period	163,243	29,392	81,374	274,009
Additions	393	24,072	1,667	26,132
Transfers	-	(437)	437	-
Disposals	(518)	-	(1,943)	(2,461)
At end of period	163,118	53,027	81,535	297,680
Depreciation and diminution in value				
At beginning of period	43,575	-	48,615	92,190
Charge for period	3,819	-	3,130	6,949
Disposals	(518)	-	(1,943)	(2,461)
At end of period	46,876	-	49,802	96,678
Net book value				
At 27 August 2018	116,242	53,027	31,733	201,002
At 27 August 2017	119,668	29,392	32,759	181,819

	Freehold premises	Assets in the course of construction	Equipment & vehicles	Total 26-Aug-18
Charity	£'000	£'000	£'000	£'000
Cost				
At beginning of period	163,243	29,392	81,352	273,987
Additions	393	24,072	1,667	26,132
Transfers	-	(437)	437	-
Disposals	(518)	-	(1,943)	(2,461)
At end of period	163,118	53,027	81,513	297,658
Depreciation and diminution in value				
At beginning of period	43,575	-	48,593	92,168
Charge for period	3,819	-	3,130	6,949
Disposals	(518)	-	(1,943)	(2,461)
At end of period	46,876	-	49,780	96,656
Net book value				
At 26 August 2018	116,242	53,027	31,733	201,002
At 27 August 2017	119,668	29,392	32,759	181,819

Assets in the course of construction represents building projects in progress and equipment received but not placed in service before the period end (£53m). Certain parts of the Royal Opera House building are under construction as part of the Open Up Project and therefore currently not in use.

In 2013, a fixed and floating charge lasting 30 years was provided as security for the potential repayment obligations under a grant of £10m from Arts Council England for capital projects.

In October 2014, a first deed of mortgage over the Bob and Tamar Manoukian Costume Centre and by way of first fixed charge, all its present and future plant and machinery on or serving the Property (apart from the mortgage charge) and the rents (if any) was provided as security for a loan of £1.5m from the Thurrock Borough Council. The current balance of the loan is £1.44m. The net book value of the Bob and Tamar Manoukian Costume Centre at 26 August 2018 was £4.5m (27 August 2017: £4.7m).

As part of the actuarial valuation of the pension scheme (see Note 29), the Trustee secured a charge on the Royal Opera House's main self-occupied property to help cover the cost of transferring the Scheme's liabilities to an insurance company (up to the amount of £63.1m) if the Royal Opera House became insolvent.

20. Investments

(a) **Group:** The following investments were held through the Royal Opera House Endowment Fund 2000 at period end:

	Group 26-Aug-18 £'000	Group 27-Aug-17 £'000
Endowment Funds		
Held with investment managers:		
- Venture funds	468	493
- Quoted equities	27,450	29,188
- Hedge funds	494	532
- Bonds	4,887	1,099
- Cash funds	2,511	2,542
- Gold	835	-
Total investment with Investment Managers	<u>36,645</u>	<u>33,854</u>
	<u>36,645</u>	<u>33,854</u>

Movements in investments held with investment managers:

	Listed investments £'000	Other investments £'000	Total 26-Aug-18 £'000
Endowment Funds			
Fair value at beginning of period	32,812	1,042	33,854
Additions (at cost)	2,162	-	2,162
Disposals	(307)	-	(307)
Net realised and unrealised gains	882	54	936
Fair value at end of the period	<u>35,549</u>	<u>1,096</u>	<u>36,645</u>
Historical cost at end of the period	<u>28,915</u>	<u>705</u>	<u>29,620</u>

	Listed investments £'000	Other investments £'000	Total 27-Aug-17 £'000
Endowment Funds			
Fair value at beginning of period	31,421	1,700	33,120
Additions (at cost)	1,151	-	1,151
Disposals	(304)	(693)	(997)
Net realised and unrealised gains	545	35	580
Fair value at end of the period	<u>32,813</u>	<u>1,042</u>	<u>33,854</u>
Historical cost at end of the period	<u>25,104</u>	<u>662</u>	<u>25,766</u>

(b) **Charity:** The following were the subsidiary undertakings of Royal Opera House Covent Garden Foundation as at 27 August 2017:

Subsidiary undertaking	Country of incorporation	Principal activity	Percentage of shares held
ROH Holdings Limited	UK	Holding company	100%
ROH Developments Limited	UK	Property development	100%
ROH Pension Trustee Limited	UK	Trustee company	100%
ROH Productions Limited	UK	Theatre productions	100%
Royal Opera House Enterprises Limited	UK	Catering / Sponsorship / Multimedia production and distribution/ Retail / Venue Hire / Licensing of brand	100%

The issued share capital in ROH Holdings Limited (which is the holding company for ROH Developments Limited) is 2 £1 shares.

ROH Pension Trustee Limited is a non-trading subsidiary. The issued share capital is 100 £1 shares.

ROH Productions Limited has been dormant since incorporation.

The issued share capital in Royal Opera House Enterprises Limited is 125,987 £1 shares (125,987 £1 shares at 27 August 2017). The remaining balance is related to the original acquisition of Royal Opera House Enterprises Limited.

Investment in Royal Opera House Enterprises Limited

Unrestricted Funds	Charity 26-Aug-18 £'000	Charity 27-Aug-17 £'000
Cost		
At beginning and end of period	6,676	6,676
Net book value		
At beginning of period	6,676	6,676
At end of period	6,676	6,676

21. Heritage assets

(a) Tangible fixed assets – heritage assets

Unrestricted Funds Group and Charity	Fine art £'000	Costumes & accessories £'000	Other collections £'000	Total 26-Aug-18 £'000
Cost or valuation				
At beginning of period	7,956	1,477	1,167	10,600
Additions	-	-	-	-
Revaluation	951	-	-	951
At end of period	8,907	1,477	1,167	11,550
At beginning of period	7,956	1,477	1,167	10,600

The external valuers for the Royal Opera House, Mark Peters, Senior General Valuer and Siobhan Tyrell, Jewellery Specialist and Senior General Valuer of Gurr Johns, valued the fine art collection in August 2018, on the basis of retail replacement values. Included in the fine art collection is a painting by David Hockney, Portrait of Sir David Webster with Tulips, which is included in the accounts at a valuation of £6m (27 August 2017: £5m), based on the August 2018 valuation.

Both the costumes and accessories and other collections have both external and internal valuations. Where the valuation is internal, it has been provided by Julia Creed, Head of Collections. Julia Creed has a Master's degree in Archives and Records Management and has worked as an archivist at the Royal Opera House since 2004; since April 2015 she has been Head of Collections.

There were no additions in the current year (27 August 2017: nil). There have been no disposals in the periods presented.

Of the heritage assets held at 26 August 2018, £8.906m were subject to external valuation at August 2018 and the remaining £2.644m were subject to internal valuation at August 2018.

(b) Five-year financial summary of heritage asset transactions:

	26-Aug-18	27-Aug-17	28-Aug-16	30-Aug-15	31-Aug-14
	£'000	£'000	£'000	£'000	£'000
Purchases/Commissions					
Fine art	-	-	-	-	-
Costumes & accessories	-	-	-	-	-
Other collections	-	-	-	-	-
Donations					
Fine art	-	-	-	-	-
Costumes & accessories	-	-	-	50	-
Other collections	-	-	-	15	-
Total additions	-	-	-	65	-

(c) Further information on Heritage Assets:

The Royal Opera House maintains three collections as follows:

The fine art collection consists of paintings, other pictures and drawings, furniture, furnishings, sculpture and pottery that have been donated and are on public display throughout the Royal Opera House.

The costumes and accessories collection consists of over 4,000 individual items worn by artists at the Royal Opera House.

The collection contains some items from the late 19th and early 20th centuries, but most date from 1946 to the present. The majority of the collection is costumes, with a sizeable number of hats, headdresses and jewellery, and a growing number of shoes, boots and wigs.

Other collections include photographic collections, design collections, a portrait of Pavarotti and an autographed Donizetti score for Elisabetta, none of which are on permanent public display.

All assets are maintained and managed through the heritage asset register which is overseen by the Head of Collections.

Most new acquisitions are made through donation. A limited number of acquisitions are purchased where assets enhance the overall collections maintained by the charity. The Royal Opera House would not normally dispose of any heritage assets in their normal course of business.

The preservation of assets is the responsibility of the Head of Collections who holds an annual budget to maintain the quality of the assets.

The Charity exhibits assets throughout the Opera House and through exhibitions. In addition, many assets may be viewed electronically through the catalogue website at www.rohcollections.org.uk.

22. Stocks

	Group 26-Aug-18 £'000	Group 27-Aug-17 £'000	Charity 26-Aug-18 £'000	Charity 27-Aug-17 £'000
Goods for resale	580	568	-	-
	<u>580</u>	<u>568</u>	<u>-</u>	<u>-</u>

During the 52-week period ended 26 August 2018, £634,002 (52-week period ended 27 August 2017: £584,816) of stock was expensed through the Statement of Financial Activities.

23. Debtors

	Group 26-Aug-18 £'000	Group 27-Aug-17 £'000	Charity 26-Aug-18 £'000	Charity 27-Aug-17 £'000
Amounts due after more than one year				
Finance lease debtor	5,430	5,430	-	-
Amounts due from subsidiary and associated undertakings	-	-	1,000	1,200
Accrued Income	-	3,300	-	3,300
Prepayments	1,755	1,114	-	-
	<u>7,185</u>	<u>9,844</u>	<u>1,000</u>	<u>4,500</u>

	Group 26-Aug-18 £'000	Group 27-Aug-17 £'000	Charity 26-Aug-18 £'000	Charity 27-Aug-17 £'000
Amounts due within one year				
Trade debtors	5,174	4,307	4,212	2,687
Amounts due from subsidiary and associated undertakings	-	-	2,065	3,122
Accrued Income	9,977	18,387	9,589	17,940
Prepayments	831	1,248	692	1,088
Finance lease debtor	307	306	-	-
	<u>16,289</u>	<u>24,248</u>	<u>16,558</u>	<u>24,837</u>

Amounts due from subsidiary and associated undertakings after more than one year in the Charity represent a loan from Royal Opera House Covent Garden Foundation to Royal Opera House Enterprises Limited, with interest charged at a rate of 2% above the Bank of England base rate.

The expected repayments on the loan are as follows:

	Capital	Interest	Total 52-week period ended 26-Aug-18
	£'000	£'000	£'000
Due within one year	200	33	233
Due between one year and two years	200	28	228
Due between two years and five years	600	50	650
Due after five years	200	6	206
	<u>1,200</u>	<u>117</u>	<u>1,317</u>

The finance lease debtor represents a 5% income interest in the leases for the retail units on the site of the Royal Opera House.

Reconciliation between gross investment in a lease and the present value of minimum lease payments receivable is as follows:

	Group 26-Aug-18 £'000	Group 27-Aug-17 £'000
Gross investment in a finance lease at the end of the period	60,326	60,595
Unearned finance income for the period	(54,626)	(54,895)
Present value of minimum lease payments at the end of the period	<u>5,700</u>	<u>5,700</u>

The expected maturity of the gross investment in a lease and present value of the minimum lease payments receivable is as follows:

	Gross investment in a finance lease £'000	Present value of minimum lease payments £'000
Not later than one year	270	258
later than one year and not later than five years	1,081	922
later than five years	58,975	4,520
	<u>60,326</u>	<u>5,700</u>

There are no unguaranteed residual values accruing to the lessor and no accumulated allowance for uncollectible minimum lease payments. Contingent rents were £37k (52-week period ended 27 August 2017: £37k).

24. Creditors

Amounts falling due within one year

	Group 26-Aug-18 £'000	Group 27-Aug-17 £'000	Charity 26-Aug-18 £'000	Charity 27-Aug-17 £'000
Trade creditors	3,941	1,622	3,799	1,434
Taxation and social security	2,474	2,637	2,473	2,637
Accruals	13,958	11,565	13,036	11,079
Deferred income	21,965	19,085	21,684	18,643
	42,338	34,909	40,992	33,793

	Group 26-Aug-18 £'000	Group 27-Aug-17 £'000	Charity 26-Aug-18 £'000	Charity 27-Aug-17 £'000
Deferred income at start of period	19,085	19,173	18,643	18,331
Box office receipts, subscription and donations received	67,981	64,176	58,812	55,692
Released to statement of financial activities	(65,102)	(64,263)	(55,772)	(55,381)
Deferred income at end of period	21,965	19,085	21,684	18,643
Comprising:				
Advanced bookings	11,658	10,172	11,658	10,172
Subscriptions and donations	9,192	7,701	9,192	7,701
Other deferred income	1,115	1,212	833	769

Amounts falling due after one year

	52-week period ended 26-Aug-18 £'000	52-week period ended 27-Aug-17 £'000
Balance at the beginning of the year	1,481	1,410
Amounts repaid	(102)	-
Interest payable	64	71
Balance at the end of the year	1,443	1,481
Less amounts disclosed in creditors: amounts falling due within one year	-	-
Balance at the end of the year falling due after one year	1,443	1,481

The table below shows the amounts and timings of repayments due under the terms of the loan.

	Capital	Interest	Total	Capital	Interest	Total
	52-week period ended 26-Aug-18			52-week period ended 27-Aug-17		
	£'000	£'000	£'000	£'000	£'000	£'000
Due within one year	39	63	102	-	102	102
Due between one year and two years	40	62	102	37	65	102
Due between two years and five years	135	172	307	122	185	307
Due after five years	1,136	504	1,640	1,126	617	1,743
	1,350	801	2,151	1,285	969	2,254

In October 2014, a first deed of mortgage over the Bob and Tamar Manoukian Costume Centre and by way of first fixed charge, all its present and future plant and machinery on or serving the Property (apart from the mortgage charge) and the rents (if any) was provided as security for a loan of £1.5m from the Thurrock Borough Council. The current balance of the loan is £1.44m. The net book value of the Bob and Tamar Manoukian Costume Centre at 27 August 2017 was £4.5m (27 August 2017: £4.7m).

25. Statement of Funds – Group

	At 27-Aug-17 £'000	Incoming Resources £'000	Outgoing Resources £'000	Other gains/ (losses) £'000	Transfers £'000	At 26-Aug-18 £'000
Unrestricted General fund	4,278	112,395	(117,899)	-	5,625	4,399
Unrestricted Revaluation fund	1,496	-	-	951	-	2,447
Unrestricted Designated funds:						
Unrestricted Fixed Asset Fund	172,543	-	-	-	16,757	189,300
Unrestricted Heritage Asset Fund	9,104	-	-	-	-	9,104
Unrestricted Future Projects Fund	19,000	-	-	-	(5,072)	13,928
Unrestricted Funds before pension reserve	206,421	112,395	(117,899)	951	17,310	219,178
Unrestricted: pension scheme liability	(23,126)	-	125	3,342	-	(19,659)
Total unrestricted funds	183,295	112,395	(117,774)	4,293	17,310	199,519
Restricted funds:						
Thurrock Capital Fund	9,991	-	-	-	(233)	9,758
Production Fund	-	13,002	(13,002)	-	-	-
Open Up Project Fund	9,790	5,050	-	-	(14,840)	-
Arts Council England Bridge programme fund	166	727	(700)	-	-	193
Arts Council England China skills exchange	349	-	(123)	-	-	226
ROH Holdings Limited	105	-	-	-	-	105
Endowment Restricted Income Fund	189	5,848	(141)	32	(1,487)	4,441
Special Projects	-	1,150	(50)	-	(750)	350
Total restricted funds	20,590	25,777	(14,016)	32	(17,310)	15,073
Endowment funds	39,068	97	-	903	-	40,068
Total funds	242,953	138,269	(131,790)	5,228	-	254,660

Unrestricted Funds: Unrestricted funds are segregated between general funds (representing free reserves and unrestricted general funds held in trading subsidiaries) and designated funds. The three designated funds at period end were the Fixed Asset Fund which is set at a level equivalent to the charity's fixed assets and intangible fixed assets (plus approved capital expenditure in the 17/18 season carried over to the 18/19 season), the Heritage Asset Fund which is equivalent to the charity's heritage assets and the Designated Future Projects Fund. The Designated Future Projects Fund represents funds earmarked for specific future projects. The pension scheme liability is disclosed in accordance with FRS 102.

Restricted Funds: The Thurrock Capital Fund has been established to hold funding received in the development of both the Bob and Tamar Manoukian Production Workshop and the Bob and Tamar Manoukian Costume Centre in Thurrock. The Production Fund represents donations received which are restricted for the purpose of specific productions. Special Projects comprises a small number of funds for specific projects. The Open Up Project Fund has been established to hold funding received towards the Open Up Project, a capital project intended to enhance audiences' experience of our work and inspire wider interest and engagement. The Bridge Programme Fund represents funding received from Arts Council England for improving the delivery of arts opportunities for children and young people, acting as a bridge between the arts and education sectors in Thurrock, Essex, Southend, Hertfordshire, Bedfordshire, Luton and North Kent. The Endowment Restricted Income Fund represents funds expendable on specific purposes as required by donors.

Endowment Funds: The balance above represents restricted capital reserves held by ROH Endowment Fund 2000.

25. Statement of Funds – Charity

	At 27-Aug-17 £'000	Incoming Resources £'000	Outgoing Resources £'000	Other gains/ (losses) £'000	Transfers £'000	At 26-Aug-18 £'000
Unrestricted General funds	4,347	101,209	(105,269)	-	4,138	4,424
Unrestricted Revaluation fund	1,496	-	-	951	-	2,447
Unrestricted Designated funds:						
Unrestricted Fixed Asset Fund	178,315	-	-	-	16,757	195,072
Unrestricted Heritage Asset Fund	9,104	-	-	-	-	9,104
Unrestricted Future Projects Fund	19,000	-	-	-	(5,072)	13,928
Unrestricted Funds before pension reserve	212,262	101,209	(105,269)	951	15,823	224,976
Unrestricted: pension scheme liability	(23,126)	-	125	3,342	-	(19,659)
Total unrestricted funds	189,136	101,209	(105,144)	4,293	15,823	205,317
Restricted funds:						
Thurrock Capital Fund	9,990	-	-	-	(233)	9,757
Production Fund	-	14,489	(14,489)	-	-	-
Open Up Project Fund	9,790	5,050	-	-	(14,840)	-
Arts Council England Bridge programme fund	166	727	(700)	-	-	193
Arts Council England China skills exchange	349	-	(123)	-	-	226
Special Projects	-	1,150	(50)	-	(750)	350
Total restricted funds	20,295	21,416	(15,362)	-	(15,823)	10,526
Total funds	209,431	122,625	(120,506)	4,293	-	215,843

26. 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 August 2018 there were 15 members (27 August 2017: 15).

27. Connected charities and other related party transactions

Connected charities

Royal Opera House Endowment Fund 2000 - registered charity No 1089928

During the period the charity received grants of £2.5m (52-week period ended 27 August 2017: £1.6m) from Royal Opera House Endowment Fund 2000 in furtherance of its charitable objectives. At 26 August 2018, the Royal Opera House Endowment Fund 2000 owed £0.2m to the charity (27 August 2017: £0.8m).

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

The charity has taken advantage of the exemption provided under FRS 102 S33.1A and has not disclosed transactions with wholly owned subsidiaries.

Other related party transactions

No other Trustee had an interest in any contract or transaction with the charity or its subsidiaries in the period ended 26 August 2018. During the period no Trustees received any remuneration from the charity or its subsidiaries and no Trustees were reimbursed for personally-incurred expenses which were necessary to carry out Trustee duties (2017: nil). The aggregate amount of unrestricted donations received from Trustees was £1.166m (52-week period ended 27 August 2017: £1.081m). Of this amount, £0.26m (52-week period ended 27 August 2017: £0.26m) was received from Trustees of the ROH Endowment Fund 2000.

The charity undertakes transactions in its normal course of business with its subsidiaries.
These transactions are carried out on an arms length basis.

28. Commitments

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

	26-Aug-18 Land and Buildings £'000	27-Aug-17 Land and Buildings £'000
Operating leases payable:		
Not later than one year	23	120
Later than one year and not later than five years	5	5
Later than five years	148	149
	<u>176</u>	<u>274</u>

(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:

	26-Aug-18 £'000	27-Aug-17 £'000
Less than one year	7,671	10,195
In the second to fifth years inclusive	5,245	5,925
	<u>12,916</u>	<u>16,120</u>

(c) The group has capital commitments for the Open Up project which are not reflected in the balance sheet:

	27-Aug-17 £'000	28-Aug-16 £'000
Less than one year	116	8,408
In the second to fifth years inclusive	-	-
	<u>116</u>	<u>8,408</u>

29. Pension scheme

The Royal Opera House operates a defined benefit pension scheme, The Royal Opera House Pension Scheme, which is now closed to future accrual. The Scheme's funds are administered by the Trustee and are independent of the Royal Opera House's finances. Employer contributions of £1.092m were paid to the Scheme in accordance with the Schedule of Contributions agreed between the Trustee and the Royal Opera House. From 31 March 2016, the Scheme closed to future accrual.

The group also contributes to five defined contribution schemes. Two are sponsored by Arts Council England and Equity (for dancers and singers) and one by the Musicians' Union (for musicians). Two further defined contribution scheme arrangements exist for other staff groups. Contributions to these and other schemes amounted to £2,964m (52-week period ended 27 August 2017: £2.982m).

Following the actuarial valuation as at 5 April 2012, the Trustee and ROH agreed to reduce the exposure to future pension risk by freezing Pensionable Salary for any pension accrued after 30 April 2013. As part of the actuarial valuation, the Trustee secured a charge on the ROH's main self-occupied property to help cover the cost of transferring the Scheme's liabilities to an insurance company (up to the amount of £63.1m) if the ROH became insolvent.

The funding plan is for the Scheme to hold assets equal to the value of the benefits earned by employees, based on projected inflation and a set of assumptions used for funding the Scheme. The funding assumptions differ from the assumptions used to calculate the figures for these accounts, and therefore produce different results. If there is a shortfall against this funding plan, then the Royal Opera House and Trustee agree on deficit contributions to meet this deficit over a period. As a part of the actuarial valuation with an effective date of 5 April 2015 the Trustee and the Royal Opera House have agreed that the Royal Opera House will make contributions to the scheme of £0.72m per annum from 30 April 2015 until 31 January 2037, increasing by 3.5% per annum. The Royal Opera House also makes contributions of £0.3m per annum to cover the expenses of running the Scheme.

The full actuarial valuation as at 5 April 2015 was updated to the accounting date by an independent qualified actuary in accordance with FRS 102, allowing for contributions, benefit payments made, and changes in market conditions. The results, based on assumptions used for FRS102, are as follows:

The amount included in the balance is as follows:

	26-Aug-18 £'000	27-Aug-17 £'000
Fair value of plan assets	69,505	69,719
Present value of defined benefit obligation	(89,164)	(92,845)
Net liability recognised in the balance sheet	<u>(19,659)</u>	<u>(23,126)</u>

29. Pension scheme (continued)

The movement in net defined benefit liability is as follows:

	52-week period ended 26-Aug-18	52-week period ended 27-Aug-17
	£'000	£'000
Opening net defined benefit liability	23,126	35,653
Cost in income or expenditure	967	1,136
Employer contributions	(1,092)	(1,065)
Amount recognised outside profit or loss	(3,342)	(12,598)
Closing net defined benefit liability	19,659	23,126

The amounts recognised in income or expenditure, in the Statement of Financial Activities are as follows:

	52-week period ended 26-Aug-18	52-week period ended 27-Aug-17
	£'000	£'000
Administration expenses	352	430
Interest expense/(income)	615	706
Total expense recognised in income or expenditure	967	1,136

Movement in present value of defined benefit obligation is as follows:

	52-week period ended 26-Aug-18	52-week period ended 27-Aug-17
	£'000	£'000
Opening defined benefit obligation	(92,845)	(103,764)
Interest on obligation	(2,464)	(2,047)
Actuarial gains/(losses)	2,916	10,159
Benefits paid	3,229	2,807
Closing defined benefit obligation	(89,164)	(92,845)

Movement in the fair value of the plan assets is as follows:

	52-week period ended 26-Aug-18	52-week period ended 27-Aug-17
	£'000	£'000
Opening fair value of plan assets	69,719	68,111
Interest on plan assets	1,849	1,341
Actual return less interest on plan assets	426	2,439
Administration expenses	(352)	(430)
Contributions by the employer	1,092	1,065
Benefits paid	(3,229)	(2,807)
Closing fair value of plan assets	69,505	69,719

The current allocation of the Scheme's assets is as follows:

	26-Aug-18 Fair Value	27-Aug-17 Fair Value	28-Aug-16 Fair Value
	£'000	£'000	£'000
Asset distribution and expected return			
Equities	29,024	30,991	27,460
Bonds	8,184	-	1,655
Property	1,721	1,583	1,508
Diversified Growth Fund	13,240	18,819	18,181
Liability Driven Investment Fund	17,905	17,091	13,945
Cash and net current assets	(569)	1,235	5,362
Total	69,505	69,719	68,111

The Scheme does not invest directly in property occupied by the charity or in financial securities issued by the charity.

29. Pension scheme (continued)

The following table sets out the significant assumptions used for the plan:

Assumptions	26-Aug-18	27-Aug-17	28-Aug-16
Retail Prices Index Inflation	3.20%	3.20%	2.80%
Consumer Prices Index Inflation	2.10%	2.20%	1.80%
Discount rate	2.80%	2.70%	2.00%
Pension increases (according to increases under the scheme rules)	2.5/3.5/3.1/2.1% pa	2.5/3.5/3.1/2.1% pa	2.5/3.3/2.7/2% pa
Salary growth	n/a	n/a	n/a
Life expectancy of male aged 65 at the accounting date	21.8 years	22 years	22.3 years
Life expectancy of male aged 65 at 20 years from the accounting date	23.2 years	23.4 years	24 years

Future agreed contributions from the employer to be made to fund the deficit of the defined benefit scheme are as follows:
£'000

Due within one year	817
Due between one year and two years	845
Due between two years and five years	2,710
Due after five years	16,974

30. Cash flows

a) Reconciliation of net outgoing resources to net cash inflow from operating activities

	52-week period ended 26-Aug-18	52-week period ended 27-Aug-17
	£'000	£'000
Net incoming resources before other recognised gains and losses	7,414	11,315
Defined benefit pension scheme (gain)/expense	(125)	71
Investment and finance interest income	(1,809)	(1,835)
Interest payable	64	71
(Gains)/losses on investments	(936)	(580)
Depreciation charge	6,949	7,089
Amortisation of intangible fixed assets	2,265	1,877
Impairment of fixed assets	-	1,131
Decrease/(Increase) in productions in preparation	709	370
(Increase)/Decrease in stock	(12)	(103)
(Increase)/Decrease in debtors	10,618	(8,832)
Increase/(Decrease) in creditors	7,428	1,622
Net cash provided by (used in) operating activities	32,565	12,196

b) Cash outflow from investing activities

	52-week Period Ended 26-Aug-18	52-week Period Ended 27-Aug-17
	£'000	£'000
Capital expenditure on tangible fixed assets	(26,132)	(20,084)
Capital expenditure on intangible fixed assets	(2,629)	(1,780)
Additions of investment (at cost)	(2,162)	(1,151)
Disposals of investments	307	997
Finance lease interest and contingent rents received	307	307
Interest income received	1,502	1,529
Redemption/(Investment) of Short term Investments: Deposits	3,500	11,500
Net cash provided by (used in) investing activities	(25,306)	(8,682)

c) Cash inflow from financing activities

	52-week Period Ended 26-Aug-18 £'000	52-week Period Ended 27-Aug-17 £'000
Cash outflow on repayment of borrowings	(102)	-
Net cash provided by (used in) financing activities	(102)	-

d) Reconciliation of cash at bank and on hand per Charity's balance sheet and cash and cash equivalents per Group's cash flow

	Unrestricted	Restricted	Total 26-Aug-18
	£'000	£'000	£'000
Cash at bank and in hand per Charity's balance sheet	27,465	-	27,465
Cash at bank and in hand in group undertakings			
ROH Endowment Fund 2000	940	1,791	2,731
Royal Opera House Enterprises Limited	413	-	413
Royal Opera House Holdings Limited	12	-	12
Royal Opera House Developments Limited	-	371	371
Cash and cash equivalents per Group's cash flow	28,830	2,162	30,992

	Unrestricted	Restricted	Total 27-Aug-17
	£'000	£'000	£'000
Cash at bank and in hand per Charity's balance sheet	17,905	3,989	21,894
Cash at bank and in hand in group undertakings			
ROH Endowment Fund 2000	431	284	715
Royal Opera House Enterprises Limited	855	-	855
Royal Opera House Developments Limited	-	371	371
Cash and cash equivalents per Group's cash flow	19,191	4,644	23,835

31. Financial Instruments

Carrying amount, income, expense, gains and losses of the Group's Financial Instruments

Group	Carrying Amount	Income earned		Net gains/(loss es)	Carrying Amount	Income earned		Net gains/(loss es)
	Group 26-Aug-18 £'000	Interest income/ (expense) £'000	Dividend income/ (expense) £'000	changes in fair value £'000	Group 27-Aug-17 £'000	Interest income/ (expense) £'000	Dividend income/ (expense) £'000	changes in fair value £'000
Measured at fair value through Statement of Financial Activities								
Financial Assets	36,645	-	1,369	936	33,854	-	1,368	580
Investments	36,645	-	1,369	936	33,854	-	1,368	580
Measured at undiscounted cash receivable/(payable)								
Financial Assets	49,680	133	-	-	45,405	160	-	-
Trade debtors	5,174	-	-	-	4,307	-	-	-
Accrued income & Other Debtors	3,014	-	-	-	3,263	-	-	-
Cash and cash equivalents	30,992	-	-	-	23,835	-	-	-
Short term investments: Deposits	10,500	133	-	-	14,000	160	-	-
Financial Liabilities	(17,899)	-	-	-	(13,188)	-	-	-
Trade creditors	(3,941)	-	-	-	(1,622)	-	-	-
Accruals	(13,958)	-	-	-	(11,565)	-	-	-
Measured at amortised cost								
Financial Liabilities	(1,443)	(64)	-	-	(1,481)	(71)	-	-
Mortgage loan	(1,443)	(64)	-	-	(1,481)	(71)	-	-

Financial assets carried at fair value (Investments) are measured at the quoted market price in an actively traded market. All investments are managed by reputable investment managers. Of the carrying amount at 26 August 2018 of £36.6m (27 August 2017: £33.9m), £11.3m (27 August 2017: £4.2m) are invested in markets outside of the UK. The changes to the fair value of those investments are all as a result of market risk (including foreign exchange risk). Immaterial amounts are due to credit risk. An immaterial liquidity risk exists due to the remote risk of not being able to repatriate funds.

31. Financial Instruments (continued)

Carrying amount, income, expense, gains and losses of the Charity's Financial Instruments

Charity	Carrying Amount	Income earned		Net gains/(losses)	Carrying Amount	Income earned		Net gains/(losses)
	Charity 26-Aug-18 £'000	Interest income/(expense) £'000	Dividend income/(expense) £'000	changes in fair value £'000	Charity 27-Aug-17 £'000	Interest income/(expense) £'000	Dividend income/(expense) £'000	changes in fair value £'000
Measured at undiscounted cash receivable/(payable)								
Financial Assets	46,870	170	-	-	44,519	200	-	-
Trade debtors	4,212	-	-	-	2,687	-	-	-
Amounts due from subsidiary and associated undertakings	2,065	5	-	-	3,122	5	-	-
Accrued income & other debtors	2,628	-	-	-	2,816	-	-	-
Cash and cash equivalents	27,465	-	-	-	21,894	-	-	-
Short term investments: Deposits	10,500	165	-	-	14,000	195	-	-
Financial Liabilities	(16,835)	-	-	-	(12,513)	-	-	-
Trade creditors	(3,799)	-	-	-	(1,434)	-	-	-
Accruals	(13,036)	-	-	-	(11,079)	-	-	-
Measured at amortised cost								
Financial Assets	1,000	32	-	-	1,200	36	-	-
Amounts due from subsidiary undertaking	1,000	32	-	-	1,200	36	-	-
Financial Liabilities	(1,443)	(64)	-	-	(1,481)	(71)	-	-
Mortgage loan	(1,443)	(64)	-	-	(1,481)	(71)	-	-

The financial asset measured at amortised cost above represents an inter-company loan between Royal Opera House Enterprises Limited (as borrower) and its holding company, Royal Opera House Covent Garden Foundation (Limited by Guarantee), entered into in January 2010. The unsecured loan bears interest at 2% above the Bank of England base rate, which management assess to be a commercial rate of interest. Due to the commercial rate of interest, the present value of the future cash flows approximates the carrying amount and thus the loan presents no current pricing risk. As the interest rate is a variable rate, the lender and borrower are exposed to interest rate risk.

32. Short term investments: Deposits

	Group 26-Aug-18 £'000	Group 27-Aug-17 £'000	Charity 26-Aug-18 £'000	Charity 27-Aug-17 £'000
Short term investments: Deposits	10,500	14,000	10,500	14,000

33. Consolidated statement of financial activities for the 52-week period ended 27 August 2017

	Note	Total Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	52-week period ended 27-Aug- 17 Total Funds £'000
Income and endowments from:					
Charitable activities					
Operation of Royal Opera House (including box office)	3	57,560	-	-	57,560
Donations and legacies					
Donations, legacies and similar incoming resources	5	10,558	28,047	332	38,937
Grants from Arts Council England	4	24,772	1,784	-	26,556
Other trading activities					
Commercial trading income	6	16,138	-	-	16,138
Investments	7	1,025	810	-	1,835
Total income and endowments		110,053	30,641	332	141,026
Expenditure on:					
Charitable activities					
Productions, sales and operations	8	(100,265)	(13,787)	-	(114,052)
Raising Funds					
Generating voluntary income	10	(4,686)	(137)	-	(4,823)
Commercial activities	11	(11,345)	-	-	(11,345)
Interest payable	14,24	(71)	-	-	(71)
Total expenditure	14	(116,367)	(13,924)	-	(130,291)
Net income/(expenditure)		(6,314)	16,717	332	10,735
Net gains on investments	17	-	-	580	580
Net income/(expenditure)		(6,314)	16,717	912	11,315
Taxation	34	-	-	-	-
Transfers between funds	15	18,892	(18,892)	-	-
Net income/ (expenditure) after transfers and before other recognised gains and (losses)		12,578	(2,175)	912	11,315
Other recognised gains and (losses)					
Gains on revaluation of heritage assets	17,21	-	-	-	-
Actuarial (loss) on the defined benefit pension scheme	29	12,598	-	-	12,598
Taxation relief on donations under the gift aid scheme	34	826	-	-	826
Net movement in funds		26,002	(2,175)	912	24,739
Fund balances brought forward at 28 August 2016		157,293	22,765	38,156	218,214
Fund balances carried forward at 27 August 2017	25	183,295	20,590	39,068	242,953

34. Taxation

UK corporation tax charge and relief of £781,026 has arisen in the period in respect of current year profits (52-week period ended 27 August 2017: tax charge of £740,528 and tax relief of £825,632). No deferred tax has arisen in the period (52-week period ended 27 August 2017: nil).

There is an unrecognised deferred tax asset of £942 (27 August 2017: £1,148) in Royal Opera House Enterprises Limited which was not been recognised due to uncertainty over the timing of its recoverability.

35. Post Balance Sheet Events

a) On 3 September 2018, the company entered into an agreement to sell the Opus Arte business (label). The effective date of the transaction was 31 October 2018.

For the period ended 26 August 2018, the Opus Arte label generated £1.7m (52-week period ended 27 August 2017 £2m) and incurred expenditure of £1.1m (52-week period ended 27 August 2017 £1m). The net assets of this business were £0.6m (52-week period ended 27 August 2017 £0.7m).

b) A High Court ruling on 26 October 2018 has clarified the uncertainty regarding gender discrimination on Guaranteed Minimum Pension entitlements. The impact is not included in the assumptions or figures in note 29. The ruling would have increased the scheme liabilities by an estimated amount of £0.5m at the year end.

THANK YOU

The Royal Opera House gratefully acknowledges the generosity of all those who have provided support this period, including:

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