

**New Sadler's Wells
(Limited by Guarantee)**

Company Number 3218746

Registered Charity Number 1057130

**ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 AUGUST 2006**



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New Sadler's Wells (Limited by Guarantee)

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New Sadler's Wells (Limited by Guarantee)

Trustees, Officers and Administrative Information

Trustees

Sir David Bell - Chairman
Rab Bennetts OBE
Matt Cooper
Joachim Fleury
Harry MacAuslan
Emma McMullan
Robin Pauley

Secretary

Alistair Spalding

Registered Office

Sadler's Wells Theatre
Rosebury Avenue
London EC1R 4TN

Auditors

Kingston Smith LLP
Chartered Accountants
141 Wardour Street
London
W1F 0UT

Solicitors

Clifford Chance
10 Upper Bank Street
London E14 5JJ

New Sadler's Wells (Limited by Guarantee)

Trustees' Report

The Trustees, who are also the Directors of the company under the Companies Act 1985, submit their report and the financial statements of New Sadler's Wells for the year ended 31 August 2006 which have been prepared in compliance with current statutory requirements, the Statement of Recommended Practice: Accounting and Reporting by Charities, issued by the Charity Commission for England and Wales, as revised in 2005, and with the charity's governing document, its Memorandum and Articles of Association.

Principal Activities

The object for which the charity is established is to advance education, particularly by encouraging the understanding of the lyric and dramatic arts.

The company facilitated the reconstruction and refurbishment of the Sadler's Wells Theatre enabling a high quality programme of ballet, dance, opera and other theatre to be presented to the public.

The principal activity of the company during the year was the rental and sub-leasing of Sadler's Wells Theatre.

Review of Activities

The company has made a deficit for the year of £137,000 (2005: deficit £137,000) and has total funds carried forward of £6,197,000 (2005: £6,334,000).

Reserves Policy

The company's reserves policy is to continue to hold restricted reserves equal to the book value of the leasehold assets of the company. The Trustees review this policy on an annual basis.

Risk Management

The Governors of Sadler's Wells Foundation, of which all the Trustees are members, have set up a sub-committee to review the risks facing the Charity. The sub-committee has met with the senior managers during the year to review these risks. The risk register has been updated during the year to reflect changing risks, to delegate responsibility of risk to the correct managers or Trustees and to list the procedures in place to manage the identified risk.

Trustees

The following Trustees served the company during the year:

Sir David Bell - Chairman	
Rab Bennetts OBE	(Appointed 28th June 2006)
Nica Burns	(Resigned 21st July 2006)
Paul Cullington	(Resigned 17th September 2005)
Matt Cooper	
Joachim Fleury	
Harry MacAuslan	
Emma McMullan	
Robin Pauley	(Appointed 28th June 2006)

The Trustees are appointed by the members who are the Governors of the Sadler's Wells Foundation.

Statement of Trustees' responsibilities

Company law requires the Trustees, as Directors, to prepare financial statements for each financial period which give a true and fair view of the company's affairs and of the surplus or deficit of the company for that period.

In preparing those financial statements, the Trustees are required to select suitable accounting policies and then apply them consistently; make judgments and estimates that are reasonable and prudent; prepare the financial statements on a going concern basis unless it is inappropriate to assume that the company will continue in business.

The Trustees are responsible for keeping proper accounting records which 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

New Sadler's Wells
(Limited by Guarantee)
Trustees' Report (cont)

Disclosure of information to Auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Connected Charities

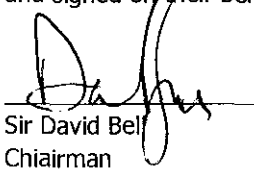
New Sadler's Wells is connected to other charities details of which are given in note 8 to the financial statements. For a fuller understanding of the operation and performance of the Sadler's Wells group of charities copies of the accounts of Sadler's Wells Trust and Sadler's Wells Foundation can be obtained from Sadler's Wells, Rosebery Avenue, London EC1R 4TN.

Auditors

On 1st May 2006, Kingston Smith transferred their business to Kingston Smith LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The company's consent has been given to treating the appointment of Kingston Smith as extending to Kingston Smith LLP under the provision of section 26(5) of the Companies Act 1989. Kingston Smith LLP have indicated their willingness to continue in office and in accordance with the provisions of the Companies Act it is proposed that they be re-appointed auditors for the ensuing year.

Approved by the members of the board on
and signed on their behalf by:

31st January 2007


Sir David Bell
Chairman

Independent Auditors' Report to the Members of New Sadler's Wells

(Limited by Guarantee)

We have audited the financial statements of New Sadler's Wells for the year ended 31 August 2006 which comprise the Statement of Financial Activities, Balance Sheet and related notes. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Trustees and Auditors

As described in the Statement of Trustees' Responsibilities set out on page 2, the company Directors (who also act as Trustees for the charitable activities of New Sadler's Wells) are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (Generally Accepted Accounting Practice).

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

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

We read other information contained in the Trustees' Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

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

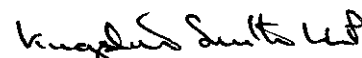
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity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

Opinion

In our opinion:

- (a) the financial statements give a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 August 2006 and of the charitable company's incoming resources and application of resources for the year then ended; and
- (b) the financial statements have been properly prepared in accordance with the Companies Act 1985.
- (c) the Trustees' Annual Report is consistent with the financial statements.

141 Wardour Street
London
W1F 0UT



KINGSTON SMITH LLP
Chartered Accountants
and Registered Auditors

31 January 2007.

New Sadler's Wells
(Limited by Guarantee)
Statement of Financial Activities
For the year ended 31 August 2006

		Unrestricted Funds Year ended 31 August 2006 £	Restricted Funds Year ended 31 August 2006 £	Total Funds Year ended 31 August 2006 £	Total Funds Year ended 31 August 2005 £
	Note				
Incoming Resources					
Incoming resources from generated funds					
Rent receivable	8	250,000	-	250,000	250,000
Total Incoming Resources		<u>250,000</u>	<u>-</u>	<u>250,000</u>	<u>250,000</u>
Resources Expended					
Cost of generating funds					
Depreciation charges	1(c)	-	137,000	137,000	137,000
Rent payable	8	250,000	-	250,000	250,000
Total Resources Expended		<u>250,000</u>	<u>137,000</u>	<u>387,000</u>	<u>387,000</u>
Net Income/(Expenditure) for the year		<u>-</u>	<u>(137,000)</u>	<u>(137,000)</u>	<u>(137,000)</u>
Net Funds at 31 August 2005		-	6,334,000	6,334,000	6,471,000
Net Funds at 31 August 2006		<u>-</u>	<u>6,197,000</u>	<u>6,197,000</u>	<u>6,334,000</u>

None of the company's activities were acquired or discontinued during the above two financial periods.

The company has no recognised gains and losses other than those dealt with in the above Statement of Financial Activities.

Restricted funds have been applied only for the purposes for which income was received.

New Sadler's Wells
(Limited by Guarantee)
Balance Sheet at 31 August 2006

	Note	2006 £	2005 £
Fixed Assets			
Tangible fixed assets	3	6,197,000	6,334,000
Total Assets Less Current Liabilities		<u>6,197,000</u>	<u>6,334,000</u>
Funds			
Restricted	5	6,197,000	6,334,000
Unrestricted		-	-
		<u>6,197,000</u>	<u>6,334,000</u>

Approved by the members of the board on
and signed on their behalf by:

11st January 2007


Sir David Bell
Chairman

New Sadler's Wells
(Limited by Guarantee)
Notes to the Financial Statements
For the year ended 31 August 2006

1. Accounting Policies

(a) Basis of accounting

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets in accordance with applicable Accounting Standards, current legislation and the Statement of Recommended Practice: Accounting and Reporting by Charities, issued by the Charity Commission for England and Wales as revised in 2005. The policies remain unchanged from the previous period.

(b) Rent recognition

Rent receivable and rent payable is recognised in the Statement of Financial Activities when it is due.

(c) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation less accumulated depreciation.

Depreciation is provided on a straight line basis to write down the book value over the estimated useful lives of the assets as follows:

Long leasehold property and improvements	2%
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(d) Leases

Leasehold assets are capitalised in the balance sheet and depreciated over the useful life of the asset.

2. Taxation

The company is a registered charity and as such is entitled to exemption from taxation under the Income and Corporation Taxes Act 1988.

New Sadler's Wells
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Notes to the Financial Statements
For the year ended 31 August 2006 (cont)

3 Tangible Fixed Assets

	Long Leasehold Property £
Valuation	
At 1 September 2005 and 31 August 2006	<u>6,850,000</u>
Depreciation	
At 1 September 2005	516,000
Charge for the year	<u>137,000</u>
At 31 August 2006	<u>653,000</u>
Net Book Value	
At 31 August 2006	<u>6,197,000</u>
At 31 August 2005	<u>6,334,000</u>

The property known as Sadler's Wells Theatre is held on a 125 year lease, from 1st January 1995, granted by the Sadler's Wells Foundation and The Official Custodian of Charities. An occupational lease has been granted to Sadler's Wells Trust for a term of 10 years from 12th October 1998.

On a historical cost basis the cost of the long leasehold property, as at 31 August 2006 would have been £51,370,082 (2005: £51,370,082). Historical cost less depreciation at 31 August 2006 would have been £43,728,801 (2005: £44,755,886).

The property was revalued on the 4th July 2002, by Chesterton plc, and the valuation was incorporated in the prior year financial statements. The Trustees do not believe there to have been a material change in value since that date.

All fixed assets are used for direct charitable purposes.

4. Contingent Liabilities

The assets of the company are subject to a floating charge in respect of grants received from the Arts Council of England amounting to £42,000,000 (2005: £42,000,000). They are also subject to cross guarantees in respect of grants received by Sadler's Wells Trust. At 31 August 2006 the liabilities in respect of this balance amounted to £5,009,998 (2005: £5,009,998). The liabilities would fall due if the theatre complex was no longer used for its primary purpose.

**New Sadler's Wells
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Notes to the Financial Statements
For the year ended 31 August 2006 (cont)

5. Restricted Funds

The company holds restricted funds in respect of the property known as the Sadler's Wells Theatre. At 31 August 2006 the assets of the restricted funds were:

	Restricted Funds
	£
Fixed assets	<u>6,197,000</u>

6. Operating Lease Commitments

The company has an operating lease commitment of £250,000 per annum, in respect of the 125 year lease of the Sadler's Wells Theatre, from the Sadler's Wells Foundation.

7. Employees

The company employed no staff during the year. The Trustees received no remuneration for the services they provided to the company, and no expenses were reimbursed during the period or the previous year. The company has an insurance policy in respect of claims against the Trustees of the company, the cost of which was incurred by a related company.

8. Connected Parties

All entities within the Sadler's Wells family of connected charities are based at the registered office and are limited by guarantee other than Sadler's Wells Ltd with a share capital of £2 and Sadler's Wells Foundation, a charitable trust which is not covered by the Companies Act requirements.

Sadler's Wells Foundation provides the guaranteeing members for New Sadler's Wells, Sadler's Wells Development Trust and Sadler's Wells Trust and therefore has ultimate responsibility for the appointment of Trustees of the three companies.

Sadler's Wells Foundation owns freehold and leasehold properties. New Sadler's Wells holds the group's leasehold improvements. Sadler's Wells Development Trust is responsible for the raising and administration of appeal funds in support of the Sadler's Wells group. Sadler's Wells Trust is a company whose principal activity is to encourage the understanding and appreciation of the performance arts. Sadler's Wells Limited is a wholly owned subsidiary of Sadler's Wells Trust which trades on behalf of the Charity.

During the year New Sadler's Wells incurred a rent charge of £250,000 (2005: £250,000) from Sadler's Wells Foundation and received rent of £250,000 (2005: £250,000) from Sadler's Wells Trust.

9. Liability of Members

The company is limited by guarantee, and the liability of members is limited to £10 each. At 31 August 2006 there were 22 members (2005: 21 members)