

## Commentary on the Model Trustees' Annual Report and Accounts: Arts Theatre Trust (FRS 102 version)

This example is for a company limited by guarantee, operating a theatre and related activities with one trading subsidiary. It is a revision of the example developed by the Charity Commission for England and Wales in 2008. The charity has opted to prepare its accounts using the Financial Reporting Standard applicable in the UK and the Republic of Ireland (FRS 102) and follow the appropriate Charities SORP (FRS 102).

As a charity registered in Scotland, the charitable company also reports in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). The charity is required to prepare group accounts under the Charities Accounts (Scotland) Regulations 2006 (as amended) and as a company prepare its accounts in accordance with the UK Companies Act 2006. The income of the group is £1.8m with total net group assets of £1.4m.

In preparing the accounts the trustees must first determine if group accounts are required by company law and if not, whether group accounts must be prepared under the Charities Accounts (Scotland) Regulations 2006 (as amended). In this example the group is small for Companies Act purposes (and therefore exempt from preparing group accounts) but above the threshold for preparing group accounts as set out in regulations made under the Charities Accounts (Scotland) Regulations 2006 (as amended). It is recommended that where group accounts are prepared it is these accounts which are filed at Companies House.

The trustees may claim exemption from audit for the group under section 479(2) of the Companies Act 2006 provided the audit exemption statement required by section 475(3) is made on the balance sheet. However an audit of the charity's and the group accounts is still required under Regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). In this example, the trustees have chosen to also have the charity's audit under the provisions of company law and therefore no audit exemption statement is provided on the balance sheet. The group accounts are therefore audited under the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). Auditors can find further guidance on the format of charity audit reports on the Financial Reporting Council's website: <http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditing-standards.aspx>

### The Trustees' Annual Report

The report opens with a Chair's report (charities SORP (FRS 102) paragraph 1.5) followed by a summary of the charity's *aims and activities* (paragraphs 1.17 and 1.36). The *achievements and performance* section (paragraphs 1.20 and 1.40) includes data on performance (paragraph 1.44) and the *financial review* (paragraphs 1.21 and 1.46) includes an overview of its pricing policy including discounts for those on low incomes. Note the *reserves policy and going concern section* provides an explanation of the target level of reserves, the reserves held, and the charity's plans to restore its reserves (paragraphs 1.22 and 1.48). The *risk management* (paragraph 1.46) section that identifies the major risks and the action taken to manage them.

The charity has identified that its financial sustainability is challenged and has outlined the measures it is taking (paragraph 1.23) in the section *plans for future periods* (paragraph 1.49).

The report concludes with the administrative disclosures required (paragraphs 1.25, 1.27, 1.51 and 1.52), including *trustee induction and training* (paragraph 1.51). Some trustees are appointed by other bodies and these are considered to be related parties. This section also discloses how the pay of senior managers is set and who the trustees consider the key management personnel to be (paragraph 1.51). The approach to setting key management pay is intended to be solely illustrative

and is not to be taken as a pay norm or a pay benchmark set for regulatory purposes by the Scottish Charity Regulator.

The report includes the statement of disclosure required by section 418 of the Companies Act 2006. A statement of trustees' responsibilities in relation to the financial statements has also been included in accordance with FRC audit standards (ISA 700) with the additional statement given that the accounts are included in the charity's website. These statements (see appendix 4 to Audit Practice Note 11) are not a requirement of the Charities SORP (FRS 102). Since the group qualifies as small under section 383 of the Companies Act 2006, the strategic report required of medium and large companies under: 'The Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013' is not required.

It is custom and practice in the for-profit sector for the appointment or reappointment of auditors to be advised in the directors' report. There is no requirement under the Charities SORP (FRS 102) or in company law to make this disclosure.

## **The accounts**

The Statement of Financial Activities includes the results of the subsidiary consolidated on a line-by-line basis (para. 24.25). The Statement of Financial Activities (SoFA) reports the main charitable activities undertaken. FRS 102 and the charities SORP (FRS 102) paragraph 4.2, require comparatives to be given for all items in the SoFA. A total funds figure is required for the prior year for each line heading (paragraph 4.8), but the comparatives for other items may be given in the notes (paragraph 4.2), which is the case here. Where an item relates only to one class of fund, in this unrestricted income funds, the total fund figure for the prior year is itself the comparative figure for that class of funds. For example this is the case for the income from charitable activities (see note 4 to the accounts).

The Charities Accounts (Scotland) Regulations 2006 (as amended) require both the consolidated results and the results for the parent charity to be included within the accounts. There is therefore a parent charity Statement of Financial Activities, Balance Sheet and Cashflow in addition to those presented for the group. Additional information about the parent charity results is included in the notes to the accounts.

The accounts are those that company law requires are prepared for the members. This is because charity law does not allow abbreviated accounts to be filed with the charity Regulator. However the group would constitute a small group for company law purposes (section 383) and could opt to file abbreviated accounts with Companies House (section 444).

The SoFA reports the charitable activities as single line (paragraph 4.7) with the expanded analysis in note 7 to the accounts (paragraph 4.53) and to illustrate the net funding requirement or contribution by each activity, the costs and income of each activity have been compared in note 8 (paragraph 4.29).

The analysis of the material components of income (paragraph 4.42) is given in notes 3 to 6 to the accounts. The results of the subsidiary alone are required by the SORP and are disclosed in note 5 to the accounts (paragraph 24.36).

When first reporting under FRS 102, section 35 of FRS 102 requires the preparation and presentation of three reconciliations as outlined below. The charity's date of transition to FRS 102 is the beginning of the earliest period for which the charity presents full comparative information in accordance with FRS 102 in its first financial statements (accounts) that comply with FRS 102. In this case the date of transition is 1 April 2014.

Section 35 of FRS 102 requires that:

Paragraph 35.12 'An entity shall explain how the transition from its previous financial reporting framework to this FRS affected its reported financial position and financial performance'.

Paragraph 35.13 'To comply with paragraph 35.12, an entity's first financial statements prepared using FRS 102 shall include:

- (a) A description of the nature of each change in accounting policy.
- (b) Reconciliations of its equity (in the case of a charity its retained funds) determined in accordance with its previous financial reporting framework to its equity (in the case of a charity its retained funds) determined in accordance with this FRS for both of the following dates:
  - (i) the date of transition to FRS 102; and
  - (ii) the end of the latest period presented in the entity's most recent annual financial statements determined in accordance with its previous financial reporting framework.
- (c) A reconciliation of the profit or loss (in the case of a charity net income or net expenditure) determined in accordance with its previous financial reporting framework for the latest period in the entity's most recent annual financial statements to its profit or loss determined in accordance with this FRS for the same period.

In this example, in applying FRS 102, the accounting policies now require the recognition of a liability for paid holiday pay. This requires a restatement of opening balances at the date of transition and consideration of any change in that liability in subsequent accounting periods. It should be noted that the relocation of investment gains/(losses) in the SoFA under FRS 102 has had no effect because neither the Trust nor its subsidiary held any investments in shares, bonds and similar financial instruments.

The annual leave year of the Trust runs according to the theatrical calendar from 1 October to 30 September each year and the Trust's practice is for staff to take their holiday at Christmas or over the summer when the theatre is quiet. This means that at the end of the financial year a significant level of paid leave is due to the staff but not yet taken. Given stable staffing levels, low staff turnover and a leave pattern which is relatively stable, the liability has remained relatively constant in the accounting periods subsequent to the initial accrual (at the date of transition). The liability reflects paid leave carried forward from the previous leave year and leave entitlement accrued in the new leave year that has not been taken. The subsidiary has a leave year consistent with its financial year and no carry forward of leave is permitted and so is unaffected by the change in the group's accounting policy on transition to FRS 102. The group has not needed to take advantage of the concessions on accounting treatments on transition (see section 35 of FRS 102).

An explanation as to why the trustees believe the charity is a going concern given the financial situation at the balance sheet date is provided (paragraphs 3.14 and 3.39) in note 1c to the accounts.

Governance costs are disclosed in note 9 (paragraph 8.13) and the components of support costs and their allocation is analysed in notes 7 and 9. The notes to the accounts include an explanation of donated services and facilities in note 3 (paragraph 6.31) and the charity has chosen to provide a reconciliation of deferred income in note 22 (paragraph 5.59).

FRS 102 requires more extensive disclosures for financial instruments (financial assets and financial liabilities) and these are set out in module 11 of the Charities SORP (FRS 102). Rather than setting out these disclosures in a separate note, the disclosures are made by the charity in the context of the particular items in the accounts:

- The requirements of paragraph 11.35 are met in notes 1(k) re operating leases and note 1(q) re financial instruments including loans, note 6 (investment income), note 10 re total interest expense, and note 26 (financial instruments at amortised cost).
- The significance of financial instruments (paragraph 11.35) is discussed in note 26 and in the financial review section of the Trustees' Annual Report which is referenced from note 26.
- The discussion of credit risk (paragraph 11.38) in note 26 fulfils the requirements of section 11 of FRS 102 paragraph 11.48A(f).

## **Notice**

The example Trustees' Annual Report and accounts are intended to assist preparers apply the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015), also known as the Charities SORP (FRS 102). Whilst every effort has been made to ensure that the example accords with UK company law and charity law as it applies in Scotland, preparers should refer to the relevant regulations and the Charities SORP (FRS 102) when preparing a charity's accounts.

The author welcomes comments on the technical accuracy of the example and any observations should be submitted by e-mail to: [claire.stuart@oscr.org.uk](mailto:claire.stuart@oscr.org.uk)  
However if you have any enquiry about FRS 102 or the Charities SORP (FRS 102) please contact your professional advisor or professional body.

Arts Theatre Trust  
(A company limited by guarantee)

Report and Financial Statements

Year ending 31 March 2016

Charity number: SC078056  
Company number: SC79125X

## Arts Theatre Trust

### Report of the trustees for the year ending 31 March 2016

The trustees are pleased to present their annual directors' report together with the consolidated financial statements of the charity and its subsidiary for the year ending 31 March 2016 which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

The financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

#### Chair's report

In taking over as chair this year from Ms Sonia Bloggs, I am very aware of the great strides forward made in the provision for the arts in our area during her three years as chair, the marvellous facilities we have developed and the loyalty of our main sponsors N Arts and Brachen Council. The completion in 2014 of the major refurbishment programme, co-funded by the charity and N Arts improved our facilities and the first shows and exhibitions were staged this year in this enhanced environment. Good facilities for staging and viewing art is key but above all, arts is about humanity, the expression of the human condition in music, drama, poetry, writing, sculpture, painting and sheer creative endeavour. The arts are about people and creating our personal point of meaning in the greatness of time and space.

This year was a hugely exciting one as we explored, through our art installations, the theme of *man, God, time and meaning* and gave through voice, space and spectacle some dramatic interpretations of these eternal questions. The arts are also about variety, and alongside these deeper questions, the programme included dramatic productions, humour and comedy, passionate romance and political satire. We believe that the breadth and accessibility of our artistic programme will demonstrate without any doubt the public benefit that our work brings to the community.

At a time when the media has been focussed on people enjoying the fruits of a sustained recovery from these difficult economic times, we have seen the impact on attendances at some of our events. Working with the theatre team we seek to ensure our programmes remain affordable and attractive. We are also seeking to run the theatre as economically as possible and have introduced water- and light-saving technology which reduces our demand for carbon fuels and so helps, in a modest way, in the struggle against global warming. We are particularly appreciative of increased financial support from N Arts at this challenging time which we believe is a vote of confidence in our future.

In closing, I would like to thank our sponsors, the theatre staff, and you, our audience, for your support in making our work possible and as you read our report, remember, as we do, that it's all about people: the performer, the artist and their audience. To know more visit our website [www.brachentheatretd@all.com](http://www.brachentheatretd@all.com) or telephone our booking office on 0011-987654.

Gerry R Gatsby  
Chair

## Arts Theatre Trust

### Report of the trustees for the year ending 31 March 2016

#### Our purposes and activities

The purposes of the charity are:

- to advance the education of the public in all aspects of dramatic art including the arts of drama, mime, opera, ballet, music, singing, dance and painting;
- the development of public appreciation of art by the provision of a theatre and the presentation of public performances; and
- to further the social and cultural welfare of the community of Brachen.

The vision that shapes our annual activities remains the promotion and fostering of knowledge and appreciation of the arts by the provision of facilities for the education and recreation of the public in the fields of art, music and drama. The charity also has the general aim of contributing to the quality of life of the people of Brachen by expanding their horizons through the provision of exciting, challenging and accessible professional and community drama and arts events.

We endeavour to encourage all within our community to take part in our activities and to attend our theatre and/or to view our exhibitions. The drama and art we provide is to be enjoyed by all from those attending local schools or the higher education colleges through to our programmes with particular appeal to our older residents.

The strategies employed to achieve the charity's aims and objectives are to:

- present a broad range of theatre productions and art exhibitions for the enjoyment and education of our local community;
- offer opportunities for a broad range of people to get involved in arts activity exploring their own creative powers;
- provide facilities for amateur and professional artists to develop. Groups in the area are given discounted rates for hire of space and access to professional advice;
- concentrate on involving young people in the arts to help encourage a culture in which different age ranges play a complementary part;
- celebrate the diversity of cultures in our society by programming presentations by, and with, artists of different cultural backgrounds.

Putting these strategies into action we have three major areas of activity which are: concerts and stage performances; educational programmes, including residences; and art exhibitions, including installations. Our programme of activities described below focuses very much on bringing the arts to the community of Brachen.

#### ***The concerts and stage performances***

We seek to combine amateur community events, including our annual event *Brachen Scouts and Guides Christmas Concert* and the *Brachen Amateur Dramatics Society Comedy Summer Season* alongside professional events including classic plays such as *Twelfth Night* and dramatic modern performances such as *My Lenin – a daughter's story* by Rubin Gossham.

The programme achieves a mix of the arts to suit a range of public tastes with an emphasis on maintaining a popular programme which underpins the viability of the theatre combined with an exploratory and innovative programme which reaches out to the community. Similarly the musical concerts have ranged from B Town's very own *Evening Players* to professional jazz, classical, rock and garage music with a repertoire that has reached out to a new generation of potential visitors to the theatre and the arts.

We introduced early in the year Saturday matinees for children, with our first staging for the Christmas Season of *White Christmas*, and Tuesday and Thursday performances of *Inspector Hound*, *An Inspector Calls*, and *Tea with Fred and Ginger*.

### ***The educational programmes***

We involve local schools and the local higher education college in a range of expressive arts with professionals in residence. Our residences aim to develop students' confidence and expression across the range of arts from dance, drama, music, art with paints, textiles and objects, sculpture and creative writing. Where possible the programme is linked to the educational syllabus and special events are also provided for children with learning difficulties to encourage their freedom of expression and to enhance their communication skills through the creative arts.

### ***Visiting exhibitions and artistic installations***

The activity that produces least income but is of equal importance in the life of the Trust is the visiting exhibitions and artistic installations. This year's theme was *Man, God, time and meaning* with four separate 'seasonal' installations dealing with *Birth and new life*, *Coming of age*, *Reflections on a life lived* and closing at Christmas with *Visions of God, man and creation*. In addition to the visiting exhibitions and artistic installations, a free viewing gallery features periodic displays of work by local artists including photography, painting and sculpture. Overall these exhibitions enable the people and visitors to Brachen to see major works and gain an insight into the creative history of the arts and to be aware of other major museums and galleries which they may wish to visit.

### ***Our volunteers***

The Trust is very involved in the community and relies on voluntary help. Besides those amateur performers and artists who display their talents at the theatre, over 40 volunteers assist with stewarding events and performances, enabling longer opening and lower staff costs than would otherwise be the case. Most volunteers are members of the company and it is at their suggestion that the 'Friends of the Brachen Theatre' was formed in 2006 and we wish to thank our friends for their loyal support and service.

### ***Our artistic values***

We are aware that artistic tastes are not the same for everyone and in addressing some of the more challenging themes the productions might give rise to offence. We take the views of our audiences very seriously and without compromising the integrity of the programme we seek to respect the diverse ethnic, faith, sexual orientation, and lifestyles of our community and audience. We therefore have a formal complaints policy with every complaint about the programme's content reviewed by the Chief Executive and a trustee.

To maintain a dialogue with our public we have monthly '*How did we do?*' workshops on the first Saturday afternoon in the month. These workshops are an opportunity for the responsible creative director, the Chief Executive and our Chair to meet with our audience, share our artistic values, hear their views and answer or address those views. We may not always agree but we do give our public the dignity of a hearing and response.

### ***Achievements and performance***

Attendances at the theatre fell marginally from 42,000 in the year ending 31 March 2015 to just over 40,000 in the current year. This was a major achievement given the economic backdrop and is a tribute to the quality of the artistic programme and the place the theatre has in the community and underpinned a challenging financial and creative year. Our staff deserve credit and praise for their skilful and enthusiastic efforts to provide a successful creative programme for our patrons.

The new Saturday matinees and weekday older people's programme proved very popular with average houses 70% full. Our revised concession arrangements for people on low incomes meant that the level of income per attendance has been reduced but overall this has offset the trend of declining audience seen by other theatres nationally. Maintaining a balance between patrons paying full price, accessibility for those of



modest means, the encouraging of new young audiences, and maintaining a financial balance is an ongoing challenge. Our key financial aim remains a financially sustainable theatre and we remain very grateful to our sponsors for their support, without which the theatre would close.

Eighteen concerts and stage performances were held, including a very successful run of *Twelfth Night*. We maintained the mix established in 2015 of shows, plays, performances and concerts. *The Bristol Jazz Greats* were a sell-out and the highlight of the year was a return on his farewell tour of the famous Welsh tenor *Sir Roy Homes* whose *A Night for a Tender Heart* was a great Valentine's Night success. The repertoire combined a mixture of classical, jazz and popular rock and garage music with a combination of modern shows and a Shakespearian classic. Although ticket sales were below target for our contemporary play *Stuff Happens in LA* by David Hare, the performance was critically acclaimed following its opening in the West End of London.

The N Arts Trust sponsored residences programme included a residency for the famous artist Mr Keane Eye and our traditional residences from the *Shakespeare Travelling Company* and the *Roysdon Artists and Puppeteers* were all well received and financially successful. The number of schoolchildren and college students attending was 750 against a plan of 650. The Christmas installation *Visions of God, man and creation* included a number of sculptures, textile art and audio exhibits especially designed programme for children and adults with learning difficulties and these were very well received.

Volunteers from the *Friends* assist us in gaining the opinions of our patrons and customers through pre- and post-performance customer questionnaires and to identify the difference our events make to an individual's perception, enjoyment and involvement in the arts. Six surveys were carried out in 2016 and the overall result was an audience satisfaction rating with the performance of 85% compared to 75% in 2015. In summary, as the Table below shows, the audience reaction has generally been very positive and has returned to pre-refurbishment levels. The results for 2015 were affected by the refurbishment programme.

| <b>Audience experience:</b>              | <b>2016</b> | <b>2015</b> |
|--|-------------|-------------|
| Value for money                          | 85%         | 65%         |
| Booking process                          | 65%         | 65%         |
| Exceeded my pre-performance expectations | 10%         | -           |
| Met my pre-performance expectations      | 85%         | 88%         |
| Seats and auditorium comfortable         | 85%         | 65%         |
| Sound quality satisfactory               | 80%         | 80%         |
| Clear sight of the stage                 | 99%         | 75%         |
| Overall satisfaction                     | 85%         | 75%         |

The *Friends* also publicise our programme via displays in shopping centre, surveys and through other initiatives to expand general awareness of the arts and our programmes.

## **Financial review**

The completion of the building adaptations and staging alterations in 2015 with the assistance of N Arts enabled the Trust to provide the staging and auditorium facilities required by modern productions but did not add to our capacity for stage productions. Following the decision of Brachen Council to withdraw its pledge of matched funding at a late stage, the Trust had to provide the matched funding and did so by taking out a secured bank loan. Unfortunately this increased financial pressure coincided with the continued freezing of our grant support in cash terms.

The Trust moved from a break-even position in 2015 to posting its first shortfall for six years of £65,000. The principal funding sources of income to the Trust itself were: admission fees and ticket sales of £446,000, income from art exhibitions and installations of £39,000, and grants of £729,000 including the separate grant award from N Arts Trust of £169,000 to finance the workshops and residences educational programme. The support of our partners continues to be essential to maintaining such a varied programme of creative arts. Not all the concerts and performances are self-supporting and the performing arts rely on a mixed economy of funding to ensure a vibrant and comprehensive programme.

The charity's wholly owned trading subsidiary, HTC Ltd, continued to trade well generating a profit of £153,000 all of which was gift aided to the Trust. The trustees are pleased with the commercial success of the venture which operates the bar, coffee shop, conferencing and catering facilities and the profits generated assist the charity in meeting its objectives.

Despite the increasing pressure on public expenditure the trustees understand that the support from our local authorities and N Arts will be kept at the current level of activity for at least the next three years. This means a fall in support in real terms, after allowing for inflation. To make good the shortfall the charity is expected to generate a larger proportion of funds from admission fees and commercial income generation or cost savings.

Since introducing our revised discount policy on 1 April 2014 we have noticed a growth in new audiences who have not visited us before and as anticipated we broke even with the revised pricing structure in the year to 31 March 2015. However, with major local employers still on reduced hours work we have found that demand for concessionary tickets rose as a proportion of sales increasing from 20% of sales in 2015 to 30% of ticket sales this year. A seat taken is a contribution to the running costs of the theatre and playing to full houses undoubtedly enhances the performance and audience experience, however this is an unforeseen change which we hope will prove temporary once the economy recovers.

### ***Our pricing policy***

Our pricing policy reflects our strategy of enabling all within our community, whatever their means, to take part in our activities, to attend our theatre and to view our exhibitions. Our exhibitions and art installations offer an opportunity for the public to view, for a small fee or for free, works on loan from major collections and so to see first hand, the work of pre-eminent artists of our day and to gain experience of ground-breaking art. Concessionary tickets are available to all exhibitions on the same basis as that applying to theatre performances.

Full ticket prices to our theatre and concert performances vary between £10 and £25. Concessions on Friday and Saturday evenings are restricted to our 'anytime' concessions for family tickets and pre-booked groups as Friday and Saturday are our most popular nights. Concessions are intended to ensure a full house as a full house is associated with a better audience experience and is key to our ongoing financial sustainability. Our 'off peak' concessions apply to Mondays through to Thursdays and to Saturday matinee performances.

Our 'anytime' concessions are:

- Family ticket discount – up to 2 adults and 5 children, a 10% discount on all tickets;
- Groups – pre-booked groups of 10 or more, a 10% discount on all tickets.

Our 'off peak' concessions are:

- 25% discount is available to full-time students on production of an NUS card and to concessionary bus pass holders;
- 50% discount is available to recipients of Jobseeker's Allowance, Income Support, Pension Credit and Disability Benefits;
- 50% discount is available to those aged 16 and under;
- Children aged under 12 go free – available on selected performances and when accompanied by an adult; and
- Standbys – any unsold tickets at half price.

To view our programme, and for fuller details of ticket prices and discount terms and conditions, or to e-book, visit our website [www.brachentheatreld@all.com](http://www.brachentheatreld@all.com) or telephone our booking office 0011-987654 or visit our booking office, open 9am until 6.30pm Mondays to Fridays and 10am to 7pm Saturdays.

### ***Investment powers and policy***

The trustees, having regard to the liquidity requirements of operating the theatre, have kept available funds in an interest-bearing deposit account and seek to achieve a rate on deposit which matches or exceeds

inflation as measured by the retail prices index. Due to wider economic circumstances deposit rates have been depressed and so this aim was not achieved in the year.

The invested funds held on deposit achieved an average rate of 0.5% against the retail price index of 2.8% for the year.

### ***Reserves policy and going concern***

Reserves are needed to bridge the gap between the spending and receiving of income and to cover unplanned emergency repairs and other expenditure. The trustees consider that the ideal level of reserves as at 31 March 2016 would be £225,000.

The Trust had no reserves with a negative (£305,000) on unrestricted funds after allowing for those resources designated for property and props, the details of which are given in note 24 of the accounts. This situation is largely attributable to an operating deficit and the need to finance the interest on the bank loan required to match the N Arts capital grant. The decision of Brachen Council to withdraw their support to the refurbishment project in 2014 and the increased costs of the theatre has resulted in an extremely difficult year financially. Whilst we understand the Council has had to prioritise its funds to urgent local needs, this has left the theatre in a difficult financial position.

Without the support of Crufts Bank Plc it is doubtful that the Trust could continue operating. The trustees are endeavouring to ensure the success with a combination of measures by offering a creative programme that caters for broader audiences, rescheduling the secured loan and working with our local authority partners and N Arts to ensure their continued support. Our consolidated balance sheet remains strong with net current assets of £61,000 and the ownership of a long leasehold interest in our theatre. The trustees have reviewed the circumstances of the Arts Theatre Trust and group and consider that adequate resources continue to be available to fund the activities of the Trust and group for the foreseeable future. The trustees are of the view that Trust and group are a going concern.

The trustees are aware that the lack of free reserves, together with the economic backdrop, will provide a challenging environment in the year to come. The trustees have plans in hand to address this situation and restore the reserves to nil balance before accumulating reserves from 2017.

### **Plans for future periods**

The strategic plan envisaged a second stage refurbishment of the foyer and booking hall at a cost of £800,000 to be carried out in 2016/17 but in the absence of grant support, the trustees have deferred a decision as to whether to proceed until early January 2017 when the extent of the economic recovery and the impact on the theatre's income is known. Until financial circumstances have improved the planned capital investment programme has been deferred.

A major financial concern for the trust will be ongoing financial sustainability given the lower level of support from our donors with the reduction in council funding over the past two years. The trustees have retained Goodshires & Co as advisers to assist in a restructuring of the theatre business and anticipate introducing a voluntary severance programme to reduce the staff complement by five posts to save £100,000 annually. Goodshires will also assist in a procurement and non-pay savings review. In total target savings of £170,000 are to be achieved. In addition, a review of the theatre programme with a return of popular favourites and an extended Pantomime season to boost revenue is in hand.

The trustees have also successfully concluded discussions with our bankers, Crufts Bank plc, to reschedule the loan repayment period by extending the repayment terms from five to eight years.

We continue to strengthen our links with the community, our patrons and customers through the *Friends of Brachen Theatre*. The *Friends* are the members of the Company and have their own quarterly magazine and benefit from advanced ticket facilities with special discounts and *Friends* events. The *Friends* will also be key to the success of our plans for a public appeal in the summer of 2017 in support of the next phase of redevelopment which aims to ensure we remain a prestige arts venue.

## **Trustees' responsibilities in relation to the financial statements**

The charity trustees (who are also the directors of the Arts Theatre Trust for the purposes of company law) are responsible for preparing a trustees' annual report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the charity trustees to prepare financial statements for each year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing the 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;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and the group and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Reference and administrative details

Charity number: SC078056  
Company number: SC79125X  
Registered Office: 1 High Street, Brachen, BZ4 4DJ

## ***Our advisers***

|                 |                 |                                  |
|-----------------|-----------------|----------------------------------|
| Auditors        | CEP & Co        | 23 High Street, Brachen, BZ4 4DJ |
| Bankers         | Crufts Bank plc | 10 High Street, Brachen, BZ4 4DJ |
| Solicitors      | Backhouse & Co  | 15 Low Road, Brachen, BZ4 4DJ    |
| Business Review | Goodshires & Co | 35 Pound Lane, Brachen, BZ4 4DJ  |

## **Directors and trustees**

The directors of the charitable company (the charity) are its trustees for the purpose of charity law. The trustees and officers serving during the year and since the year end were as follows:

### **Key management personnel Arts Theatre Trust: Trustees' and Directors**

|                                |  |  |
|--------------------------------|--|--|
| N Arts Trust nominated chair:  | S A Bloggs<br>G R Gatsby   | (resigned 10 July 2015)<br>(appointed 10 July 2015)  |
| Brachen Town Council nominees: | F A Brown<br>A D S Jones<br>W M Smith<br>M J Young<br>C I West   |  |
| Elected Trustees:              | E R Allsop<br>N Hindemith<br>S M Barrett<br>C Norfolk            | (resigned 16 June 2015)<br>(appointed 17 June 2015)  |
|                                | R Thomas<br>D Drew<br>F Lake<br>N Towns<br>S Richards<br>E Towns | (retired 10 July 2015)<br>(retired 10 July 2015)<br>(elected 10 July 2015)<br>(elected 10 July 2015) |
| Co-opted trustee:              | D East   |  |
| Secretary                      | R P South  |  |

### **Key management personnel:**

#### **Senior managers of Arts Theatre Trust:**

|                         |           |
|-------------------------|-----------|
| Chief Executive Officer | S A North |
| Artistic Director       | R Wagner  |
| Box Office Manager      | S Hamid   |

#### **Senior management personnel HTC Ltd:**

|                         |           |
|-------------------------|-----------|
| Chief Operating Officer | N Broom   |
| Commercial Manager      | H Purcell |

## **Structure, Governance and Management**

### **Governing Document**

Arts Theatre Trust is a company limited by guarantee governed by its Memorandum and Articles of Association dated 28 September 1950. It is registered as a charity with the Scottish Charity Regulator. Anyone over the age of 18 can become a member of the Company and there are currently 137 members (145 in 2015), each of whom agrees to contribute £5 in the event of the charity winding up.

## ***Appointment of trustees***

As set out in the Articles of Association the chair of the trustees is nominated by N Arts Trust and Brachen Town Council nominates five trustees. Eight trustees are elected annually by the members of the charitable company attending the Annual General Meeting and serve for a period of two years. The trustees have the power to co-opt up to two further members to fill specialist roles.

All members are circulated with invitations to nominate trustees prior to the AGM advising them of the retiring trustees and requesting nominations for the AGM. When considering co-opting trustees, the Board has regard to the requirement for any specialist skills needed, for example Mr D East is a qualified surveyor and joined the board to assist with the planned refurbishment programme and the recent bid to Brachen Town Council. Nominees appointed by Brachen Town Council are subject to the appointment processes of those bodies.

## ***Trustee induction and training***

New trustees undergo an orientation day to brief them on: their legal obligations under charity and company law, the Scottish Charity Regulator's guidance on trustee duties, and inform them of the content of the Memorandum and Articles of Association, the committee and decision-making processes, the business plan and recent financial performance of the charity. During the induction day they meet key employees and other trustees. Trustees are encouraged to attend appropriate external training events where these will facilitate the undertaking of their role.

## ***Organisation***

The board of trustees, which can have up to 15 members, administers the charity. The board normally meets quarterly and there are sub-committees covering development, membership, finance and audit which normally meet monthly. A Chief Executive is appointed by the trustees to manage the day-to-day operations of the charity. To facilitate effective operations, the Chief Executive has delegated authority, within terms of delegation approved by the trustees, for operational matters including finance, employment and artistic performance related activity.

## ***Related parties and co-operation with other organisations***

None of our trustees receive remuneration or other benefit from their work with the charity. Any connection between a trustee or senior manager of the charity with a production company, contracted actor, performer or exhibitor must be disclosed to the full board of trustees in the same way as any other contractual relationship with a related party. In the current year no such related party transactions were reported.

The charity has a close relationship with N Arts Trust, a charity which shares the Trust's passion for education. Through this joint collaboration we have established several long-term residences and education programmes for the benefit of young people from local schools and colleges. Brachen Town Council provides essential core funding in support of the artistic programme as an amenity for local residents and the public. They actively promote the work of the charity in their tourist information facilities and take an active interest in the educational programme by facilitating educational visits by schools. Both organisations nominate trustees and a summary of transactions with these organisations is set out in note 13 to the financial statements.

The charity's wholly owned subsidiary, HTC Ltd was established to operate the commercial bar, catering and conferencing facilities at the theatre and is in its sixth year of operation. HTC Ltd has a licence from the charity to operate those facilities and gift aids the majority of its profits to the charity (see note 5 to the accounts).

## ***Pay policy for senior staff***

The directors consider the board of directors, who are the Trust's trustees, and the senior management team comprise the key management personnel of the charity in charge of directing and controlling, running and operating the Trust on a day to day basis. All directors give of their time freely and no director received remuneration in the year. Details of directors' expenses are disclosed in note 11 to the accounts.

The pay of the senior staff is reviewed annually and normally increased in accordance with average earnings. In view of the nature of the charity, the directors benchmark against pay levels in other provincial theatres of a similar size run on a voluntary basis. The remuneration bench-mark is the mid-point of the range paid for similar roles adjusted for a weighting of up to 30% for any additional responsibilities. If recruitment has proven difficult in the recent past a market addition is also paid with the pay maximum no greater than the highest benchmarked salary for a comparable role.

## ***Risk management***

The trustees have a risk management strategy which comprises:

- an annual review of the principal risks and uncertainties that the charity and its subsidiary HTC Ltd face;
- the establishment of policies, systems and procedures to mitigate those risks identified in the annual review; and
- the implementation of procedures designed to minimise or manage any potential impact on the charity should those risks materialise.

This work has identified that financial sustainability is the major financial risk for both the charity and its subsidiary. A key element in the management of financial risk is a regular review of available liquid funds to settle debts as they fall due, regular liaison with the bank, and active management of trade debtors and creditors balances to ensure sufficient working capital by the Trust and its subsidiary company.

Attention has also been focussed on non-financial risks arising from fire, health and safety of artists and audience, management of performing rights and food hygiene. These risks are managed by ensuring accreditation is up to date, having robust policies and procedures in place, and regular awareness training for staff working in these operational areas.

## **Statement as to disclosure to our auditors**

In so far as the trustees are aware at the time of approving our trustees' annual report:

- there is no relevant information, being information needed by the auditor in connection with preparing their report, of which the group's auditor is unaware, and
- the trustees, having made enquiries of fellow directors and the group's auditor that they ought to have individually taken, have each taken all steps that he/she is obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the board of trustees

G R Gatsby (Chair)

9 June 2016



**Arts Theatre Trust**  
**Consolidated Statement of Financial Activities**  
**(including consolidated income and expenditure account)**  
**for year ending 31 March 2016**

|  | Note | Unrestricted<br>Funds<br>£'000 | Restricted<br>Funds<br>£'000 | Total Funds<br>2016<br>£'000 | Total Funds<br>2015<br>£'000 |
|--|------|--------------------------------|------------------------------|------------------------------|------------------------------|
| <b>Income:</b>   |      |                                |                              |                              |                              |
| Donations and legacies   | 3    | 94                             | 25                           | 119                          | 44                           |
| <i>Income from charitable activities:</i>                              |      |                                |                              |                              |                              |
| Operation of theatre and arts centre                                   | 4    | 1,214                          | -                            | 1,214                        | 1,274                        |
| <i>Income from other trading activities:</i>                           |      |                                |                              |                              |                              |
| Commercial trading operations  | 5    | 479                            | -                            | 479                          | 483                          |
| Investment income  | 6    | 15                             | -                            | 15                           | 14                           |
| <b>Total income</b>  |      | <b>1,802</b>                   | <b>25</b>                    | <b>1,827</b>                 | <b>1,815</b>                 |
| <b>Expenditure</b>   |      |                                |                              |                              |                              |
| <i>Costs of raising funds:</i>   |      |                                |                              |                              |                              |
| Commercial trading operations  | 5    | 328                            | -                            | 328                          | 336                          |
| <i>Expenditure on charitable activities:</i>                           |      |                                |                              |                              |                              |
| Operation of theatre and arts centre                                   | 7    | 1,555                          | 9                            | 1,564                        | 1,473                        |
| <b>Total expenditure</b>   |      | <b>1,883</b>                   | <b>9</b>                     | <b>1,892</b>                 | <b>1,809</b>                 |
| <b>Net income/(expenditure) and net movement in funds for the year</b> |      | <b>(81)</b>                    | <b>16</b>                    | <b>(65)</b>                  | <b>6</b>                     |
| <b>Reconciliation of funds</b>   |      |                                |                              |                              |                              |
| Total funds brought forward  |      | 1,514                          | 12                           | 1,526                        | 1,520                        |
| <b>Total funds carried forward</b>                                     |      | <b>1,433</b>                   | <b>28</b>                    | <b>1,461</b>                 | <b>1,526</b>                 |

The statement of financial activities includes all gains and losses recognised in the year.  
All income and expenditure derive from continuing activities.

**Arts Theatre Trust**  
**Charity Statement of Financial Activities**  
**(including income and expenditure account)**  
**for year ending 31 March 2016**

|  | Note | Unrestricted<br>Funds<br>£'000 | Restricted<br>Funds<br>£'000 | Total Funds<br>2016<br>£'000 | Total Funds<br>2015<br>£'000 |
|--|------|--------------------------------|------------------------------|------------------------------|------------------------------|
| <b>Income:</b>   |      |                                |                              |                              |                              |
| Donations and legacies   | 3    | 247                            | 25                           | 272                          | 193                          |
| <i>Income from charitable activities:</i>                                  |      |                                |                              |                              |                              |
| Operation of theatre and arts centre                                       | 4    | 1,214                          | -                            | 1,214                        | 1,274                        |
| Investment income  | 6    | 13                             | -                            | 13                           | 12                           |
| <b>Total income</b>  |      | <b>1,474</b>                   | <b>25</b>                    | <b>1,499</b>                 | <b>1,479</b>                 |
| <b>Expenditure</b>   |      |                                |                              |                              |                              |
| <i>Expenditure on charitable activities:</i>                               |      |                                |                              |                              |                              |
| Operation of theatre and arts centre                                       | 7    | 1,555                          | 9                            | 1,564                        | 1,473                        |
| <b>Total expenditure</b>   |      | <b>1,555</b>                   | <b>9</b>                     | <b>1,564</b>                 | <b>1,473</b>                 |
| <b>Net income/(expenditure) and net movement<br/>in funds for the year</b> |      | <b>(81)</b>                    | <b>16</b>                    | <b>(65)</b>                  | <b>6</b>                     |
| <b>Reconciliation of funds</b>   |      |                                |                              |                              |                              |
| Total funds brought forward  |      | 1,514                          | 12                           | 1,526                        | 1,520                        |
| <b>Total funds carried forward</b>   |      | <b>1,433</b>                   | <b>28</b>                    | <b>1,461</b>                 | <b>1,526</b>                 |

The statement of financial activities includes all gains and losses recognised in the year.  
All income and expenditure derive from continuing activities.

**Arts Theatre Trust  
Consolidated Balance Sheet  
as at 31 March 2016**

|  | Note | Group<br>2016<br>£'000 | Group<br>2015<br>£'000 | Charity<br>2016<br>£'000 | Charity<br>2015<br>£'000 |
|--|------|------------------------|------------------------|--------------------------|--------------------------|
| <b>Fixed assets</b>                                  |      |                        |                        |                          |                          |
| Tangible assets                                      | 16   | 1,700                  | 1,760                  | 1,700                    | 1,760                    |
| Investments  | 17   | -                      | -                      | 30                       | 30                       |
| <b>Total Fixed Assets</b>                            |      | <b>1,700</b>           | <b>1,760</b>           | <b>1,730</b>             | <b>1,790</b>             |
| <b>Current assets</b>                                |      |                        |                        |                          |                          |
| Stock  | 18   | 41                     | 43                     | -                        | -                        |
| Debtors  | 19   | 109                    | 153                    | 109                      | 153                      |
| Cash at bank and in hand                             |      | 317                    | 352                    | 284                      | 316                      |
| <b>Total Current Assets</b>                          |      | <b>467</b>             | <b>548</b>             | <b>393</b>               | <b>469</b>               |
| <b>Liabilities</b>                                   |      |                        |                        |                          |                          |
| Creditors falling due within one year                | 20   | (406)                  | (382)                  | (362)                    | (333)                    |
| <b>Net Current assets</b>                            |      | <b>61</b>              | <b>166</b>             | <b>31</b>                | <b>136</b>               |
| <b>Total assets less current liabilities</b>         |      | <b>1,761</b>           | <b>1,926</b>           | <b>1,761</b>             | <b>1,926</b>             |
| <b>Creditors:</b> falling due after more than 1 year | 23   | (300)                  | (400)                  | (300)                    | (400)                    |
| <b>Net assets</b>                                    |      | <b>1,461</b>           | <b>1,526</b>           | <b>1,461</b>             | <b>1,526</b>             |
| <b>The funds of the charity:</b>                     |      |                        |                        |                          |                          |
| Unrestricted income funds                            | 24   | 1,433                  | 1,514                  | 1,433                    | 1,514                    |
| Restricted income funds                              |      | 28                     | 12                     | 28                       | 12                       |
| <b>Total charity funds</b>                           |      | <b>1,461</b>           | <b>1,526</b>           | <b>1,461</b>             | <b>1,526</b>             |

The trustees have prepared group accounts in accordance with section 398 of the Companies Act 2006 and section 44 of the Charities and Trustee Investment (Scotland) Act 2005. These accounts are prepared in accordance with the special provisions of Part 15 of the Companies Act relating to small companies and constitute the annual accounts required by the Companies Act 2006 and are for circulation to members of the company.

The notes at pages 16 to 32 form part of these accounts

Signed G R Gatsby

Name GERRY REGINALD GATSBY, Chair of trustees on behalf of the trustees

Approved by the trustees on 9 June 2016

**Arts Theatre Trust**  
**Statement of Cash Flows and Consolidated Statement of Cash Flows**  
**for year ending 31 March 2016**

|   | Note  | <b>Group<br/>2016<br/>£'000</b> | <b>Group<br/>2015<br/>£'000</b> | <b>Charity<br/>2016<br/>£'000</b> | <b>Charity<br/>2015<br/>£'000</b> |
|---|-------|---------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| <b>Cash used in operating activities</b>                      | 28    | <b>72</b>                       | <b>(39)</b>                     | <b>77</b>                         | <b>(37)</b>                       |
| <b>Cash flows from investing activities</b>                   |       |                                 |                                 |                                   |                                   |
| Interest income   | 15    | 14                              | 13                              | 13                                | 12                                |
| Purchase of tangible fixed assets                             | (22)  | -                               | (22)                            | -                                 | -                                 |
| <b>Cash provided by (used in) investing activities</b>        |       | <b>(7)</b>                      | <b>14</b>                       | <b>(9)</b>                        | <b>12</b>                         |
| <b>Cash flows from financing activities</b>                   |       |                                 |                                 |                                   |                                   |
| Repayment of borrowing  | (100) | (100)                           | (100)                           | (100)                             | (100)                             |
| <b>Cash used in financing activities</b>                      |       | <b>(100)</b>                    | <b>(100)</b>                    | <b>(100)</b>                      | <b>(100)</b>                      |
| Increase (decrease) in cash and cash equivalents in the year  |       | <b>(35)</b>                     | <b>(125)</b>                    | <b>(32)</b>                       | <b>(125)</b>                      |
| Cash and cash equivalents at the beginning of the year        |       | 352                             | 477                             | 316                               | 441                               |
| <b>Total cash and cash equivalents at the end of the year</b> |       | <b>317</b>                      | <b>352</b>                      | <b>284</b>                        | <b>316</b>                        |

## Notes on the accounts

### 1 Accounting Policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

a) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Arts Theatre Trust meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

b) Reconciliation with previous Generally Accepted Accounting Practice

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 the restatement of comparative items was required.

At the date of transition in applying the requirement to recognise liabilities arising from employee benefits, a liability was recognised for short-term compensated absence arising from employee entitlement of the parent charity to paid annual leave. The initial liability recognised at the date of transition was for the holiday entitlement carried forward and for the entitlement arising in the year which was due but not taken. The initial liability was for £37,685. No other restatements were required. In accordance with the requirements of FRS 102 a reconciliation of opening balances is provided.

| <b>Reconciliation of group funds and balances</b> | <b>1 April<br/>2014<br/>£'000</b> | <b>31 March<br/>2015<br/>£'000</b> |
|---|-----------------------------------|------------------------------------|
| Fund balances as previously stated                | 1,558                             | 1,564                              |
| Short-term compensated absences                   | (38)                              | (38)                               |
| Fund balances as restated                         | <u>1,520</u>                      | <u>1,526</u>                       |

c) Preparation of the accounts on a going concern basis

The Trust reported a cash inflow of £72,000 for the year and £77,000 on a group basis. This was due to an unexpected legacy receipt of £50,000. Overall the trustees do not believe that this alone will secure the future of the charity and as such they have taken steps to restructure the debt. The trustees are of the view that the restructuring of secured debt, together with the legacy income and measures taken subsequent to the year-end to reduce operating costs (see note 27) have secured the immediate future of the Trust for the next 12 to 18 months and that on this basis the charity is a going concern.

The uncertain economic outlook and willingness of the public to purchase admission and theatre tickets is a significant area of financial uncertainty which the trustees have mitigated by reviewing the artistic programme and a pricing policy that encourages group bookings and provides discounts to the public willing to buy season tickets for performances. The trustees remain in regular contact with sponsoring local authorities to secure their on-going financial support.

d) Group financial statements

The financial statements consolidate the results of the charity and its wholly owned subsidiary HTC Ltd on a line-by-line basis.

e) Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

For legacies, entitlement is taken as the earlier of the date on which either: the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the Trust that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material (see note 7).

Income received in advance of a theatrical performance or provision of other specified service it is deferred until the criteria for income recognition are met (see note 22).

f) Donated services and facilities

Donated professional services and donated facilities are recognised as income when the charity has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use by the charity of the item is probable and that economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), the general volunteer time of the Friends is not recognised and refer to the trustees' annual report for more information about their contribution.

On receipt, donated professional services and donated facilities are recognised on the basis of the value of the gift to the charity which is the amount the charity would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

g) Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the Bank.

h) Fund accounting

Unrestricted funds are available to spend on activities that further any of the purposes of charity. Designated funds are unrestricted funds of the charity which the trustees have decided at their discretion to set aside to use for a specific purpose. Restricted funds are donations which the donor has specified are to be solely used for particular areas of the Trust's work or for specific artistic projects being undertaken by the Trust.

i) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Costs of raising funds comprise the costs of commercial trading including the bar and coffee lounge and their associated support costs.
- Expenditure on charitable activities includes the costs of performances, exhibitions and other educational activities undertaken to further the purposes of the charity and their associated support costs.
- Other expenditure represents those items not falling into any other heading.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

j) Allocation of support costs

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include back office costs, finance, personnel, payroll and governance costs which support the Trusts artistic programmes and activities. These costs have been allocated between cost of raising funds and expenditure on charitable activities. The bases on which support costs have been allocated are set out in note 9.

k) Operating leases

The charity classifies the lease of printing, specialist lighting and audio equipment as operating leases; the title to the equipment remains with the lessor and the equipment is replaced every 5 years whilst the economic life of such equipment is normally 10 years. Rental charges are charged on a straight line basis over the term of the lease.

l) Tangible fixed assets

Individual fixed assets costing £1,000 or more are capitalised at cost and are depreciated over their estimated useful economic lives on a straight line basis as follows:

| <b>Asset Category</b>               | <b>Annual rate</b> |
|-------------------------------------|--------------------|
| Long leasehold buildings            | 1–2%               |
| Plant, equipment and motor vehicles | 10–33%             |
| Pianos                              | 10%                |

m) Stock

Stock is included at the lower of cost or net realisable value. Donated items of stock are recognised at fair value which is the amount the charity would have been willing to pay for the items on the open market.

n) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

o) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

p) Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

q) Financial instruments

The trust only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

r) Pensions

Existing employees of the charity were entitled to join the County Pension Scheme which is funded by contributions from employee and employer or alternatively they may have opted to join the group money purchase defined contribution pension scheme operated by Reliable Insurances plc. Members of the County Pension Scheme may also contribute added years to that scheme or take out an Additional Voluntary Contribution scheme, each of which is funded by the employee alone. Since 1 April 2008 new employees are only able to join the money purchase scheme and cannot join the County Pension Scheme. New and existing employees who are not in the County Pension Scheme were automatically enrolled into the money purchase scheme unless they have exercised their right to opt out of scheme membership.

The County Pension Scheme is a multi-employer defined benefit scheme administered for the benefit of Local Authorities and other bodies and is managed in accordance with the Local Government Pension Scheme Regulations 1997 (as amended). Past and present employees are covered by the provisions of the County Pension Scheme.

Members of the County Scheme accrue an index linked pension of 1/80 of the best of the last three years pensionable service for each year of service. Additional benefits include a lump sum on retirement, continued (reduced) pensions for a spouse on the death of the member and benefits for dependents on death or permanent incapacity in service.

The trustees are unable to confirm the charity's share of the underlying assets and liabilities of the County Pension Scheme and therefore the Scheme is accounted for as a defined contribution scheme. The County Pension Scheme provides that in the event that a single employer has individuals contributing to the scheme then any remaining liability for benefits payable under the scheme falls on that employer. Since the main participating employers are statutory bodies, the trustees consider it highly improbable that such a liability will ever fall to the Trust.

The employer's contributions made to the scheme in 2016 were £47,000 (2015: £44,000) with an employer's contribution rate of 14% of pensionable pay and an employee's contribution of 6% of pensionable pay. The contribution rate was due to be reviewed at the next scheme valuation date, on 31 March 2014, but notification is still awaited of any revision. The trustees are satisfied that any foreseeable change in employer's contributions can be budgeted for without detriment to the charity's ongoing activities.

Employees joining the money purchase pension scheme operated by Reliable Insurances Plc, contract directly with the insurance company. The Trust now makes a matching contribution of between 4% and 8% of salary to this pension scheme and acts as agent in collecting and paying over employee pension contributions. The contributions made for the accounting period are treated as an expense and were £43,000 (2015: £40,000).



s) Transition to FRS 102

The opening fund balances at the date of transition have been restated (see note 1b) due to a liability for holiday pay but no subsequent restatement of items has been required in making the transition to FRS 102. The transition date was 1 April 2014.

## 2 Legal status of the Trust

The Trust is a company limited by guarantee and has no share capital. The liability of each member in the event of winding-up is limited to £5.

## 3 Income from donations and legacies

| Donations                         | Group         |               | Charity       |               |
|-----------------------------------|---------------|---------------|---------------|---------------|
|                                   | 2016<br>£'000 | 2015<br>£'000 | 2016<br>£'000 | 2015<br>£'000 |
| Gifts                             | 4             | 5             | 4             | 5             |
| Legacies                          | 79            | 34            | 79            | 34            |
| Donated services                  | 36            | 5             | 36            | 5             |
| Donation received from subsidiary | -             | -             | 153           | 149           |
|                                   | <b>119</b>    | <b>44</b>     | <b>272</b>    | <b>193</b>    |

The income from donations and legacies for the group was £119,000 (2015: £44,000) of which £94,000 was unrestricted (2015: £39,000) and £25,000 restricted (2015: £5,000).

The income from donations and legacies for the parent charity was £272,000 (2015: £193,000) of which £247,000 was unrestricted (2015: £188,000) and £25,000 restricted (2015 : £5,000).

Included within restricted funds, legacy income included a restricted gift of £20,000 from the late Mr O. Yeats to fund poetry and creative writing courses at the theatre.

The charity is grateful to Hampton Brown Consultancy for seconding a consultant to the charity to assist with redesigning its marketing literature and promotional posters. The value of this consultancy service to the charity is estimated at £36,000 (2015: £5,000). The estimated value of these services is recognised within incoming resources as a donation, and an equivalent charge included within promotional costs.

The Trust benefits greatly from the involvement and enthusiastic support of its many volunteers, details of which are given in our annual report. In accordance with FRS 102 and the Charities SORP (FRS 102), the economic contribution of general volunteers is not recognised in the accounts.

#### 4 Income from charitable activities

|   | Group              |                    | Charity            |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | Unrestricted funds | Unrestricted funds | Unrestricted funds | Unrestricted funds |
|   | 2016               | 2015               | 2016               | 2015               |
|   | £'000              | £'000              | £'000              | £'000              |
| <b>Income from concerts and stage performances:</b>     |                    |                    |                    |                    |
| Gross income from admission charges and programmes      | 531                | 562                | 531                | 562                |
| Less concessions  | (85)               | (78)               | (85)               | (78)               |
| <b>Subtotal : admission charges and programmes</b>      | <b>446</b>         | <b>484</b>         | <b>446</b>         | <b>484</b>         |
| Support from sponsors and local authorities             | 560                | 582                | 560                | 582                |
| <b>Subtotal: income from performances</b>               | <b>1,006</b>       | <b>1,066</b>       | <b>1,006</b>       | <b>1,066</b>       |
| Income from visiting arts exhibitions and installations | 39                 | 45                 | 39                 | 45                 |
| Education related income including residences           | 169                | 163                | 169                | 163                |
| <b>Total income from charitable activities</b>          | <b>1,214</b>       | <b>1,274</b>       | <b>1,214</b>       | <b>1,274</b>       |

#### 5 Income earned from other trading activities

The wholly owned trading subsidiary HTC Ltd is incorporated in the United Kingdom (company number SC79126X) and pays all of its profits to the charity under the gift aid scheme. HTC Ltd operates the bars, Gleaming Globe Café coffee lounge and all commercial trading operations carried on at the Arts Theatre Trust premises. A summary of the trading results is shown below.

The summary financial performance of the subsidiary alone is:

|  | 2016  | 2015  |
|--|-------|-------|
|  | £'000 | £'000 |
| Turnover   | 479   | 483   |
| Cost of sales and administration costs             | (328) | (336) |
| Interest receivable                                | 2     | 2     |
| Net profit   | 153   | 149   |
| Amount gift aided to the charity                   | (153) | (149) |
| Retained in subsidiary                             | -     | -     |
| The assets and liabilities of the subsidiary were: |       |       |
| Current assets                                     | 74    | 79    |
| Current liabilities                                | (44)  | (49)  |
| Total net assets                                   | 30    | 30    |
| Aggregate share capital and reserves               | 30    | 30    |

## 6 Investment income

|                   | Group         |               | Charity       |               |
|-------------------|---------------|---------------|---------------|---------------|
|                   | 2016<br>£'000 | 2015<br>£'000 | 2016<br>£'000 | 2015<br>£'000 |
| Interest received | 15            | 14            | 13            | 12            |

All of the group's investment income arises from money held in interest bearing deposit accounts.

## 7 Analysis of expenditure on charitable activities

|                               | Concerts and<br>stage<br>performances<br>£'000 | Visiting arts<br>exhibitions<br>and<br>installations<br>£'000 | Education<br>including<br>residences<br>£'000 | Total<br>£'000 |
|-------------------------------|--|---|---|----------------|
| Salaries and benefits         | 248  | 129   | -   | 377            |
| Artists' and exhibition fees  | 136  | 46  | -   | 182            |
| Production expenses           | 95   | 7   | -   | 102            |
| Courses and residences        | -  | -   | 78  | 78             |
| Education and outreach        | -  | -   | 76  | 76             |
| Box office and front of house | 169  | -   | -   | 169            |
| Promotion and marketing       | 76   | 6   | 4   | 86             |
| Central premises costs        | 178  | 15  | 21  | 214            |
| Bank loan interest            | 58   | -   | -   | 58             |
| Depreciation                  | 78   | 3   | 1   | 82             |
| Commissioning                 | 12   | -   | -   | 12             |
| Piano maintenance             | 1  | -   | -   | 1              |
| Governance costs (see note 9) | 35   | 2   | 2   | 39             |
| Support costs (see note 9)    | 79   | 5   | 4   | 88             |
| <b>Total</b>                  | <b>1,165</b>                                   | <b>213</b>  | <b>186</b>                                    | <b>1,564</b>   |

Expenditure on charitable activities was £1,564,000 (2015: £1,473,000) of which £1,555,000 was unrestricted (2015: £1,468,000) and £9,000 was restricted (2015: £5,000).

## 8 Summary analysis of expenditure and related income for charitable activities

This table shows the cost of the three main charitable activities and the sources of income directly to support those activities.

|                                   | Concerts and<br>stage<br>performances<br>£'000 | Visiting arts<br>exhibitions<br>and<br>installations<br>£'000 | Education<br>including<br>residences<br>£'000 | Total<br>£'000 |
|-----------------------------------|--|---|---|----------------|
| Costs                             | (1,165)  | (213)   | (186)   | (1,564)        |
| Educational grants                | -  | -   | 169   | 169            |
| Admission charges                 | 392  | 54  | -   | 446            |
|                                   | (773)  | (159)   | (17)  | (949)          |
| Direct grant support              | 560  | -   | -   | 560            |
| Net cost funded from other income | <b>(213)</b>                                   | <b>(159)</b>  | <b>(17)</b>                                   | <b>(389)</b>   |

## 9 Analysis of governance and support costs

The Trust initially identifies the costs of its support functions. It then identifies those costs which relate to the governance function. Having identified its governance costs, the remaining support costs together with the governance costs are apportioned between the three key charitable activities undertaken (see note 8) in the year. Refer to the table below for the basis for apportionment and the analysis of support and governance costs.

### Analysis of support and governance costs

|   | General support<br>£'000 | Governance function<br>£'000 | Total<br>£'000 | Basis of apportionment |
|---|--------------------------|------------------------------|----------------|------------------------|
| Catering and venue hire for trustee and other business meetings | 23                       | 2                            | 25             | Invoiced events        |
| Salaries, wages and related costs                               | 65                       | 24                           | 89             | Allocated on time      |
| Audit fees  | -                        | 9                            | 9              | Governance             |
| Accountancy services  | -                        | 4                            | 4              | Governance             |
| <b>Total</b>  | <b>88</b>                | <b>39</b>                    | <b>127</b>     |                        |

## 10 Net income/(expenditure) for the year

| This is stated after charging: | Group         |               | Charity       |               |
|--------------------------------|---------------|---------------|---------------|---------------|
|                                | 2016<br>£'000 | 2015<br>£'000 | 2016<br>£'000 | 2015<br>£'000 |
| Depreciation                   | 82            | 82            | 82            | 82            |
| Bank interest payable          | 58            | 60            | 58            | 60            |
| Auditor's remuneration:        |               |               |               |               |
| Audit fees                     | 11            | 10            | 9             | 8             |
| Accountancy services           | 6             | 5             | 4             | 3             |

## 11 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel

|                       | Group         |               | Charity       |               |
|-----------------------|---------------|---------------|---------------|---------------|
|                       | 2016<br>£'000 | 2015<br>£'000 | 2016<br>£'000 | 2015<br>£'000 |
| Salaries and wages    | 434           | 429           | 352           | 346           |
| Social security costs | 38            | 35            | 31            | 29            |
| Pension costs         | 90            | 84            | 83            | 78            |
| <b>Total</b>          | <b>562</b>    | <b>548</b>    | <b>466</b>    | <b>453</b>    |

No employees had employee benefits in excess of £60,000 (2015: nil). Pension costs are allocated to activities in proportion to the related staffing costs incurred and are wholly charged to unrestricted funds.

The charity trustees were not paid or received any other benefits from employment with the Trust or its subsidiary in the year (2015: £nil) neither were they reimbursed expenses during the year (2015: £nil). No charity trustee received payment for professional or other services supplied to the charity (2015: £nil).

The key management personnel of the parent charity, the Trust, comprise the trustees, the Chief Executive Officer, Finance Director and Artistic Director of Arts Theatre Trust. The total employee benefits of the key management personnel of the Trust were £165,301 (2015: £162,060).

The key management personnel of the group comprise those of the Trust and the key management personnel of its wholly owned subsidiary HTC Ltd. The key management personnel of HTC Ltd are the Chief Operating Officer and the Commercial Manager whose employee benefits total £61,012 (2015: £59,892). The employee benefits of key management personnel for the group was therefore £226,313 (2015: £221,952).

## 12 Staff Numbers

The average monthly number of full-time equivalent employees (including casual and part-time staff) during the year were as follows:

|   | <b>2016<br/>Number</b> | <b>2015<br/>Number</b> |
|---|------------------------|------------------------|
| Trading                                     | 7                      | 7                      |
| Concerts and stage performances             | 21                     | 20                     |
| Visiting arts exhibitions and installations | 1                      | 1                      |
| Education including residences              | 7                      | 7                      |
| Governance                                  | 1                      | 1                      |
|   | <b>37</b>              | <b>36</b>              |

## 13 Related party transactions

The charity enjoys a close working relationship with N Arts Trust, which is a charity, and Brachen Council. These entities nominate trustees (see the Trustees' Annual Report) and provide funding to enable the charity to carry out its charitable objectives. The following is a summary of funding provided by these entities:

|                          | <b>2016<br/>£'000</b> | <b>2015<br/>£'000</b> |
|--------------------------|-----------------------|-----------------------|
| Revenue funding          |                       |                       |
| Brachen Council          | 410                   | 432                   |
| N Arts Trust Core Grant  | 150                   | 150                   |
| N Arts Educational Grant | 169                   | 163                   |
|                          | <b>729</b>            | <b>745</b>            |

All the above funding was received to provide services, e.g. training in drama and theatrical productions, and has been included in the financial statements under incoming resources from charitable activities.

In 2016 the following transactions took place between the Trust and its wholly owned subsidiary HTC Ltd:

The transfer under gift aid of the trading profits of HTC Ltd to the Trust of £153,000 (2015: £149,000) There were no outstanding balances with related parties as at 31 March 2016 (2015: £nil).

## 14 Government Grants

Income from government grants comprises performance related grants made by local authorities to fund the artistic and theatrical programme of the Arts Theatre Trust. See note 13 for more information and to the amount and source of these grants.

## 15 Corporation Taxation

The charity is exempt from tax on income and gains falling within section 505 of the Taxes Act 1988 or section 252 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects.

## 16 Tangible fixed assets – charity (also comprising that of the group)

|                     | Long<br>leasehold land<br>and buildings<br>£'000 | Plant,<br>machinery and<br>motor vehicles<br>£'000 | Pianos<br>£'000 | Total<br>£'000      |
|---------------------|--|--|-----------------|---------------------|
| Cost:               |  |  |                 |                     |
| As at 1 April 2015  | 2,597  | 981  | 32              | 3,610               |
| Additions           | -  | 22   | -               | 22                  |
| As at 31 March 2016 | <u>2,597</u>                                     | <u>1,003</u>                                       | <u>32</u>       | <u>3,632</u>        |
| Depreciation:       |  |  |                 |                     |
| As at 1 April 2015  | 891  | 927  | 32              | 1,850               |
| Charge for the year | 33   | 49   | -               | 82                  |
| As at 31 March 2016 | <u>924</u>                                       | <u>976</u>   | <u>32</u>       | <u>1,932</u>        |
| Net book value      |  |  |                 |                     |
| As at 1 April 2015  | <u>1,706</u>                                     | <u>54</u>  | <u>-</u>        | <u>1,760</u>        |
| As at 31 March 2016 | <u><b>1,673</b></u>                              | <u><b>27</b></u>                                   | <u><b>-</b></u> | <u><b>1,700</b></u> |

## 17 Investments

The charity holds 30,000 shares of £1 each in its wholly owned trading subsidiary company HTC Ltd which is incorporated in the United Kingdom. These are the only shares allotted, called up and fully paid. The activities and results of this company is summarised in note 5.

## 18 Stock

|     | Group            |                  | Charity         |                 |
|-----|------------------|------------------|-----------------|-----------------|
|     | 2016<br>£'000    | 2015<br>£'000    | 2016<br>£'000   | 2015<br>£'000   |
| Bar | 41               | 43               | -               | -               |
|     | <u><b>41</b></u> | <u><b>43</b></u> | <u><b>-</b></u> | <u><b>-</b></u> |

## 19 Debtors

|                                | Group         |               | Charity       |               |
|--------------------------------|---------------|---------------|---------------|---------------|
|                                | 2016<br>£'000 | 2015<br>£'000 | 2016<br>£'000 | 2015<br>£'000 |
| Trade debtors                  | 32            | 20            | 32            | 20            |
| Other debtors                  | 22            | 75            | 22            | 75            |
| Prepayments and accrued income | 55            | 58            | 55            | 58            |
|                                | <b>109</b>    | <b>153</b>    | <b>109</b>    | <b>153</b>    |

## 20 Creditors: amounts falling due within one year

|   | Group         |               | Charity       |               |
|---|---------------|---------------|---------------|---------------|
|   | 2016<br>£'000 | 2015<br>£'000 | 2016<br>£'000 | 2015<br>£'000 |
| Bank loan                                     | 100           | 100           | 100           | 100           |
| Trade creditors                               | 119           | 126           | 94            | 88            |
| Short-term compensated absences (holiday pay) | 38            | 38            | 38            | 38            |
| Other creditors and accruals                  | 69            | 49            | 57            | 42            |
| Deferred income                               | 55            | 46            | 55            | 46            |
| Taxation and social security costs            | 25            | 23            | 18            | 19            |
|   | <b>406</b>    | <b>382</b>    | <b>362</b>    | <b>333</b>    |

## 21 Contingent assets – legacy income

As at 31 March the charity had been notified of one residuary legacy the value of which is uncertain as the executor is awaiting confirmation of other claims on the estate, but it is unlikely to exceed £20,000. As at 9 June 2016 no further information had been received and so this legacy has not been accrued.

## 22 Deferred income

Deferred income comprises advance ticket sales related for the performance of the *Merchant of Venice* which began its run on 14 April 2016.

|   | Group<br>£'000 | Charity<br>£'000 |
|---|----------------|------------------|
| Balance as at 1 April 2015                                  | 46             | 49               |
| Amount released to income earned from charitable activities | (46)           | (49)             |
| Amount deferred in year                                     | 55             | 46               |
| Balance as at 31 March 2016                                 | <b>55</b>      | <b>46</b>        |



## 23 Creditors: amounts falling due after more than one year

|  | Group         |               | Charity       |               |
|--|---------------|---------------|---------------|---------------|
|  | 2016<br>£'000 | 2015<br>£'000 | 2016<br>£'000 | 2015<br>£'000 |
| Secured bank loan (falling due in less than 5 years) | 250           | 400           | 250           | 400           |
| Secured bank loan (falling due after 5 years)        | 50            | -             | 50            | -             |
|  | <b>300</b>    | <b>400</b>    | <b>300</b>    | <b>400</b>    |

The secured bank loan is secured on the theatre property which has a carrying value of £1,673,000. The terms of the security provide for the lender to claim title to the property in the event of a default on principal and interest payments of more than 6 months duration in the event that a restructuring of the loan is not agreed. The repayment schedule for this loan was re-negotiated subsequent to the year end - see note 27.

## 24 Analysis of charitable funds

### Analysis of movements in unrestricted funds

|                                       | Balance<br>1 April 2015<br>£'000 | Incoming<br>resources<br>£'000 | Resources<br>expended<br>£'000 | Transfers<br>£'000 | Funds<br>31 March<br>2016<br>£'000 |
|---------------------------------------|----------------------------------|--------------------------------|--------------------------------|--------------------|------------------------------------|
| General fund                          | (296)                            | 1,802                          | (1,789)                        | (22)               | (305)                              |
| Designated<br>development<br>fund     | 50                               | -                              | (12)                           | -                  | 38                                 |
| Designated<br>property<br>assets fund | 1,760                            | -                              | (82)                           | 22                 | 1,700                              |
| <b>Total</b>                          | <b>1,514</b>                     | <b>1,802</b>                   | <b>(1,883)</b>                 | <b>0</b>           | <b>1,433</b>                       |

### Name of unrestricted fund

### Description, nature and purposes of the fund

|                   |   |
|-------------------|---|
| General fund      | The 'free reserves' after allowing for all designated funds.  |
| Designated funds: | <p>a) Designated development fund for the continuing refurbishment of ATC Park and further expenditure is anticipated on professional fees within the coming year.</p> <p>b) Property assets fund is the value of unrestricted funds represented by the tangible fixed assets owned and used by the charity on an on-going basis for artistic activities.</p> |

## Analysis of movements in restricted fund

|               | Balance at<br>1 April<br>2015<br>£'000 | Incoming<br>resources<br>£'000 | Resources<br>expended<br>£'000 | Transfers<br>£'000 | Funds<br>31 March<br>2016<br>£'000 |
|---------------|--|--------------------------------|--------------------------------|--------------------|------------------------------------|
| Piano fund    | 9                                      | -                              | (1)                            | -                  | 8                                  |
| Book festival | 3                                      | 5                              | (3)                            | -                  | 5                                  |
| Poets course  | -                                      | 20                             | (5)                            | -                  | 15                                 |
| <b>Total</b>  | <b>12</b>                              | <b>25</b>                      | <b>(9)</b>                     | <b>-</b>           | <b>28</b>                          |

| Name of restricted fund | Description, nature and purposes of the fund   |
|-------------------------|--|
| Piano fund              | To purchase and refurbish concert standard pianos.   |
| Book festival           | To support the annual Summer Sundays' series of book festivals where a guest writer talks about their work and is available for book signings.                                 |
| Poets course            | This new course of poetry and creative writing is funded from the legacy of Mr O. Yeats and funds a weekly poet's residence with evening poetry and creative writing sessions. |

## 25 Analysis of group net assets between funds

|   | General<br>Fund<br>£'000 | Designated<br>Funds<br>£'000 | Restricted<br>Funds<br>£'000 | Total<br>£'000 |
|---|--------------------------|------------------------------|------------------------------|----------------|
| Tangible fixed assets                     | -                        | 1,700                        | -                            | 1,700          |
| Cash at bank and in hand                  | 251                      | 38                           | 28                           | 317            |
| Other net current<br>assets/(liabilities) | (256)                    | -                            | -                            | (256)          |
| Creditors of more than one year           | (300)                    | -                            | -                            | (300)          |
| <b>Total</b>                              | <b>(305)</b>             | <b>1,738</b>                 | <b>28</b>                    | <b>1,461</b>   |

## 26 Financial instruments

Financial instruments measured at amortised cost comprise the loan financing provided by Crufts Bank Plc to the Trust.

|  | <b>2016</b>  | <b>2015</b>  |
|--|--------------|--------------|
|  | <b>£'000</b> | <b>£'000</b> |
| Loan payable falling due within 1 year                             | 100          | 100          |
| Loan payable falling due in more than 1 year but less than 5 years | 250          | 300          |
| Loan payable falling due after 5 years)                            | 50           | -            |
| <b>Total</b>   | <b>400</b>   | <b>500</b>   |

The loan financing is in the form of a secured loan with a variable interest rate. The market risk facing the Trust is that it is widely expected that interest rates will rise as the economic recovery gains momentum. Refer to the risk management section of the directors' report for information as to how this risk is managed and to note 27 for information as to how the liquidity risk is being managed by rescheduling the loan.

## 27 Post-balance sheet events

The charity's bankers Crufts Bank Plc agreed on 28 May 2016 to the rescheduling of the secured bank loan. The loan has been rescheduled so that the repayment of capital due in 2017 remains £100,000 but thereafter it is reduced to £50,000 with the overall loan term extended from 5 years to 7 years. The variable interest rate of base rate plus 7% is to be increased to base rate plus 8% from 1 June 2016. The trustees anticipate that the extra interest cost incurred will be £5,000 of the remaining life of the loan. Crufts Bank plc has also agreed an overdraft facility of £300,000 on their normal commercial terms, reviewable six monthly.

On 7 June 2016 the trustees agreed with staff representatives a voluntary severance programme and optional reduction in hours programme, for booking office, administrative, hospitality and premises related staff, with a view to reducing the establishment by five whole-time equivalent staff, as part of the business recovery programme. The savings from the staffing are anticipated to amount to at least £100,000 annually and will make a major contribution to the business efficiency review being conducted for the charity by Goodshires & Co.

## 28 Reconciliation of net movement in funds to net cash flow from operating activities

|  | Group     |             | Charity   |             |
|--|-----------|-------------|-----------|-------------|
|  | 2016      | 2015        | 2016      | 2015        |
|  | £'000     | £'000       | £'000     | £'000       |
| Net movement in funds                                | (65)      | 6           | (65)      | 6           |
| Add back depreciation charge                         | 82        | 82          | 82        | 82          |
| Deduct interest income shown in investing activities | (15)      | (14)        | (13)      | (12)        |
| Decrease (increase) in stock                         | 2         | 6           | -         | -           |
| Decrease (increase) in debtors                       | 44        | (68)        | 44        | (68)        |
| Increase (decrease) in creditors                     | 24        | (51)        | 29        | (45)        |
| <b>Net cash used in operating activities</b>         | <b>72</b> | <b>(39)</b> | <b>77</b> | <b>(37)</b> |