

## Commentary on the Model Trustees' Annual Report and Accounts: Arts Theatre Trust (accounts prepared using the FRSSE) - reissued September 2016

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 in 2008. The charity has opted to prepare its accounts using the Financial Reporting Standard for Smaller Entities and follow the Charities SORP (FRSSE). To assist preparers to identify what has changed from the previous version the text and figures have been left unchanged as far as practicable and so the story of the fictional charity has not been moved on.

A charity registered in England and Wales, the charitable company also reports in accordance with the Commission's guidance on public benefit and the Charities Act 2011. The charity is required to prepare group accounts under the Charities Act 2011 and as a company prepare its accounts in accordance with the UK Companies Act 2006. The income of the group is £1.6m with total net group assets of £1.6m.

This example has been reissued on 12 September 2016 to add previous year comparatives to the analysis of charitable funds provided in note 24. Although comparatives for the analysis of fund movements was not required by previous SORPs, a strict application of FRSSE (see section B paragraph 2.23) requires comparatives for all items presented in the notes to the financial statements except where the FRSSE permits otherwise. The example has therefore been updated to include previous year comparatives for fund movements by way of separate tables for notes 24 and 25.

Preparers choosing to report using the FRSSE must note that the FRSSE is only applicable for reporting periods (financial years) beginning in calendar year 2015. The FRSSE is withdrawn for reporting periods beginning on or after 1 January 2016.

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 Act 2011. In this example the group is small for Companies Act purposes but above the threshold for preparing group accounts of £500,000 set out in regulations made under the Charities Act 2011. It is recommended that if eligible for the small companies regime and preparing group accounts for a charitable company the trustees exercise the option under section 398 of the Companies Act 2006 to prepare the group accounts as the 'annual accounts' for filing purposes with 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 section 138 of the Charities Act 2011. In this example, the trustees have chosen to 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 both the Companies Act 2006 and the Charities Act 2011. 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

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The report opens with a Chair's report (Charities SORP (FRSSE) paragraph 1.5) followed by a summary of the charity's *aims and activities* (paragraphs 1.18 and 1.36) undertaken for the public benefit (paragraph 1.19). The *achievements and performance* section (paragraphs 1.21 and 1.41) includes data on performance (paragraph 1.45) and the *financial review* (paragraphs 1.22 and 1.47) includes an overview of its pricing policy including access for those on low incomes. Note the *reserves policy* provides an explanation of the target level of reserves, the reserves held, and the charity's plans to restore its reserves (paragraphs 1.23 and 1.49). The report includes a *risk management* (paragraph 1.47) section 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 1.24) in the section *plans for future periods* (paragraph 1.50).

The report concludes with the administrative disclosures required (paragraphs 1.26, 1.28, 1.52 and 1.53), including *trustee induction and training* (paragraph 1.52). The trustees are mainly 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 1.52). 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 Charity Commission for England and Wales.

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 SORP. Since the group qualifies as small under section 383, the strategic report required of medium and large companies under the 'The Companies Act 2006 (Strategic Report and Director's Report) Regulations 2013' is not required.

A statement of trustees' responsibilities in relation to the financial statements has also been included in accordance with FRC audit standards (ISA 700). This statement (see appendix 4 to Audit Practice Note 11, March 2012) is not a requirement of the Charities SORP (FRSSE).

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 (FRSSE) or in company law to make this disclosure

## The accounts

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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. The FRSSE and the charities SORP (FRSSE) 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 5 to the accounts).

The charity is taking advantage of the concession to provide only a consolidated SOFA (available under company law). Although section 408(4) of the Companies Act only requires the disclosure of the net surplus/(deficit) of the parent, the charity has opted to disclose the performance of the charity itself as a note to the accounts (note 3); this may be required in those jurisdictions where the applicable regulations require the results of the charity as well as those of the group to be given. The charity has opted to prepare the accounts under the FRSSE (note 1a) and so a Statement of Cash Flows is not required.

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 3.40) in note 1b to the accounts.

The charity has chosen to disclose the results of the charity alone in note 3 (this is not required by the SORP). The analysis of the material components of income (paragraph 4.37) is given in notes 4 to 7 to the accounts. The results of the subsidiary alone are required by the SORP and are disclosed in note 6 to the accounts (paragraph 24.37).

The SoFA reports the charitable activities as single line (paragraph 4.7) with the expanded analysis in note 8 to the accounts (paragraph 4.46) and to illustrate the net funding requirement or contribution made by each activity, the costs and income of each activity have been compared in note 9 (paragraph 4.24).

Governance costs are disclosed in note 10 (paragraph 8.13) and the components of support costs and their allocation is analysed in notes 8 and 10. The notes to the accounts include an explanation of donated services and facilities in note 4 (paragraph 6.32) and the charity has chosen to provide a reconciliation of deferred income in note 22 (paragraph 5.51).

The FRSSE is based on existing pre-2015 UK Generally Accepted Accounting Practice and so no reconciliations or restatement of opening balances is required by the FRSSE. However, charities using the FRSSE are required to follow 'current practice' (based on 'new' Generally Accepted Accounting Practice' effective subsequent to 1 January 2015) for charity specific treatments unless the FRSSE specifies otherwise. Also the Charities SORP (FRSSE) permits charities to adopt 'current practice' provided this is not contrary to the FRSSE for non-charity specific items. Consequently a change in accounting policy may arise when switching from the previous SORP, to the Charities SORP (FRSSE) in which case the disclosure required is set out in paragraph 3.39 of the Charities SORP (FRSSE).

## Notice

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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 for Smaller Entities (FRSSE) (effective 1 January 2015), also known as the Charities SORP (FRSSE). Whilst every effort has been made to ensure that the example accords with UK company law and charity law as it applies in England and Wales, preparers should refer to the relevant regulations and the Charities SORP (FRSSE) 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: [nigel.davies@charitycommission.gsi.gov.uk](mailto:nigel.davies@charitycommission.gsi.gov.uk)

However if you have any enquiry about FRSSE or the Charities SORP (FRSSE) 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 1234567

Company number: 8910102



## **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 Act 2011, 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 for Smaller Entities.

### **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, B F Borough Council and B Town 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 here at ATC Park 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.artstheatreltd@all.com](http://www.artstheatreltd@all.com) or telephone our booking office on 0011-987654.

Gerry R Gatsby  
Chair



## **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 BF Borough.

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 BF Borough by expanding their horizons through the provision of exciting, challenging and accessible professional and community drama and arts events.

In shaping our objectives for the year and planning our activities, the trustees have considered the Charity Commission's guidance on public benefit, including the guidance 'public benefit : running a charity (PB2)'. The theatre relies on grants and the income from fees and charges to cover its operating costs. Affordability and access to our programme is important to us and is reflected in our pricing policy set out in detail later in this report.

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 borough 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 our Borough.



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

We seek to combine amateur community events, including our annual event *BF Borough Scouts and Guides Christmas Concert* and the *BF Borough 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 innovatory 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 old folk afternoons with 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 BF Borough 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 Centre, 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 ATC 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 BF Borough 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 £161,000. The principal funding sources of income to the Trust itself were: admission fees and ticket sales of £392,000, income from art exhibitions and installations of £42,000, and grants of £671,000 including the separate grant award from N Arts Trust of £150,000 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 not all 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 but experienced a sales fall in line with the theatre at ATC park itself generating a profit of £158,000 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 to 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.artstheatre ltd@all.com](http://www.artstheatre ltd@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 (£285,000) on unrestricted funds after allowing for those resources designated for property and props and setting aside funds to cover professional fees, the details of which are given in note 25 of the accounts. This situation is largely attributable 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 B F Borough Council to withdraw their support to the refurbishment project in 2014 and the fall in income 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 £154,000 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 deteriorating cash holdings of the Trust itself in 2016 reflected the difficult trading circumstances faced by the theatre due to a shortfall in box-office income. 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 ATC 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 of ATC Park which aims to ensure we remain a prestige arts venue.

## Reference and administrative details

Charity number: 1234567

Company number: 89101X2

Registered Office: ATC Park, Anytown, Berkshire, BX56 7SG

## Our advisers

Auditors	CEP & Co	23 High Street, Anytown, Berkshire, BX56 4TP
Bankers	Crufts Bank plc	10 High Street, Anytown, Berkshire, BX56 1SG
Solicitors	Backhouse & Co	15 Low Road, Anytown, Berkshire, BX56 3PS
Business Review	Goodshires & Co	35 Pound Lane, Anytown, Berkshire, BX58 4TW



### **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 G R Gatsby	(resigned 10 July 2015) (appointed 10 July 2015)
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BF Borough Council nominees:	F A Brown A D S Jones W M Smith M J Young C I West
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B Town Council nominees:	E R Allsop N Hindemith S M Barrett C Norfolk	(resigned 16 June 2015) (appointed 17 June 2015)
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Elected trustees:	R Thomas D Drew F Lake N Towns S Richards E Towns	(retired 10 July 2015) (retired 10 July 2015) (elected 10 July 2015) (elected 10 July 2015)
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Co-opted trustee:	D East
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Secretary	R P South
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#### **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 Charity Commission. 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. BF Borough Council nominates five trustees and B Town Council nominates three trustees. Four 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 the Arts Council of England and BF Borough Council. Nominees appointed by BF Borough Council and B Town Council are subject to the appointment processes of those bodies and the guidelines on appointment to public office as they apply to Local Government nominees.

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

New trustees undergo an orientation day to brief them on: their legal obligations under charity and company law, the Charity Commission guidance on public benefit, 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. B F Borough Council and B Town Council provide essential core funding in support of the artistic programme as an amenity for local residents and the public. Both organisations 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. All three organisations nominate trustees and a summary of transactions with all three organisations is set out in note 14 to the financial statements.

The charity's wholly owned subsidiary, HTC Ltd was established to operate the commercial bar, catering and conferencing facilities at ATC Park 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 6 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 and related party transactions are disclosed in note 12 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 benchmark 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.



## **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.

## **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 Funds £'000	Restricted Funds £'000	Total Funds 2016 £'000	Total Funds 2015 £'000
<b>Income:</b>					
Donations and legacies	4	35	25	60	44
<i>Income from charitable activities:</i>					
Operation of theatre and arts centre	5	1,105	-	1,105	1,163
<i>Income from other trading activities:</i>					
Commercial trading operations	6	479	-	479	595
Investment income	7	18	-	18	16
<b>Total income</b>		<b>1,637</b>	<b>25</b>	<b>1,662</b>	<b>1,818</b>
<b>Expenditure</b>					
<i>Costs of raising funds:</i>					
Commercial trading operations		323	-	323	390
<i>Expenditure on charitable activities:</i>					
Operation of theatre and arts centre	8	1,475	9	1,484	1,422
<b>Total expenditure</b>		<b>1,798</b>	<b>9</b>	<b>1,807</b>	<b>1,812</b>
<b>Net income/(expenditure) and net movement in funds for the year</b>		<b>(161)</b>	<b>16</b>	<b>(145)</b>	<b>6</b>
<b>Reconciliation of funds</b>					
Total Funds brought forward		1,687	12	1,699	1,693
<b>Total funds carried forward</b>		<b>1,526</b>	<b>28</b>	<b>1,554</b>	<b>1,699</b>

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derives from continuing activities.



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

	Note	Group 2016 £'000	Group 2015 £'000	Charity 2016 £'000	Charity 2015 £'000
<b>Fixed assets</b>					
Tangible assets	16	1,700	1,760	1,700	1760
Investments	17	-	-	30	30
<b>Total Fixed Assets</b>		<b>1,700</b>	<b>1,760</b>	<b>1,730</b>	<b>1790</b>
<b>Current assets</b>					
Stock	18	87	83	73	82
Debtors	19	207	206	252	206
Cash at bank and in hand		202	345	84	316
<b>Total Current Assets</b>		<b>496</b>	<b>634</b>	<b>409</b>	<b>604</b>
<b>Liabilities</b>					
Creditors falling due within one year	20	(342)	(295)	(285)	(295)
<b>Net Current assets</b>		<b>154</b>	<b>339</b>	<b>124</b>	<b>309</b>
<b>Total assets less current liabilities</b>		<b>1,854</b>	<b>2,099</b>	<b>1,854</b>	<b>2,099</b>
<b>Creditors:</b> falling due after more than 1 year	23	(300)	(400)	(300)	(400)
<b>Net assets</b>		<b>1,554</b>	<b>1,699</b>	<b>1,554</b>	<b>1,699</b>
<b>The funds of the charity:</b>					
Unrestricted income funds	24	1,526	1,687	1,526	1,687
Restricted income funds		28	12	28	12
<b>Total charity funds</b>		<b>1,554</b>	<b>1,699</b>	<b>1,554</b>	<b>1,699</b>

The trustees have prepared group accounts in accordance with section 398 of the Companies Act 2006 and section 138 of the Charities Act 2011. 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 30 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

## 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 for Smaller Entities published on 16/07/14, the Financial Reporting Standard for Smaller Entities (effective January 2015) and the Companies Act 2006. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

b) Preparation of the accounts on a going concern basis

The trustees are of the view that the restructuring of secured debt and measures taken subsequent to the year-end to report operating costs (see note 26) have secured the immediate future of the Trust for the next 12 to 18 months and that on this basis the assessment of the trustees is that the charity is a going concern.

The slow recovery in living standards has affected the willingness of the public to purchase admission and theatre tickets is a significant area of financial uncertainty. The trustees have taken action and reviewed the artistic programme and implemented 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 (see note 14) to secure their on-going financial support.

c) 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. A separate Statement of Financial Activities and income and expenditure account for the charity has not been presented because the Trust has taken advantage of the exemption afforded by section 408 of the Companies Act 2006.

d) Income recognition policies

Items of income are recognised and included in the accounts when all of the following criteria are met:

- The charity or its subsidiary have entitlement to the funds;
- any performance conditions attached to the item(s) of income have been met or are fully within the control of the charity or its subsidiary;
- there is sufficient certainty that receipt of the income is considered probable; and
- the amount can be measured reliably.

For legacies, entitlement is taken as the earlier of:

- the date on which 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 21).

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

e) Donated services and facilities

Donated services or 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. On receipt, donated services and 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.

f) 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.

g) 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.

h) 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.

i) 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 10.

j) 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.

k) 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%

l) Stock

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

m) Debtors

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

n) 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.



o) 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.

p) 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 the carrying value plus accrued interest less repayments. The financing charge to expenditure is at a constant rate calculated using the effective interest method.

q) 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 2013 (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 employer's contributions made to the scheme in 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 £39,000 (2015: £38,000). There were no outstanding contributions as at the balance sheet date.

## 2 Legal status of the Trust

The Trust is a company limited by guarantee and has no share capital. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £5 per member of the charity.

## 3 Financial Performance of the charity

The consolidated statement of financial activities includes the results of the charity's wholly owned subsidiary which operates the bar facilities and the Gleaming Globe Café.

The summary financial performance of the charity alone is:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Incoming resources	1,181	1,221
Gift aid from subsidiary company	158	207
	<hr/> 1,339	<hr/> 1,428
Expenditure on charitable activities	(1,484)	(1,422)
<b>Net income</b>	<hr/> <b>(145)</b>	<hr/> <b>6</b>
Total funds brought forward	1,699	1,693
<b>Total funds carried forward</b>	<hr/> <b>1,554</b>	<hr/> <b>1,699</b>
Represented by:		
Restricted income funds	28	12
Unrestricted income funds	1,526	1,687
	<hr/> <b>1,544</b>	<hr/> <b>1,699</b>

#### 4 Income from donations

Donations and legacies	2016 £'000	2015 £'000
Gifts	5	5
Legacies	25	34
Donated services	30	5
	<b>60</b>	<b>44</b>

Of the £60,000 received in 2016 (2015: £44,000) £25,000 was restricted funds (2015: £4,000) and £35,000 (2015: £40,000) unrestricted funds.

The income from donations and legacies in 2016 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 £30,000 (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 accounting standards, the economic contribution of general volunteers is not measured in the accounts.

#### 5 Income from charitable activities

	Unrestricted funds 2016 £'000	Unrestricted funds 2015 £'000
<b>Income from concerts and stage performances:</b>		
Gross income from admission charges and programmes	480	512
Less concessions	(88)	(72)
<b>Subtotal : admission charges and programmes</b>	<b>392</b>	<b>440</b>
Support from sponsors and local authorities	521	526
<b>Subtotal: income from performances</b>	<b>913</b>	<b>966</b>
Income from visiting arts exhibitions and installations	42	45
Education related income including residences	150	152
<b>Total income from charitable activities</b>	<b>1,105</b>	<b>1,163</b>



## 6 Income earned from other activities

The wholly owned trading subsidiary HTC Ltd is incorporated in the United Kingdom (company number 8910110) and pays all of its profits to the charity under the gift aid scheme. HTC Ltd operates the bars, Globe Café coffee lounge and all commercial trading operations carried on at the Arts Theatre Trust premises. The charity owns the entire share capital of 30,000 ordinary shares of £1 each. A summary of the trading results is shown below.

The summary financial performance of the subsidiary alone is:

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Turnover	479	595
Cost of sales and administration costs	(323)	(390)
Interest receivable	2	2
Net profit	<u>158</u>	<u>207</u>
Amount gift aided to the charity	(158)	(207)
Retained in subsidiary	<u>-</u>	<u>-</u>
The assets and liabilities of the subsidiary were:		
Current assets	87	30
Current liabilities	(57)	-
Total net assets	<u>30</u>	<u>30</u>
Aggregate share capital and reserves	<u>30</u>	<u>30</u>

## 7 Investment income

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

## 8 Analysis of expenditure on charitable activities

	Concerts and stage performances	Visiting arts exhibitions and installations	Education including residences	Total
	£'000	£'000	£'000	£'000
Artists' and exhibition fees	389	35	-	424
Production expenses	129	6	19	154
Courses and residences	-	-	68	68
Education and outreach	-	-	59	59
Box office and front of house	164	-	-	164
Promotion and marketing	76	5	4	85
Central premises costs	187	15	21	223
Bank loan interest	60	-	-	60
Depreciation	78	3	1	82
ATC Park – commissioning	12	-	-	12
Piano maintenance	1	-	-	1
Governance costs (see note 10)	42	3	3	48
Support costs (see note 10)	92	6	6	104
<b>Total</b>	<b>1,230</b>	<b>73</b>	<b>181</b>	<b>1,484</b>

Of the £1,484,000 expenditure in 2016 (2015: £1,422,000), £1,475,000 was charged to unrestricted funds (2015: £1,417,000) and £9,000 to restricted funds (2015: £5,000).

## 9 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 stage performances	Visiting arts exhibitions and installations	Education including residences	Total
	£'000	£'000	£'000	£'000
Costs	(1,230)	(73)	(181)	(1,484)
Educational grants	-	-	150	150
Admission charges	392	42	-	434
	(838)	(31)	(31)	(900)
Direct grant support	521	-	-	521
<b>Net cost funded from other income</b>	<b>(317)</b>	<b>(31)</b>	<b>(31)</b>	<b>(379)</b>

## 10 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. Governance costs and other support costs are apportioned separately 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 £'000	Governance function £'000	Total £'000	Basis of apportionment
Catering and venue hire for trustee and other business meetings	21	1	22	Invoiced events
Salaries, wages and related costs	64	22	86	Allocated on time
General office	19	6	25	Pro rata to staff full time equivalents
Statutory audit fees	-	10	10	Governance
Accountancy services	-	5	5	Governance
Legal and other professional fees	-	4	4	Governance
<b>Total</b>	<b>104</b>	<b>48</b>	<b>152</b>	

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

<b>This is stated after charging:</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Operating leases – equipment	13	13
Depreciation	82	66
Bank interest payable	60	62
Auditor's remuneration – CEP & Co:		
Audit fees	10	10
Accountancy services	5	5



## 12 Analysis of staff costs and trustee remuneration and expenses

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Salaries and wages	699	672
Social security costs	53	51
Pension costs	86	82
	<b>838</b>	<b>805</b>

No employees had emoluments 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).

## 13 Staff Numbers

The average monthly head count was 41 staff (2015: 40 staff) and the average monthly number of full-time equivalent employees (including casual and part time staff) during the year was as follows:

	<b>2016</b>	<b>2015</b>
	<b>Number</b>	<b>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>



## 14 Related party transactions

The charity enjoys a close working relationship with N Arts Trust, which is a charity, BF Borough Council and B Town Council. Together these entities nominate the majority of our 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:

Revenue funding	<b>2016</b> <b>£'000</b>	<b>2015</b> <b>£'000</b>
BF Borough Council	281	281
B Town Council	90	95
N Arts Trust Core Grant	150	150
N Arts Educational Grant	150	152
	<hr/> <b>671</b> <hr/>	<hr/> <b>678</b> <hr/>

All the above funding was received in the form of performance-related grants 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 provision of an operating licence renewable annually by the Trust to HTC Ltd as a concession to occupy the space used for the Globe Café and make use of bar related equipment of £37,500 (2015: £36,000).
- The transfer under gift aid of the trading profits of HTC Ltd to the Trust of £158,000 (2015: £207,000) of which £57,000 was outstanding as at 31 March 2016 (2015: £nil).

There were no other outstanding balances with related parties as at 31 March 2016 (2015: £nil).

## 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)**

	<b>Long leasehold land and buildings £'000</b>	<b>Plant, machinery and motor vehicles £'000</b>	<b>Pianos £'000</b>	<b>Total £'000</b>
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**

	<b>Group</b>		<b>Charity</b>	
	<b>2016 £'000</b>	<b>2015 £'000</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Props, staging and costumes	73	82	73	82
Bar	14	1	-	-
	<u><b>87</b></u>	<u><b>83</b></u>	<u><b>73</b></u>	<u><b>82</b></u>

## 19 Debtors

	Group		Charity	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Trade debtors	33	20	21	20
Other debtors	119	128	119	128
Prepayments and accrued income	55	58	55	58
Amount due from subsidiary undertaking	-	-	57	-
	<b>207</b>	<b>206</b>	<b>252</b>	<b>206</b>

## 20 Creditors: amounts falling due within one year

	Group		Charity	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Bank loan	100	100	100	100
Trade creditors	117	88	80	88
Other creditors and accruals	52	42	32	42
Deferred income	55	46	55	46
Taxation and social security costs	18	19	18	19
	<b>342</b>	<b>295</b>	<b>285</b>	<b>295</b>

## 21 Contingent assets – legacy income

As at 31 March 2016 the charity had been notified of one residuary legacy the value of such 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 relate to the advance ticket sales for the performance of the *Merchant of Venice* which begins its run on 14 April 2016.

	Group	Charity
	£'000	£'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 £'000	2015 £'000	2016 £'000	2015 £'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 26.

**24 Analysis of charitable funds**

**Analysis of movements in unrestricted funds**

	Balance 1 April 2015 £'000	Income £'000	Expenditure £'000	Transfers £'000	Funds 31 March 2016 £'000
General fund	(205)	1637	(1,704)	(13)	(285)
Designated development fund	50	-	(12)	-	38
Designated props and costumes	82	-	-	(9)	73
Designated property assets fund	1760	-	(82)	22	1700
<b>Total</b>	<b>1,687</b>	<b>1637</b>	<b>(1798 )</b>	<b>0</b>	<b>1,526</b>

### Analysis of movements in unrestricted funds - previous year

	Balance 1 April 2014 £'000	Income £'000	Expenditure £'000	Transfers £'000	Funds 31 March 2015 £'000
General fund	(246)	1814	(1,714)	(59)	(205)
Designated development fund	-	-	50	-	50
Designated props and costumes	83	-	-	(1)	82
Designated property assets fund	1843	-	(93)	10	1760
<b>Total</b>	<b>1,680</b>	<b>1814</b>	<b>(1807)</b>	<b>0</b>	<b>1,687</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> <p>c) The value of props and costumes are essential for future productions and are designated and so are excluded from reserves.</p>

### Analysis of movements in restricted funds

	Balance at 1 April 2015 £'000	Income £'000	Expenditure £'000	Transfers £'000	Funds 31 March 2016 £'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>

### Analysis of movements in restricted funds - previous year

	Balance at 1 April 2014 £'000	Income £'000	Expenditure £'000	Transfers £'000	Funds 31 March 2015 £'000
Piano fund	10	-	(1)	-	9
Book festival	3	4	(4)	-	3
<b>Total</b>	<b>13</b>	<b>4</b>	<b>(5)</b>	<b>-</b>	<b>12</b>

Name of restricted fund	Description, nature and purposes of the fund
Piano fund	To purchase and refurbishment of 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	Created in 2015, 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 Fund £'000	Designated Funds £'000	Restricted Funds £'000	Total £'000
Tangible fixed assets	-	1700	-	1700
Cash at bank and in hand	136	38	28	202
Other net current assets/(liabilities)	(121)	73	-	(48)
Creditors of more than one year	(300)	-	-	(300)
<b>Total</b>	<b>(285)</b>	<b>1,811</b>	<b>28</b>	<b>1,554</b>

### Analysis of group net assets between funds - previous year

	General Fund £'000	Designated Funds £'000	Restricted Funds £'000	Total £'000
Tangible fixed assets	-	1760	-	1760
Cash at bank and in hand	283	50	12	345
Other net current assets/(liabilities)	(88)	82	-	(6)
Creditors of more than one year	(400)	-	-	(400)
<b>Total</b>	<b>(205)</b>	<b>1,892</b>	<b>12</b>	<b>1,699</b>



## **26 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 have 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.