The D'Oyly Carte Opera Trust Limited -
a company limited by guarantee

Trustees' report and financial statements

Registered company number 682766

Registered charity number 200024

Year ended 31 December 2003

Contents

Legal and administrative details

Registered Office	The Power House 6 Sancroft Street London SE11 5UD
Auditors	KPMG LLP PO Box 695 8 Salisbury Square London EC4Y 8BB
Bankers	Coutts and Co 440 The Strand London WC2R OQS
Solicitors	Harbottle and Lewis Hanover House 14 Hanover Square London W15 1HP

Trustees' report

The trustees present their annual report and the audited financial statements for the year ended 31 December 2003.

The financial statements comply with current statutory requirements, the memorandum and articles of association and the Statement of Recommended Practice – Accounting and Reporting by Charities.

Status of the company

The organisation is a charitable company limited by guarantee. The company is registered as a charity under the Charities Act 1993 (charity registration number 200024, company registration number 682766).

The charity was established under a Memorandum of Association which established the objects and powers of the charitable company and is governed by Articles of Association. Under those Articles, the trustees are appointed by the board of trustees. The trustees retire by rotation and being eligible offer themselves for re-election.

The members of the company are:

Sir Michael Bishop CBE (Chairman)
Major General Peter Baldwin CBE
Mr David Walton

Each member of the company has undertaken to contribute up to £1 to the company's assets if the company should be wound up.

Trustees

The trustees who served during the year, and subsequently were as follows:

Sir Michael Bishop CBE
Mr Colin Prestige (deceased: 11 November 2003)
Major General Peter Baldwin CBE
Mr David Walton

The trustees constitute directors of the company for Companies Act purposes.

Principal activities and Objects of the Charity

The principal activities and Objects of the charitable company are the production of Gilbert and Sullivan and other Operas for nationwide tours and the raising of funds to support these.

Additionally, the company sells merchandise relating to its productions. Merchandise is also gifted by way of publicity and marketing.

Review of the activities

The movement in funds for the year are set out on page 6.

The company's production receipts for the year amounted to £447,405 *(2003: £1,963,995)*

During the year the company performed for just under nine weeks at the Savoy Theatre in London. The Company did not undertake a National Tour during the year, preferring to consolidate its activities in the London area. The production of HMS Pinafore opened in 2002 but continued into March 2003.

The trustees have decided to postpone planned productions due to the current poor economic climate of the West End theatres and the likely unavailability in the future of their preferred theatre venue. The D'Oyly Carte Opera Trust, which is a registered charity, will continue to trade as usual with the D'Oyly Carte Music Hire Library and concert performances but opera production has been suspended. The status of opera productions will be reconsidered when the economic climate in the theatre industry improves.

Risk review and reserves policy

The Trustees have examined the major strategic, business and operational risks which the Charity faces and confirm that systems have been established to enable regular reports to be produced so that the necessary steps are taken to lessen these risks.

Trustees' report *(continued)*

Risk review and reserves policy *(continued)*

All reserves are unrestricted funds and can be used at the discretion of the trustees for the charitable objectives of the Trust. At 31 December 2003, the balance of the reserves amounted to £1,727,289. Although the reserves are currently in deficit, loans amounting to £1,987,524 have been provided by Sir Michael Bishop and the Michael Bishop Foundation, and it has been agreed that these will not be repaid until the Trust has sufficient funds. In addition, the Trust has the continuing support provided by the Michael Bishop Foundation, who have committed to ensure the future continuity of the Company, and are prepared to fund any liabilities of the company, which the company may be unable to meet itself, for a further period of one year.

Auditors

A resolution is to be proposed at the annual general meeting for the re-appointment of KPMG LLP as auditors of the company.

Approved by the board of trustees and signed on its behalf by:

Trustee

The Powerhouse
6 Sancroft Street
London
SE11 5UD

26.8.04 2004

Statement of trustees' responsibilities

Company law requires the trustees, who act as directors for the purposes of company law, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period. In preparing those financial statements the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 company will continue in operation.

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

KPMG

KPMG LLP

PO Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Independent auditors' report to the members of The D'Oyly Carte Opera Trust Limited

We have audited the financial statements on pages 5 to 12.

This report is made solely to the charity's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity'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

The trustees, who are also the directors of The D'Oyly Carte Opera Trust Limited for the purposes of company law, are responsible for preparing the trustees' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 charity 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 trustees' remuneration and transactions with the charity is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees 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 misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the charitable company as at 31 December 2003 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

24 August 2004

Statement of Financial Activities (including income and expenditure account)

for the year ended 31 December 2003

	Note	**Unrestricted funds 2003 £**	Unrestricted funds 2002 £
Incoming resources			
Donations, legacies and similar incoming resources	*2*	**95,818**	21,083
Incoming resources from activities in furtherance of the charity's objectives	*2*	**447,405**	1,963,995
Incoming resources from activities for generating funds	*2*	**60,379**	53,082
Investment income	*2*	**1,217**	3,604
		604,819	2,041,764
Cost of generating funds			
Other costs of generating funds	*3*	**(13,958)**	(5,788)
Net (outgoing)/incoming resources available for *charitable applications*		**590,861**	2,035,976
Resources expended			
Charitable expenditure			
Cost of activities in furtherance of the charity's objects	*4*	**(476,379)**	(2,420,846)
Management and administration of the charity	*4*	**(314,856)**	(387,316)
Interest payable	*5*	**-**	(267)
		(791,235)	(2,808,429)
Net (expenditure)/income for the year and net movement in funds		**(200,374)**	(772,453)
Fund balances brought forward at beginning of the year		**(1,526,915)**	(754,462)
Total funds carried forward		**(1,727,289)**	(1,526,915)

The statement of financial activities includes all gains and losses recognised in the year. All incoming resources and resources expended derived from continuing activities.

The notes on pages 7 to 12 form part of these financial statements.

Balance sheet
at 31 December 2003

	Note	2003		2002	
		£	£	£	£
Fixed assets					
Tangible assets	7		**185,345**		202,222
Current assets					
Stock	8	**5,882**		18,242	
Debtors	9	**32,586**		145,829	
Short term deposits		**12,533**		12,533	
Cash		**40,643**		34,315	
		91,644		210,919	
Creditors: amounts falling due within one year	10	**(16,754)**		(192,532)	
Net current (liabilities) / assets			**74,890**		18,387
Total assets less current liabilities			**260,235**		220,609
Creditors: amounts falling due in more than one year	11		**(1,987,524)**		(1,747,524)
Net liabilities			**(1,727,289)**		(1,526,915)
Unrestricted funds:					
Revaluation reserve	12		**175,000**		175,000
General	12		**(1,902,289)**		(1,701,915)
			(1,727,289)		(1,526,915)

These financial statements were approved by the trustees on 26 August 2004 and were signed on their behalf by:

Sir Michael Bishop CBE
Trustee

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements. There have been no changes in accounting policies in the year.

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards using the historical cost convention, as modified by the inclusion of certain tangible fixed assets at a valuation, and in accordance with the Statement of Recommended Practice, and Reporting 'Accounting by Charities' (SORP 2000) issued in October 2000 and the Companies Act 1985. The financial statements are drawn up using the going concern assumption on the basis of undertakings to support the company given by The Michael Bishop Foundation.

The company has taken advantage of the exemption available to small companies contained within Financial Reporting Standard 1, (Revised 1996) Cash Flow Statements' and has not prepared a cash flow statement.

The principal accounting policies adopted in the preparation of the financial statements are as follows:

Incoming resources

Performance related income represents the charity's share of total production income as stipulated in the production agreement, excluding value added tax.

Trading receipts relate to recording royalties and income from the sale of merchandise.

Donations and gifts include funds received from various sources and are included in incoming resources when receivable.

Resources expended

Costs of design and construction of sets, props and costumes are charged to expenditure over the period of the relevant tour. Other costs of preparation for productions are written off as they arise. These are all included within cost of generating funds in furtherance of the Charity's objects. Other costs of generating funds' include the cost of merchandise sold. All costs are inclusive of any VAT which cannot be recovered.

Certain expenditure is directly attributable to specific activities and has been included in those cost categories. Certain other costs, which are attributable to more than one activity, are apportioned across cost categories on the basis of an estimate of the proportion of time spent by staff on those activities.

Fixed assets and depreciation

Depreciation has been provided to write off the cost less residual value of fixed assets over their estimated useful lives as follows:

Furniture, fixtures and equipment: 20% per annum on a straight line basis

The archive material is not depreciated as in the opinion of the Trustees it has an indefinite life and its residual value is as high as its carrying value.

Lighting equipment is depreciated by £90 per week of use.

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

Leased assets

Where the risks and rewards of ownership (other than title) of assets acquired under lease agreements pass to the lessee, the asset is recorded as a fixed asset at the fair value at the date of acquisition with amounts due to the lessor (net of finance charges) reflected as a creditor.

The excess of amounts due to the lessor over the fair value of the asset at the date of the original purchase is reflected as a finance charge and is written off over the life of the lease.

Operating lease costs are charged to the statement of financial activities on a straight line basis over the lease term.

Notes *(continued)*

1 Accounting policies *(continued)*

Stock

Stock has been valued at the lower of cost and net realisable value.

Taxation

The company's charitable activities are exempt from taxation under Section 505 of the Income and Corporation Taxes Act 1988.

Fund accounting

Unrestricted funds can be used at the discretion of the trustees for the charitable objectives of the Trust.

2 Incoming resources

	2003	2002
	£	£
Donations, gifts and sponsorship		
Waiver of British Midland Airways Limited loan (Note 10)	**95,000**	-
Donations and Deeds of Covenant	**818**	20,083
Bequest of Mrs MM Holden	**-**	1,000
	95,818	21,083
Incoming resources from activities in furtherance of the Charity's objects		
Performance related income	**447,405**	1,963,995
Trading receipts		
Royalty income	**23,330**	-
Music library income	**21,555**	46,039
Costume sales	**8,380**	-
Miscellaneous income	**5,850**	7,043
A la Carte income	**1,264**	-
	60,379	53,082
Investment income		
Bank interest	**1,217**	3,604

3 Resources expended

	2003	2002
	£	£
Other costs of generating funds		
Music library costs	**-**	1,158
Other	**13,958**	4,630
	13,958	5,788

Notes *(continued)*

4 Resources expended

	2003	2002
	£	£
Costs of activities in furtherance of the charity's objectives:		
Annual tour	**437,446**	2,379,983
Stores and technical costs	**38,933**	40,863
	476,379	2,420,846
Management and administration costs		
Salaries, wages and national insurance	**148,995**	179,007
Redundancy costs	**11,230**	-
Maintenance	**15,780**	6,835
Hire of equipment	**2,143**	1,534
Postage, printing and stationery	**4,223**	9,390
Telephone	**5,217**	8,239
Travel and subsistence	**2,145**	4,030
Depreciation	**16,879**	10,264
London office costs	**74,317**	75,038
Subscriptions	**1,028**	1,252
Sundry	**930**	12,518
Computer related expenditure	**4,807**	13,405
Storage costs	**1,095**	31,378
Gas, electricity, water	**2,250**	3,863
Bank charges	**2,515**	3,682
Insurance	**15,302**	20,181
Professional fees	-	700
External auditors:		
Audit fee	**6,000**	4,500
Accounting advice	-	1,500
	314,856	387,316

5 Interest payable

	2003	2002
	£	£
Bank overdraft	-	267

Notes *(continued)*

6 Staff costs

	2003	2002
	£	£
Wages and salaries	**136,066**	163,682
Social security costs	**12,929**	15,325
	148,995	179,007

There were no employees whose emoluments were in excess of £50,000 in either the current or prior year.

The average number of staff employed by the company (excluding trustees) during the year was 6 *(2002: 7)*.

None of the trustees received any remuneration in respect of their services to the charity *(2002: £nil)*, and were not reimbursed for any of their expenses in the year *(2002: £nil)*.

7 Tangible fixed assets

Assets held for direct charitable use

	Archive material	**Furniture, fixtures and equipment**	**Total**
	£	**£**	**£**
Cost or valuation			
At beginning of year	175,000	103,727	278,727
Additions	-	-	-
At end of year	175,000	103,727	278,727
At cost	-	103,727	103,727
At 1995 valuation	175,000	-	175,000
	175,000	103,727	278,727
Depreciation			
At beginning of year	-	76,504	76,504
Charge for the year	-	16,878	16,878
At end of year	-	93,382	93,382
Net book value			
At 31 December 2003	**175,000**	**10,345**	**185,345**
At 31 December 2002	175,000	27,223	202,222

The most recent valuation of the archive material was performed by the Trustees as at 18 April 2001 based on advice received from Christie's International plc. The basis of valuation was open market value. Such archive material includes a Sullivan score and related material. The trustees believe there have been no material changes in the valuation of the archive material since the last valuation.

Included within the depreciation charge for the year is £6,586 *(2002: nil)* of accelerated depreciation on certain lighting equipment. Previously this was depreciated at £90 per week of use, but in the view of the Trustees, its useful economic life has been reduced due to the fact that the Charity has ceased productions for the foreseeable future. Accordingly it has been fully depreciated to its residual value, estimated at £1,500.

Notes *(continued)*

8 Stock

	2003 £	2002 £
Goods held for resale	**5,882**	18,242

9 Debtors

	2003 £	2002 £
Trade debtors	**4,757**	115,738
Amounts due from the Friends of D'Oyly Carte	**3,291**	3,291
Prepayments and accrued income	**24,538**	26,800
	32,586	145,829

10 Creditors: Amounts falling due within one year

	2003 £	2002 £
Loan: British Midland Airways Limited	-	95,000
Trade creditors	**16,055**	50,466
Other taxes and social security	**699**	47,066
Accruals and deferred income	-	-
	16,754	192,532

The British Midland Airways Limited loan was formally waived by the lender during the year. Accordingly it has been recognised by the Charity as income in its Statement of Financial Activities.

11 Creditors: Amounts falling due in more than one year

	2003 £	2002 £
The Michael Bishop Foundation	**1,522,524**	1,282,524
Sir Michael Bishop	**465,000**	465,000
	1,987,524	1,747,524

The above loans are repayable on demand but have been included in long term creditors on the basis that the lenders have agreed not to demand repayment of their loans until the Trust has sufficient funds and in any event not before 1 January 2005.

Notes *(continued)*

12 Reconciliation of movement in reserves – unrestricted

	Revaluation Reserve £	General £	Total £
At beginning of year	175,000	(1,701,915)	(1,526,915)
Net outgoing resources for the year	-	(200,374)	(200,374)
At end of year	**175,000**	**(1,902,289)**	**(1,727,289)**

The revaluation reserve resulted from an independent valuation in 1995 of archive material held in fixed assets.

13 Operating leases

The following amounts are payable within the next twelve months on operating leases expiring within:

	2003		2002	
	Land and buildings £	**Other £**	Land and buildings £	Other £
One year	-	-	35,700	-
Two to five years	-	**2,350**	-	1,712
More than five years	**20,112**	-	36,750	-
	20,112	**2,350**	72,450	1,712

14 Share capital

The Trust is a company limited by guarantee and has no share capital. The liability of the members in the event of a winding up is limited to the sum of £1 per member. There are currently three members.

15 Related party transactions

The Friends of D'Oyly Carte is a connected charity and its principal contact address is The Powerhouse, 6 Sancroft Street, London, SE11 5UD. Donations received in the year from the Friends of D'Oyly Carte amounted to £nil *(2002: £20,000)*. At 31 December 2003 and 31 December 2002, included in debtors is £3,291 recoverable from the Friends of D'Oyly Carte.

Sir Michael Bishop is a trustee of the D'Oyly Carte Opera Trust Limited. He is also the founder and chairman of the Michael Bishop Foundation. During the year, additional funding was received from both Sir Michael Bishop and the Michael Bishop Foundation amounting to £240,000 *(2002: £465,000)*. At 31 December 2003 the amounts payable and the repayment terms agreed are disclosed in note 11.

Sir Michael Bishop is also chairman of British Midland Airways Limited. During the year, incoming resources of £95,000 have been recognised by The D'Oyly Carte Opera Trust *(2002: £nil)*, following the formal waiver of the loan by British Midland Airways Limited (Note 10).