



ROYAL
OPERA
HOUSE

The Royal Opera House Endowment Fund 2000

Trustees' report and financial statements

Charity number 1089928

Year Ended 31 August 2020

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Trustees' report

The trustees present their report together with the audited accounts for the year ended 31 August 2020. These accounts and annual returns will be filed with the Charity Commission.

Reference and administrative details of the charity, its trustees and advisors

Charity Number	1089928
Principal Office	Royal Opera House, Covent Garden, London, WC2E 9DD
Auditors	Grant Thornton UK LLP Grant Thornton House 30 Finsbury Square London EC2A 1AG
Bankers	Coutts and Co 440 Strand London WC2R 0QS
Solicitors	Farrer & Co LLP 66 Lincoln's Inn Fields London WC2A 3LH
Investment Managers	Stonehage Fleming Investment Management Limited 15 Suffolk Street London SW1Y 4HG Troy Asset Management Limited Brookfield House 33 Davies Street London W1K 4BP Newton Investment Management Limited BNY Mellon Centre 160 Queen Victoria Street London EC4V 4LA
Trustees	Dame Vivien Duffield (Chairman) (Royal Opera House Trustee) Tim Bunting (Royal Opera House Trustee) Hamish Forsyth (Independent Trustee) Sir Simon Robertson (Independent Trustee, retired 20 April 2020) Sir Simon Robey (Deputy Chairman) Baroness Shackleton of Belgravia (Independent Trustee, retired 20 April 2020) Peter Troughton CBE (Independent Trustee)
Secretary to the trustees	Ivan Daffern (retired 16 March 2020)

Structure, governance and management

Governing document

The Royal Opera House Endowment Fund 2000, ('the Charity'), was established by trust deed on 14 December 2001 and is a registered charity number 1089928.

Appointment and training of trustees

The trustees who have served wholly or partly during the year are set out on the previous page. The appointment of new trustees is vested in the existing trustees who shall consult the Royal Opera House before any appointment. The trustees shall ensure that only two of the trustees are directors of Royal Opera House Covent Garden Foundation, ('ROHCGF' or 'the Royal Opera House') and that no employee of ROHCGF is appointed a trustee. There shall be not less than five nor more than eight trustees of the Charity.

Trustees hold office for an initial term not exceeding three years and are eligible for reappointment for further terms not exceeding three years, but may resign as trustee before the expiry of any term by notice in writing to the trustees.

The trustees appoint one of their number as the chairman of the trustees.

New trustees undergo an induction session with the secretary to the trustees to brief them on their obligations under charity law, the content of the trust deed, and the conduct of trustee meetings.

Organisation

The direction and control of the Charity is determined by the trustees, who meet at least twice a year. As set out in the Charity SORP, the trustees are the key management personnel with oversight of the management and activities of the Charity. They receive no compensation. Day to day management and administration of the Charity is delegated to Alex Beard (Chief Executive Officer of the Royal Opera House), who attends the trustee meetings.

Connected charities and companies

ROHCGF ('the Royal Opera House') – registered charity no. 211775. The Charity holds investments and generates income to grant to the ROHCGF. The principal activity of the ROHCGF is the presentation of opera and ballet performances at the Royal Opera House and tours in the United Kingdom and overseas. The power of appointing new trustees of the Charity is vested in the trustees who consult ROHCGF before any exercise of this power. The trustees ensure that only two of the trustees are ROHCGF trustees and that no employee of ROHCGF is appointed a trustee.

ROH Holdings Ltd – registered company no. 02580395. This is a holding company with one subsidiary, ROH Developments Limited, a property development company.

Royal Opera House Enterprises Limited – registered company no. 04112266. This is a subsidiary of ROHCGF.

Going Concern

The Trustees must satisfy themselves as to the Charity's ability to continue as a going concern for a minimum of 12 months from the signing of the financial statements. From the beginning of the pandemic the Trustees have monitored the general economic impact of Covid-19, in particular the impact on investment markets. Although investment markets had initially been adversely affected at the start of the pandemic in March 2020 they have since recovered. The Trustees continue to work closely with the investment managers to ensure funds are invested as effectively as possible to minimise exposure to risk during this uncertain time. As the Charity

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holds endowments and other funds of £47m, the Trustees feel there is little risk of the Charity not being able to continue in operational existence for the foreseeable future and for this reason the financial statements have been prepared on a going concern basis.

Risk Management

The trustees have examined the major strategic and operational risks that face the Charity and are satisfied there are systems in place to mitigate identified risks. The trustees have received assurances from the Audit Committee of ROHCGF of the effectiveness of the internal controls. The main risks identified relate to the Covid-19 pandemic and the state of the UK economy, which have a direct impact on investment values and fundraising generally. The performance of investments is key to creating income that can be granted to the ROHCGF in the furtherance of its charitable objects. The trustees manage this risk by regularly meeting with the Investment Managers and by scrutinising regular updates and presentations from the Investment Managers to understand the risk profile of the investments. Annually, the trustees review the risk register for the Charity.

Objects and activities

The objects of the Charity are to promote the education of the public in the arts of opera and ballet by making grants to, or for the benefit of, the Royal Opera House. The Charity does this by seeking to increase its capital base by actively marketing the Charity as a recipient of legacy income and other gifts. The Charity also generates capital growth and income in order to make grants to the Royal Opera House.

The ROHCGF aims to enrich people's lives through opera and ballet. Home to two of the world's great artistic companies – The Royal Opera and The Royal Ballet, performing with the Orchestra of the Royal Opera House – it seeks to be accessible to audiences across the UK and to break new ground in the presentation of lyric theatre.

Despite a challenging year due to the pandemic, the Royal Opera House is one of the busiest theatres in the world, delivering over 281 performances, employing more than 1,000 staff and generating a turnover of over £117m. In turn this enabled over 390,000 attendances at the Royal Opera House and over 500,000 in cinemas worldwide in 2019/20, further extended via broadcasting, digital activity and collaboration with touring companies. In addition, more than 1,500 schools took part in learning and participation projects.

From workshops in schools to formal apprenticeships, community projects to teacher training, the Royal Opera House deepened the knowledge and experience of thousands of people last year, including through its extensive participatory programme in Thurrock and the Thames Gateway.

The Royal Opera House's achievements, supported by the Charity, are detailed in the Royal Opera House Trustees' report and financial statements for 2019/20.

Public Benefit

The Charity delivers public benefit by making grants each year to the Royal Opera House. The Trustees of the Royal Opera House refer to the Charity Commission's general guidance on public benefit when shaping and reviewing the ROHCGF charity's aims, objects and future strategies. In setting the level of ticket prices, charges and concessions, and in developing digital and broadcast distribution, the Royal Opera House Trustees give careful consideration to the accessibility of the Royal Opera House to those on low incomes. This is addressed through maintaining a wide range of ticket prices, as well as through several ticket subsidy

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schemes, free events, Big Screens, cinema, live streaming, digital and broadcast activity and an extensive learning and participation programme.

Grant making policy

The Charity comprises a number of separate funds. It determines the funding of projects which accord with their objects and which benefit the Royal Opera House. Each fund has a specific purpose:

- **Jean Sainsbury Fund** may be used for the support of grand opera and classical ballet. The original transfer of funds to the Charity was made on the basis that the capital amount could be used to augment any annual grant to the Royal Opera House up to a total value of 5% of the value of the funds at the start of the year;
- **Paul Hamlyn Education Fund** may be used to support the activities of the educational projects of the Royal Opera House. Applications are considered against the objects of the fund and the most suitable projects chosen in consultation with the Paul Hamlyn Foundation;
- **Franklin Fund** is used to support choreographic work at the Royal Opera House;
- **Derek Butler Apprenticeship Fund** is to be used to support the training of apprentices at the Royal Opera House. It is to be used over ten years from 2013;
- **Paul Ferguson Memorial Fund** may be used to support ballet;
- **Susan A. Olde OBE Music Director Fund** is to be used to support the office of the Music Director. It is to be used over six seasons from 2017/18;
- **Main Endowment Fund** Unrestricted funds may be used in accordance with the charitable objects at the discretion of the trustees. The restricted funds may also be used in accordance with the object of the Charity, specifically relating to grants out of capital. This object requires that the trustees (acting unanimously) have a clear policy for restoring any grant out of capital within a period of five years or in exceptional circumstances a period not exceeding ten years.

Achievements and performance

During the year the Charity made grants of £2,254,000 (*Year ended 31 August 2019: £2,421,134*) to the Royal Opera House. The grants made were as follows:

Productions £644,500

- **Main Endowment Fund** - £364,500 to support the following productions: *Otello*, *Madama Butterfly*, *Death in Venice*, *La Boheme*, *The Sleeping Beauty*, *Coppelia*, *Swan Lake*, *Concerto/Enigma Variations/Raymonda Act III* and £50,000 to support *Abaya and Aisha*;
- **Jean Sainsbury Fund** - £170,000 to support *Manon*;
- **Paul Ferguson Memorial Fund** - £60,000 to support *Onegin*.

Education and Apprenticeships £539,000:

- **Main Endowment Fund** - £25,000 to the Education department to support the *Chance to Dance* programme;
- **Paul Hamlyn Education Fund** - £344,000 to support a variety of educational projects;
- **Derek Butler Apprenticeship Fund** - £170,000 to support the Apprenticeship Scheme.

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Other £1,070,500:

- **Main Endowment Fund** - £80,000 to support the production of the Nightly Cast Sheets which are provided free for every performance;
- **Main Endowment Fund** - £150,000 to support the running costs of the Music Library;
- **Main Endowment Fund** - £7,500 for the Healthcare Suite;
- **Susan A. Olde OBE Music Director Fund** - £833,000 to support the office of the Music Director.

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 0.79% for the year ended 31 August 2020 (*Year ended 31 August 2019 7.07%*). The return for 2020 did not exceed the blended target of CPI plus 3.5% (3.7%). Investments with Stonehage Fleming which are long term in nature are being progressively wound down.

Financial review

Grants totalling £2,254,000 (*Year ended 31 August 2019 £2,421,134*) were made to the ROHCGF in furtherance of the Charity's objects. Other resources expended related primarily to the management of investments, and the marketing of the Charity as a beneficiary of legacy income for the benefit of the Royal Opera House. The investment managers' fees were £261,111 (*Year ended 31 August 2019 £255,477*).

The total funds at 31 August 2020 were £47.1m (*Year ended 31 August 2019 £48.1m*). The net decrease in funds for the year as set out in the statement of financial activities was £1,011,638 (*Year ended 31 August 2019: increase of £2,927,668*), comprising net outgoing resources of £779,514 and net realised and unrealised losses of £232,124 on investments held with investment managers. Funds held with investment managers at the end of the year were £38,584,294 (*2019: £39,149,090*) including cash holdings with investment managers of £7,170,929 (*2019: £4,139,535*) disclosed under Fixed Assets. Additional cash balances at the bank at the end of the year were £2,797,495 (*2019: £4,339,933*).

Investment powers and policy

There are no restrictions on the investment powers of the trustees. The trustees are permitted to invest and reinvest the trust fund, providing the objects and purposes of the Charity are met, and subject to such consents as may be required by law.

Investment Policy

The Trustees reviewed and agreed an Investment Policy in line with the Charities Commission Guidance CC14. A summary of the key investment objects are as follows:

- Generate investment income to maximise the grant income available to support the ROHCGF; and
- Deliver capital growth to maintain the real value of investments for future years.

To achieve the above objects the trustees have set the investment benchmark of a blended total return of CPI +3.5% on a rolling basis, (net income 1.5% and capital return of CPI +2%).

Reserves policy

The trustees have reviewed the free reserves (comprising unrestricted net current assets) of the Charity which are £526,524 at 31 August 2020 (*31 August 2019: £657,431*). Free reserves are intended to give the Charity financial flexibility and a buffer against operational risks. Having considered the Charity's commitments with regard to the sensitivity of investment returns in the economic climate, the trustees have considered the level of free reserves and

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believe total reserves are at an appropriate level at the year ended 31 August 2020. The aim has been to build up free reserves to ensure that grants can be made to the Royal Opera House in future years even if investment income underperforms.

Trustees and trustees' interests

No Trustee received any remuneration for his or her services or was reimbursed for out of pocket expenses, nor was the Charity involved with any contracts or transactions in which any trustee had a material interest.

Plans for future periods

The Charity seeks to increase its capital base by actively marketing the Charity as the recipient of legacy and philanthropic income pledged in support of the Royal Opera House and by achieving capital growth and income return in line with or in excess of investment objects. Grant applications will continue to be considered for the funding of projects which benefit the Royal Opera House which are consistent with the Charity Commission's guidelines on public benefit.

Auditors

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

On behalf of the trustees

Dame Vivien Duffield

Dame Vivien Duffield
Trustee
Approved on 25 May 2021

Statement of trustees' responsibilities

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

The Charities Act 2011 requires the trustees to prepare financial statements for each financial year. The trustees have 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. 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 charity and of the incoming resources and application of resources, including the income and expenditure, of the charity 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 charity will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the trustees of The Royal Opera House Endowment Fund 2000

Opinion

We have audited the financial statements of The Royal Opera House Endowment Fund 2000 (the 'charity') for the year ended 31 August 2020, which comprise the Statement of Financial Activities, the Balance Sheet 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 charity's affairs as at 31 August 2020 and of its incoming resources and application of resources for the year 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 Charities Act 2011

Basis for opinion

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of 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 charity 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the trustees and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the charity's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the charity's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a charity associated with these particular events.

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:

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- 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 charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Trustees' conclusions, we considered the risks associated with the charity's business, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the charity's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the charity will continue in operation.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Report and Financial Statements, other than the financial statements and our auditor's report thereon. 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustees' Report is inconsistent in any material respect with the financial statements; or
- the charity has not kept sufficient accounting records; or
- the financial statements are not in agreement with the accounting records and returns; 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 Statement of Trustees' Responsibilities set out on page 9, the trustees are responsible for the preparation of the financial statements which 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 charity's ability to continue as a going concern, disclosing, as applicable, matters related to going

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concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity 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.

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with Section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity's trustees 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 its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Sheffield
25th May 2021

Grant Thornton UK LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

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Statement of financial activities for the year ended 31 August 2020

				2020	2019
	<i>Note</i>	Unrestricted £	Restricted (Income) £	Restricted (Capital) £	Total £
Income and endowments from:					
Donations and legacies	2	-	-	620,441	2,357,210
Investment	3	670,437	463,182	19	1,481,756
Total incoming		670,437	463,182	620,460	3,838,966
Expenditure on:					
Charitable activities					
Grants to Royal Opera House Covent Garden Foundation	4	(677,000)	(1,124,490)	(452,510)	(2,421,134)
Raising funds					
Raising donations and legacies	5	(18,482)	-	-	(27,073)
Investment managers' fees		(105,863)	(155,248)	-	(255,477)
Total expenditure		(801,345)	(1,279,738)	(452,510)	(2,703,684)
Net gains on investments	6	-	155,913	(388,037)	1,792,386
Net (expenditure) / income		(130,908)	(660,643)	(220,087)	2,927,668
Net movement in funds		(130,908)	(660,643)	(220,087)	2,927,668
Fund balances brought forward at 1 September 2019	12;13	657,432	3,834,812	43,647,486	45,212,062
Fund balances carried forward at 31 August 2020	12;13	526,524	3,174,169	43,427,399	48,139,730

Incoming resources arise from continuing operations.

The Charity had no recognised gains or losses other than the net movement in funds for the year.

The notes on pages 15 to 26 form part of these financial statements.

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Balance sheet
as at 31 August 2020

	Note	2020 £	2019 £
Fixed assets			
Investments	9	38,584,294	39,149,090
Current assets			
Debtors amounts falling due after more than one year	10	5,430,000	5,430,000
Debtors amounts falling due within one year	10	417,776	1,459,904
Cash at bank		2,797,495	4,339,933
Total current assets		8,645,271	11,229,837
Creditors: amounts falling due within one year	11	(101,473)	(2,239,197)
Net current assets		8,543,798	8,990,640
Net assets		47,128,092	48,139,730
Unrestricted	12	526,524	657,432
Restricted (Income)	12	3,174,169	3,834,812
Restricted (Capital)	12	43,427,399	43,647,486
Funds	12;13	47,128,092	48,139,730

These financial statements were approved on 25 May 2021 by:

Dame Vivien Duffield
Trustee

Dame Vivien Duffield

The notes on pages 15 to 26 form part of these financial statements.

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 Charity's financial statements.

Basis of preparation

The financial statements are prepared in accordance with the FRS102 applicable accounting standards and the Charities Act 2011. They have been prepared under the historical cost convention, modified to include the revaluation of fixed asset investments. The Charity has adopted 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 2019). There are no material departures from FRS102.

The Charity meets the definition of a qualifying entity under FRS102 as the results of the Charity are consolidated into the ROHCGF's financial statements which are publicly available. In accordance with FRS 102 S1.12, the Charity has taken advantage of the exemptions in respect of the preparation of a cash flow statement and the disclosure of financial instruments.

The Charity was established by trust deed in the United Kingdom on 14 December 2001 and is a registered charity number 1089928. The charity is registered in England and its principal address is Royal Opera House, Covent Garden, London, WC2E 9DD.

Going Concern

The Trustees consider that the going concern assumption is an appropriate basis on which to prepare these financial statements. After considering the risks associated with the economic impact of the pandemic (as set out within the heading Going Concern on pages 4 to 5) the Trustees consider the Charity has adequate resources to continue in operational existence for the foreseeable future being a minimum of twelve months from the date of the approval of these financial statements. For this reason, the financial statements have been prepared on a going concern basis.

Public Benefit

The Charity delivers public benefit by making grants on an annual basis to Royal Opera House Covent Garden Foundation, ('ROHCGF' or 'the Royal Opera House'). The Charity is a public benefit entity under FRS102.

Significant judgements and key sources of estimation uncertainty

Management have exercised their judgement in 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 10 for carrying values for the current and prior periods.

Fixed asset investments

Investments are shown at fair value as at the balance sheet date. Realised and unrealised gains on investments are recognised in the statement of financial activities, and are treated as attributable to Restricted Capital funds.

Finance leases

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.

Fund accounting

Unrestricted funds may be used in accordance with the charitable objects at the discretion of the trustees.

Restricted funds are to be used in accordance with the object of the Charity and specific restrictions placed by the donor.

Restricted funds have been further subdivided into restricted (capital) funds and restricted (income) funds. Restricted (capital) funds (also known as endowment funds) represent those assets that are required to be invested. These funds include both permanent restricted (capital) funds, where there is no power to convert the capital into income and the funds are required to be held permanently by the Charity, and expendable restricted (capital) funds where the trustees have the power to convert the capital into expendable income. Restricted (capital) funds are invested to produce income to meet expenditure, as directed by the terms of the endowment or by the terms of the Charity.

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

Functional Currency

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

Income

Income is recognised only when it is probable that the economic benefits associated with the transaction will flow to the charity and the amount of the revenue can be measured reliably. 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. Income from grants, donations and legacies is 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.

Charitable expenditure

Expenditure is included on an accruals basis. Grants are recognised in the financial year in which the production or activity takes place.

Cash at bank and in hand

Cash at bank 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.

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 company. Assets are recognised only when it is probable that future economic benefits will flow to the company 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 note 14.

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.

2 Donations and legacies

	Permanent endowment	Expendable endowment	2020 Total	Permanent endowment	Expendable endowment	2019 Total
	£	£	£			£
Legacies	619,781	-	619,781	2,357,010	-	2,357,010
Other donations	660	-	660	200	-	200
	620,441	-	620,441	2,357,210	-	2,357,210

Donations and legacies are directed to support and grow the capital in the Charity unless otherwise directed by the donor. The Trustees have declared a legal trust over these incoming resources to invest and hold these funds as restricted capital funds.

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3 Investment income

	2020 £	2019 £
Finance lease interest income	270,202	270,204
Contingent rents	52,972	65,898
Dividend and interest income	810,464	1,145,654
	1,133,638	1,481,756

Dividend and interest income is earned on funds managed by the Investment Managers and interest on bank deposits held at Coutts and Co. Finance lease interest income and contingent rents are derived from leases for the retail units on the site of the Royal Opera House.

4 Grants

During the year the Charity made grants of £2,254,000 (2019: £2,421,134) to the Royal Opera House in support of the following productions/projects:

	Unrestricted (Income)	Restricted (Income)	Restricted (Capital)	Restricted (Capital)	Restricted (Capital)	Total
	£	£	Permanent £	Expendable £	Total £	£
Nightly Cast Sheets	80,000	-	-	-	-	80,000
Otello	45,563	-	-	-	-	45,563
Madama Butterfly	45,563	-	-	-	-	45,563
Death in Venice	45,563	-	-	-	-	45,563
La Boheme	45,563	-	-	-	-	45,563
The Sleeping Beauty	45,562	-	-	-	-	45,562
Coppelia	45,562	-	-	-	-	45,562
Swan Lake	45,562	-	-	-	-	45,562
Concerto/Enigma Variations/Raymonda Act III	45,562	-	-	-	-	45,562
Abaya and Aisha	50,000	-	-	-	-	50,000
Manon	-	50,143	-	119,857	119,857	170,000
Onegin	-	46,048	-	13,952	13,952	60,000
Music Library	150,000	-	-	-	-	150,000
Education projects	-	182,182	-	161,818	161,818	344,000
Chance to Dance Education Project	25,000	-	-	-	-	25,000
Healthcare Suite	7,500	-	-	-	-	7,500
Derek Butler Apprentices	-	13,117	-	156,883	156,883	170,000
Susan Olde Music Director Fund	-	833,000	-	-	-	833,000
	677,000	1,124,490	-	452,510	452,510	2,254,000

5 Expenditure on raising donations and legacies

	2020 £	2019 £
Marketing and publicity	13,482	22,073
Ground rent	5,000	5,000
	18,482	27,073

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6 Gains and losses on revaluations and disposals of investments

	2020 £	2019 £
Realised gains on disposal of investments	1,758,513	1,295,720
Unrealised (loss)/gain on revaluation of other investments	(1,990,637)	496,666
	(232,124)	1,792,386

During the year there were losses on investments totalling £232,124 (2019: gains of £1,792,386). Of this £1,990,637 relates to unrealised losses primarily due to negative movements in the fair value of the investments held by Troy and Newton, and £1,758,513 relates to realised gains mainly on the disposal of investments transferring funds from the Trojan Income Fund to the Trojan Fund.

Realised gains on investments are classified as 'Restricted Capital' within the Statement of financial activities, as they were immediately reinvested within the investment portfolio and were not available to be utilised at the discretion of the trustees.

7 Trustees' remuneration

Trustees received no remuneration and were paid no expenses during the year (2019: nil). The Charity does not have any employees.

8 Taxation

The Charity is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable trust for UK income tax purposes. Accordingly, the Charity is exempt from taxation in respect of income or capital gains received within categories covered by Part 10 Income Tax Act 2007 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Due to the high value of non-business and exempt activities, the Charity is unable to recover any tax on many of its purchases. All non-recoverable VAT is included within the appropriate expenditure headings.

9 Fixed asset investments

	2020 £	2019 £
Held with investment managers:		
- Venture funds	357,844	340,254
- Quoted equities	18,381,626	24,331,582
- Hedge funds	290,958	526,574
- Bonds	8,882,125	7,999,825
- Cash funds	7,170,929	4,139,535
- Gold	3,500,812	1,811,320
Total investments with Investment Managers	38,584,294	39,149,090

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The movements in investments held with investment managers were as follows:

	2020			2019		
	Listed investments	Other investments	Total investments	Listed investments	Other investments	Total investments
	£	£	£	£	£	£
Market value at beginning of the period	38,009,188	1,139,902	39,149,090	35,555,352	1,090,088	36,645,440
Additions (at cost)	1,997,328	-	1,997,328	997,179	-	997,179
Disposals (at opening market value)	(1,980,000)	(350,000)	(2,330,000)	(285,915)	-	(285,915)
Net realised and unrealised investment gains	(208,878)	(23,246)	(232,124)	1,742,572	49,814	1,792,386
Market value at end of the period	37,817,638	766,656	38,584,294	38,009,188	1,139,902	39,149,090
Historical cost at end of the period	32,568,997	761,414	33,330,411	28,908,834	761,414	29,670,248

Split of investments between those based in the UK and those that are based overseas:

	2020			2019		
	UK	Overseas	Total	UK	Overseas	Total
	£	£	£	£	£	£
All Equities	5,619,701	12,761,925	18,381,626	15,069,603	9,261,979	24,331,582
Bonds	3,630,907	5,251,218	8,882,125	2,565,865	5,433,960	7,999,825
Alternative Investments*	648,802	-	648,802	866,828	-	866,828
Cash	7,170,929	-	7,170,929	4,139,535	-	4,139,535
Gold	3,500,812	-	3,500,812	1,811,320	-	1,811,320
	20,571,151	18,013,143	38,584,294	24,453,151	14,695,939	39,149,090

*Alternative investments includes Hedge Funds, Commodities, Property, Special Situations LLPs, Infrastructure and Currency Options.

10 Debtors

	2020 £	2019 £
Debtors: amounts falling due after more than one year		
Finance lease rental income	5,430,000	5,430,000
	5,430,000	5,430,000
Debtors: amounts falling due within one year		
Finance lease rental income due within one year	322,972	335,898
Investment income receivable	94,804	254,056
Accrued income	-	869,950
	417,776	1,459,904

The 5% income interest in the leases of the retail units on the site of the Royal Opera House is accounted for as a finance lease debtor and therefore held at an historic valuation which in total is £5.7m. The property valuation undertaken by Gerald Eve LLP on 19 September 2019 deemed the fair value of this asset to be £11.75m.

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	2020	2019
	£	£
Gross investment in a finance lease at the end of the period	59,782,000	60,056,000
Unearned finance income for the period	(54,082,000)	(54,356,000)
Present value of minimum lease payments at the end of the period	5,700,000	5,700,000

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	Present value of minimum lease payments
	£	£
Not later than one year	270,000	258,000
Later than one year and not later than five years	1,081,000	922,000
Later than five years	58,431,000	4,520,000
	59,782,000	5,700,000

11 Creditors: amounts falling due within one year

	2020	2019
	£	£
Amounts owing to Royal Opera House Covent Garden Foundation	63,464	2,196,188
Amounts owing to ROH Holdings Limited	5,000	10,000
Deferred rental income	19,499	19,499
Other creditors	13,510	13,510
	101,473	2,239,197

12 Analysis of net assets between funds

	Investments	Cash at bank and in hand	Other net current assets	Total
	£	£	£	£
Unrestricted Funds	-	1,768,437	(1,241,913)	526,524
Restricted Income Fund	-	1,029,058	2,145,111	3,174,169
Restricted Capital Fund	38,584,294	-	4,843,105	43,427,399
At 31 August 2020	38,584,294	2,797,495	5,746,303	47,128,092

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Analysis of net assets between funds (at 31 August 2019)

	Investments	Cash at bank and in hand	Other net current assets	Total
	£	£	£	£
Unrestricted Funds	-	2,097,232	(1,439,800)	657,432
Restricted Income Fund	-	2,242,701	1,592,111	3,834,812
Restricted Capital Fund	39,149,090	-	4,498,396	43,647,486
At 31 August 2019	39,149,090	4,339,933	4,650,707	48,139,730

13 Funds

	Unrestricted	Restricted (Income)					
	Main Endowment Fund	Jean Sainsbury Fund	Paul Hamlyn Fund	Franklin Fund	Derek Butler Trust Fund	Paul Ferguson Memorial Fund	Susan A. Olde OBE Music Director Fund
	£	£	£	£	£	£	£
At 1 September 2019	657,432	-	189,698	-	-	-	3,645,114
Incoming resources	670,437	73,139	275,879	1	19,970	57,788	36,405
Resources expended	(801,345)	(73,139)	(275,879)	(1)	(19,970)	(57,788)	(852,961)
Gains on revaluations & disposals of investments	-	-	-	-	-	-	155,913
At 31 August 2020	526,524	-	189,698	-	-	-	2,984,471

	Restricted (Capital)						Total
	Main Endowment Fund	Jean Sainsbury Fund	Paul Hamlyn Fund	Franklin Fund	Derek Butler Trust Fund	Paul Ferguson Memorial Fund	
	£	£	£	£	£	£	£
At 1 September 2019	23,200,846	3,524,423	13,760,559	561	1,026,885	2,134,212	48,139,730
Incoming resources	620,441	-	-	19	-	-	1,754,079
Resources expended	-	(119,857)	(161,818)	-	(156,883)	(13,952)	(2,533,593)
Gains on revaluations & disposals of investments	(137,059)	(42,983)	(88,035)	(70)	(1,065)	(118,825)	(232,124)
At 31 August 2020	23,684,228	3,361,583	13,510,706	510	868,937	2,001,435	47,128,092

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Main Endowment Fund is the Trust Fund as defined in the Charity's Trust Deed.

The above disclosure demonstrates the source of the Charity's funds.

Restricted funds currently represent:

- The **Main Endowment Fund** is a permanent Endowment. This comprises the surplus on the Royal Opera House Development Appeal held in the form of cash and property assets, and subsequent donations and legacies.
- The **Jean Sainsbury Fund** was created from a transfer of funds from the Jean Sainsbury Royal Opera House Fund, which was wound up in March 2004. The annual grant, to be spent on grand opera or classical ballet, is in the name of the Jean Sainsbury Fund. The original transfer of funds to the Charity was made on the basis that the capital amount could be used to augment any annual grant to the Royal Opera House up to a total value of 5% of the value of the funds at the start of the year. This is an expendable endowment.
- The **Paul Hamlyn Education Fund** is a separate fund comprising a donation received from the Paul Hamlyn Foundation. Income generated and capital, subject to certain restrictions, may be used to support the activities of the educational projects of the Royal Opera House. This is a permanent endowment.
- The **Franklin Fund** is a separate fund comprising a donation received from the late John Franklin. The income and capital from the Franklin Fund may be used to support the choreographic work at the Royal Opera House, and is therefore an expendable endowment.
- The **Derek Butler Apprenticeship Fund** is a separate fund created from a donation of £1.875m from the Derek Butler Trust to endow the Royal Opera House Apprenticeship Scheme. This is an expendable endowment to be spent over 10 years starting from September 2013.
- The **Paul Ferguson Memorial Fund** was established by the Peyton Trust as a permanent endowment which supports ballet.
- The **Susan A. Olde OBE Music Director Fund** is a separate fund created from a donation received from Susan A. Olde OBE to support the office of the Music Director. This is an expendable endowment to be spent over six seasons from 2017/18.

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Funds (as at 31 August 2019)

	Unrestricted	Restricted (Income)					
	Main Endowment Fund	Jean Sainsbury Fund	Paul Hamlyn Fund	Franklin Fund	Derek Butler Trust Fund	Paul Ferguson Memorial Fund	Susan Olde A. Olde OBE Music Director Fund
	£	£	£	£	£	£	£
At 1 September 2018	701,572	-	189,698	-	-	-	4,252,297
Incoming resources	806,220	109,667	422,566	4	29,674	68,679	44,927
Resources expended	(850,360)	(109,667)	(422,566)	(4)	(29,674)	(68,679)	(851,039)
Gains on revaluations & disposals of investments	-	-	-	-	-	-	198,929
At 31 August 2019	657,432	-	189,698	-	-	-	3,645,114

	Restricted (Capital)						Total
	Main Endowment Fund	Jean Sainsbury Fund	Paul Hamlyn Fund	Franklin Fund	Derek Butler Trust Fund	Paul Ferguson Memorial Fund	
	£	£	£	£	£	£	£
At 1 September 2018	20,173,683	3,452,232	13,274,002	764	1,128,751	2,039,063	45,212,062
Incoming resources	2,357,209	-	-	20	-	-	3,838,966
Resources expended	-	(84,230)	(142,345)	-	(141,609)	(3,511)	(2,703,684)
Gains on revaluations & disposals of investments	669,954	156,421	628,902	(223)	39,743	98,660	1,792,386
At 31 August 2019	23,200,846	3,524,423	13,760,559	561	1,026,885	2,134,212	48,139,730

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14 Commitments

The Charity has no capital commitments as at 31 August 2020 (2019: nil).

The Charity has commitments for future minimum lease payments under a non-cancellable operating lease as follows:

The future minimum lease payments under the non-cancellable operating lease is as follows:

	2020	2019
	£	£
Not later than one year	5,000	5,000
Later than one year and not later than five years	20,000	20,000
Later than five years	1,081,235	1,086,235

The lease payments payable are guaranteed at the greater of a minimum annual amount of £5,000 throughout the life of the long lease (expiry in December 2241) and 0.5% of 5% of the rents collected in an associated lease, held by the Charity. However, at the balance sheet date, the trustees consider this potential increased lease payments receivable to be so remote that the guaranteed minimum annual payments is recognised on a straight line basis over the lease. £5,000 was recognised as an expense during the year ended 31 August 2020 (2019: £5,000).

15 Transactions with trustees, connected persons, connected Charities and other related parties

Connected Charities

(a) Royal Opera House Covent Garden Foundation – registered charity no. 211775 and registered company no. 480523

The principal activity of the ROHCGF is 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 power of appointing new trustees of the Charity is vested in the trustees who consult ROHCGF before any exercise of this power. The trustees ensure that only two of the trustees are ROHCGF trustees and that no employee of ROHCGF is appointed a trustee.

Grants made to ROHCGF are disclosed in note 4.

(b) ROH Holdings Ltd – registered company no. 02580395

ROH Holdings Ltd is a holding company with one subsidiary, ROH Developments Limited, a property development company.

ROH Holdings Ltd charges the Charity for ground rent for the property lease held by the Charity which represents a 5% income interest in the leases for the retail units on the site of the Royal Opera House.

The ground rent charged by ROH Holdings Ltd to the Charity is disclosed in note 5 and the related operating lease commitments in note 14.

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(c) Royal Opera House Enterprises Limited – registered company no. 04112266

Royal Opera House Enterprises Limited is a subsidiary of ROHCGF and is an event, catering and video production company.

Amounts due to and from connected Charities are disclosed in the notes to these accounts. There were no other transactions with trustees, connected persons or connected charities during the year and trustees received no remuneration and were paid no expenses during the year (2019: nil).

16 Ultimate parent undertaking

The smallest and largest group into which the accounts of the Charity are consolidated is the ROHCGF, (Royal Opera House Covent Garden Foundation (Limited by guarantee), company number 480523, registered charity no. 211775 whose object it is 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 ultimate parent undertaking incorporated in the United Kingdom. ROHCGF exercises dominant influence over the Charity being both the power to govern and the ability to benefit from the Charity's activities. Two of the trustees must be trustees of ROHCGF, all new trustees appointed must be done so in consultation with the ROHCGF and all grants are made to, or for the benefit of the ROHCGF. Its accounts are available to the public and may be obtained from The Royal Opera House, Covent Garden, London WC2E 9DD.

17 Statement of financial activities for the year ended 31 August 2019

				2019	2018
	Note	Unrestricted £	Restricted (Income) £	Restricted (Capital) £	Total £
Income and endowments from:					
Donations and legacies	2	-	-	2,357,210	5,422,024
Investment	3	806,220	675,516	20	1,675,844
Total incoming		806,220	675,516	2,357,230	7,097,868
Expenditure on:					
Charitable activities					
Grants to Royal Opera House Covent Garden Foundation	4	(724,000)	(1,325,438)	(371,696)	(2,471,559)
Raising funds					
Raising donations and legacies	5	(27,073)	-	-	(29,206)
Investment managers' fees		(99,287)	(156,190)	-	(236,884)
Total expenditure		(850,360)	(1,481,628)	(371,696)	(2,737,649)
Net gains on investments	6	-	198,929	1,593,457	935,701
Net income and movement in funds		(44,140)	(607,183)	3,578,991	5,295,921
Fund balances brought forward at 1 September 2018	12;13	701,572	4,441,995	40,068,495	39,916,141
Fund balances carried forward at 31 August 2019	12;13	657,432	3,834,812	43,647,486	45,212,062