



Scott-Moncrieff
business advisers and accountants

HORSECROSS ARTS LIMITED

Company Number SC301328
Charity Registration Number SC022400

Trustees' Report and Consolidated Financial Statements

For the year ended 31 March 2016

HORSECROSS ARTS LIMITED

Trustees' Report and Consolidated Financial Statements

for the year ended 31 March 2016

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HORSECROSS ARTS LIMITED

Trustees' Annual Report

for the year ended 31 March 2016

The trustees, who are also the directors of the company for the purposes of company law, are pleased to present their annual report and audited financial statements for the year ended 31 March 2016.

Objectives and activities

The objects of the company are recognised as being charitable in purpose and are set out in the Articles of Association. They are:

- (1) To advance education by the encouragement of the performing arts by means of production, presentation, collection, exhibition, collaboration, education and training in performing arts; and
- (2) To run arts development and arts education programmes in theatre, music and new media public art in Perth and elsewhere which will promote and encourage creativity, skills development, social and personal development, social inclusion and lifelong learning but only as long as such activities are regarded as charitable in law.

The trustees confirm they have complied with section 4 of the Charities Act 2006, having given due regard to the guidance in relation to public benefit. The trustees are content that the various community programmes which Horsecross Arts runs at subsidy and an accessible policy in regard to ticket pricing demonstrate that Horsecross Arts satisfies the public benefit criteria for charitable status.

Main aims & strategies for their achievement

Horsecross Arts uses core funding to support the delivery of creative learning and community outreach activities for people of all ages and backgrounds and a diverse, year-round programme of high quality theatre, music and comedy events which appeal to a broad spectrum of tastes and interests.

The over-riding aim is to make a substantial positive difference to the cultural life of the city of Perth and its outlying areas, as well as to contribute a positive economic impact, provide amenity to people who live and work in Perth and maintain an attractive cultural offer in support of long-term ambitions to build on Perth's appeal as a tourist destination.

Project funding is used to further enhance the organisation's capacity to engage people of all ages and backgrounds in creative expression. Details of projects funded with special grants and donations during the year are set out in note 23 to the financial statements.

Perth Concert Hall is a multi-purpose facility. As well as hosting performances by visiting artists and touring companies from all over the world, the facilities are also offered to local schools' and other amateur performing societies, public and third sector organisations, national trade associations, businesses and other corporate bodies looking for high quality conference facilities and meeting spaces. The revenues from this strand of activity, together with event-related and public catering, are used to support Horsecross Arts' primary charitable purposes.

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Achievements and performance

Our creative learning, cultural and conferencing programmes delivered many memorable highlights in the year to 31 March 2016.

Perth Concert Hall attracted audiences of all ages to its 10th Anniversary celebrations with a series of concerts, community events and activities. Our extensive creative learning work saw us win the Perthshire Chamber of Commerce Awards Business Star Award for Commitment to the Community. We achieved five star reviews for the Southern Fried Festival, Quatuor Mosaïques' residency, *Nicola Benedetti and Friends* and our traditional panto, *Beauty and the Beast*. Once more we attracted thousands of conference delegates from prestigious organisations.

In March 2016, six years after the project was launched, construction started on the transformation of Perth Theatre. With 90% of the funding in place, the launch, during this year, of the Transform Perth Theatre fundraising campaign is the next step towards raising the final £1.5m to fully kit out the theatre when it reopens in 2017.

As a registered charity, Horsecross Arts is reliant, for much of its operations, on external funding. During the year, increased income from our catering operations, new sponsorship agreements, individual giving programmes and money from trusts and foundations contributed to a reduction in our dependence on public money in a challenging climate for arts organisations.

Organisational changes focused on getting the best management structures and support systems in place for the reopening of Perth Theatre. We were delighted to appoint Lu Kemp to the role of artistic director for Perth Theatre.

Thanks to careful programming and diary management, average cultural attendances during the year increased from 393 in 2014-2015 to 485 in 2015-2016 albeit to fewer ticketed events due to the temporary closure of Perth Theatre.

The number of conference delegates increased from 13,843 in 2014-2015 to 15,621 in 2015-2016.

Our creative learning work enjoyed 20,434 participations during 2015-2016 from children, young people and adults – compared to 15,346 in 2014-2015

Creative Learning

Creative learning is at the heart of what we do, with the emphasis across our award-winning programme on helping people of all ages and abilities to access and participate in high quality cultural experiences in our venues and across Perth and Kinross. Our creative learning work helps to increase self-confidence and develop transferable skills such as team-work, creativity and problem solving.

In 2015-2016 we presented a range of multi-artform workshops, events and activities. These included our weekly **Join In Youth Programme** of Perth Youth Theatre, Perth Youth Dance Company, Horsecross Glee, Horsecross Glè, the Gordon Duncan Experience and Young Creatives classes for children and young people from 0-18 years. Our young participants had the opportunity to perform at a number of events across the year including: Celtic Connections Festival in Glasgow, the Perth Christmas Lights Switch On and our own Horsecross Youth Arts Festival in Perth Concert Hall. Furthermore, Perth Youth Theatre members attended the National Youth Theatre Festival where they performed their own devised show to an audience of 200 young people and industry professionals.

Our **Schools Programme** saw us deliver a *Careers in Theatre* and *Sound Day* for senior secondary school pupils in Perth Concert Hall, eight drama and music workshops in rural primaries as part of our 10th Anniversary celebrations and five drama workshops in schools exploring the themes and characters of the Horsecross Arts pantomime. Throughout the year four S4 pupils from schools across Perthshire joined our community, education and outreach team on work experience:

'I enjoyed creating the workshop for next year because it gave us an image of a job in Creative Learning. I also enjoyed programming because I like doing admin work. I learned that Horsecross has a lot more to offer than I had realised and that there are many more departments than I thought' Andrew Quither, work experience pupil, Perth Grammar School

We delivered three continued professional development opportunities for teachers, including a bespoke one-to-one *Using Drama with children with Autism* workshop for a peripatetic Expressive Arts teacher who works in Perth and Kinross primary schools.

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To ensure that our creative learning programme is as accessible as possible we regularly join forces with other organisations to deliver our **Community Programme**. In 2015-16 we continued to work with long-term partners Perth Autism Support to deliver Perth Autism Youth Theatre (PAYT is the first youth theatre for children with a diagnosis of Autism in Scotland). Running since 2012 PAYT now has 29 members, split across three groups, ranging in age from 5-18 years. This year also saw us further develop our relationship with Tayside Healthcare Arts Trust, who we have worked with since 2011 to provide singing projects to adults with long-term health conditions (Parkinson's Disease, Dementia and Chronic obstructive pulmonary disease), to deliver *Vocal Chord*. This 8-week singing project led to 30 adults with long-term health conditions coming together and performing on stage at the Perth Concert Hall 10th Anniversary Community weekend. Additionally, this year, for the first time we worked in partnership with *Breathe* (a project that engages and supports disengaged young people (11-18 year olds) in Highland Perthshire) to provide a weekly drama, dance and singing project. We also worked with Engage to deliver an eight-week drama project for adults with learning disabilities.

In November 2015 the wide reach of our creative learning work saw us win the Perthshire Chamber of Commerce Awards Business Star Award for Commitment to the Community. Other highlights from 2015-16 included Perth Concert Hall's 10th Anniversary Community Weekend, 60 young people attending a workshop with, and performing alongside, Nicola Benedetti and a partnership project between the National Youth Choirs of Scotland, Royal Scottish National Orchestra and us that saw over 500 boys singing in Perth Concert Hall.

Cultural programme

Classical music

2015-2016 was a strong year for classical music in Perth Concert Hall. Our 10th Anniversary celebrations featured a sell-out concert by world renowned violinist Nicola Benedetti and brilliant trumpeter Alison Balsom joined the BBC Scottish Symphony Orchestra for a programme including Haydn's famous *Trumpet Concerto*.

We presented two residency projects of international status. Nicola Benedetti gave three chamber music concerts in partnership with Alexei Grynyuk and Leonard Elschenbroich in *Nicola Benedetti and Friends* in October. These gathered 5 star reviews and the weekend concluded with a day's workshop with Perth Youth Orchestra in partnership with members of the visionary Sistema scheme. These concerts were broadcast on BBC Radio 3 with whom we maintain a strong partnership

The world-leading period instrument string quartet Quatuor Mosaiques were joined by pianist Susan Tomes for a UK exclusive weekend residency in February. The programme of concerts examining the quartets Mozart dedicated to Haydn received 5 star reviews.

The core of the classical programme remains the Perth Concert Series with 6 concerts given over the year by Scotland's major orchestras, the BBC Scottish Symphony Orchestra, the Scottish Chamber Orchestra and the Royal Scottish National Orchestra.

Perth Piano Sundays and the Lunchtime Concert Series have continued to thrive. Our exclusive Sunday afternoon piano recitals saw dazzling performances from pianists such as Steven Osborne and Denis Kozhukhin as well as a debut for Tom Poster, a former winner of the Scottish International Piano Competition.

The Lunchtime Concerts series expanded to include larger ensembles such as the Dunedin Consort and the Scottish Ensemble. Particularly significant was a visit from the Royal Conservatoire of Scotland to perform Stravinsky's *Mass* as it underlined our ever closer partnership with RCS, also reflected in the staging of their production of Mozart's *Così fan tutte* in Perth Concert Hall.

Contemporary music, comedy, family shows and variety acts

For the second year in a row, the Southern Fried Festival was hailed the best yet by audiences, artists and media.

Three outstanding shows in Perth Concert Hall earned standing ovations. Our opening double bill of Rhiannon Giddens and Punch Brothers was one of the finest nights in Southern Fried history with both acts blowing the audience away and earning 5 star national reviews. On Saturday, we produced a unique all-female tribute to Dolly Parton, anchored by the brilliant bluegrass band Della Mae, which again received a rapturous reception from a full house. Our Sunday concert brought back Nashville's amazing gospel family The McCrary Sisters along with The Fairfield Four, for the European premiere of the gospel music celebration *Rock My Soul*. The second year of our outdoor stage on Perth Concert Hall Plaza once again added greatly to the festival buzz throughout the city and gained a hugely favourable reaction from regular attenders, a brand-new local audience and visitors to the city.

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We celebrated Perth Concert Hall's 10th Anniversary in September with two outstanding shows; *Made in Perthshire*, a specially curated performance featuring younger Perthshire acoustic musicians directed by Ross Ainslie and Patsy Reid exceeded all expectations. Rising Scottish indie stars Twin Atlantic played a memorable show in front of a responsive young crowd.

Alongside popular perennial traditional music staples Perthshire Amber, Phil Cunningham's Christmas Songbook and The Scottish Fiddle Orchestra we welcomed experimental folk fusion groups Lau and Treacherous Orchestra. In spring 2016 we launched a well-received new series entitled *The Celtic Sessions* with shows from Breabach supported by Chinese Mongolian ensemble AnDa Union and a great trio show from Michael McGoldrick, John McCusker and John Doyle. We will stage another *Celtic Sessions* series in the autumn and based on encouraging numbers and feedback so far, hope it will become a core part of our programming.

A wide-ranging programme of touring contemporary artists throughout the year included memorable shows by Richard Thompson, Idlewild, Billy Bragg, The Stranglers, Heather Small, Simple Minds, Lau, UB40, Treacherous Orchestra and Norie-Miller Studio performances from Bill Wells and Aidan Moffat, James Yorkston, Pictish Trail and Withered Hand, and Blue Rose Code.

The mainstream light entertainment and tribute programme was equally broad-based with highlights including the Scottish National Jazz Orchestra's Glenn Miller celebration, Nathan Carter's Perth debut, the return of The Ukulele Orchestra Of Great Britain, an evening of music and chat with prog rock icon Rick Wakeman and packed nights with The Magic Of Motown, All-Star 60's, Vampires Rock, Strictly star Brendan Cole and the Ultimate Eagles.

Four sell-out shows from Scottish comedy phenomenon Kevin Bridges in early August, provided a great financial boost at a normally quieter time of year.

Drama

With construction work on the restoration and redevelopment of Perth Theatre fully underway, we announced the appointment of new artistic director, Lu Kemp, to much enthusiasm in the industry and media. Lu will work closely with Horsecross Arts from May 2016, launching her first theatre season when Perth Theatre reopens. Under her direction, the transformed theatre will become a place of dialogue and debate, for all sectors of the local community, welcoming theatre makers at all stages of their career and supporting artists in developing their art forms in exciting and unexpected ways.

Perth Theatre continued to go *Out and About* to Perth Concert Hall with a co-production with Dundee Rep Ensemble of Jo Clifford's award-winning adaptation of the Dickens' classic *Great Expectations*. Feedback was excellent with the production gathering 4 and 5-star reviews.

Calamity Jane in Perth Concert Hall in July exceeded box office targets with over 6,000 people of all ages and from all walks of life seeing the production over the course of the five day run – many more than once. The autumn drama season opened with Cora Bissett's award-winning play *Janis Joplin: Full Tilt* in Perth Concert Hall and continued with Rapture Theatre's production of Arthur Miller's *The Last Yankee* in Perth Concert Hall's Norie-Miller Studio, presented as part of the Scottish Mental Health Arts and Film Festival.

Once again, Perth Concert Hall stepped in to stage Perth's annual family panto *Beauty and the Beast*. The show which, in a nod to its past and future home, played under a replica of Perth Theatre's proscenium arch, received 4 and 5-star reviews with national and local theatre critics heaping praise on the cast, set, music and direction:

*'beautiful home-cooked Scottish panto, done to perfection' ***** The Scotsman*

A cast of familiar names starred in a brand-new version of original hit show *Mum's the Word 2* and Tim Hardy brought one-man rollercoaster *The Trials of Galileo* to Perth Concert Hall's Norie-Miller Studio. Young people from local schools got a valuable insight into the technical work behind staging a production when they attended *The Lost Things* in Perth Museum & Art Gallery.

The early years drama programme featured sell-out co-production between Starcatchers and the Royal Scottish National Orchestra, *Hup*, wonderful puppetry in *Dinosaur Zoo*, and BAFTA winning TV presenter and writer Steve Backshall entertained children with tales of the expeditions that have inspired his books. *My Friend Selma* told the real-life story of a friendship that has lasted over 25 years and our young audiences were delighted with *Hairy Maclary's Cat Tales* - a mix of fun, storytelling and songs.

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Contemporary Art

Horsecross Arts 2015-2016 contemporary art programme featured three new quarterly exhibitions; *Ten*, *Mountains and Interval*. These encompassed numerous new public commissions, guided tours and performance art events involving a host of new and established partnerships.

Heralding the 10th Anniversary celebrations across the organisation *Ten* celebrated ten years of contemporary art in the threshold of Perth Concert Hall featuring 40 selected works by Scottish and international artists drawn from the Horsecross Arts collection. The works were accompanied by *Read More* publications – Horsecross Arts' own journal for critical writing (ISSN 1755-0866/online). *Ten* was curated by Iliyana Nedkova who also marked her 10 years with Horsecross Arts as creative director for contemporary art.

For the first time the exhibition preview of *Ten* was part of *Transformations* – an innovative late night event for the city of Perth embracing clubbing, museum collections, contemporary art, live music and fashion. This was a new partnership between Horsecross Arts and Perth College, the University of the Highlands and Islands, and part of UK-wide *Museums at Night* which ties in with the European campaign, *La Nuit des Musées* and *International Museums Day*.

Coffee, Croissant and Art curator's tours were launched during *Ten* building on the success of the free Monday guided tours for concert-goers linked to the popular Lunchtime Concerts series.

Mountains offered a critical inquiry into the mountains of the world by Scottish and international artists and scientists co-curated by Swiss-based geographers Erin Gleeson, Eric Nanchen and Patricia Vega together with Iliyana Nedkova. It displayed a 'mountain' range of recent and new public commissions as part of the growing *Landscape* strand of the Horsecross Arts collection of contemporary art. The exhibition launched with an extensive private view as part of *Perth III: Mountains of Our Future Earth* conference which brought over 450 international artists and scientists to Perth.

Interval was more than an exhibition as it included a campaign, a study day, limited editions and guided tours exploring performance and visual arts while encouraging a debate about the past, present and future of Perth Theatre – Scotland's oldest repertory theatre company. Curated by Iliyana Nedkova, *Interval* opened with the #TransformPerthTheatre campaign and continued with *3G: Three Generations of Women Artists Perform* study day for International Women's Day. Co-curated by Amy Bryzgel, Iliyana Nedkova and Denisa Tomkova as part of *Perth's Women's Festival*, *3G* featured one-off live performances by Serbian-born/Berlin-based artist Tanja Ostojčić and Polish artist Karolina Kubik. Alongside Tanja and Karolina's one-woman live art, audiences were able to see a rare, one-off screening of Natalia LL's iconic work *Consumer Art*.

Conferencing and catering trading operations

Conferencing

Good diary management and close liaison with the creative team helped to increase the number of business events held at Perth Concert Hall during 2015-2016.

2015 also benefited from three major events the same year. The highlight of the year was the Mountain Conference in October which returned to Perth for the third and final time as this particular research project has come to an end. However, the event brought over 450 delegates from 60 countries for 5 days to Perth and included field trips across Scotland alongside academic presentations in Perth Concert Hall for 3 ½ days including catering.

The EIS conference (400 delegates over 3 days) alternates between Dundee and Perth, and is due back in 2017, the Scottish Labour Party conference (900 delegates over 3 days) is also moving around the country each year and we are currently hoping that they will return in spring 2017.

New clients Keep Scotland Beautiful and Career Ready added to our award ceremonies this year.

Catering operations

Our catering subsidiary continues to provide quality service, food and refreshments to our audiences and the general public. The increase in business events and conferences held during the financial year provided further opportunities for our catering team. The board are grateful to the team as it is evident that careful cost control and good management have continued, contributing to a stabilisation of profitability and a 50% increase in profit from 2015 to 2016. It is anticipated that this very important contribution to income generation and experience given to customers, will be maintained in the forthcoming year.

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Development

Core funders Creative Scotland, The Gannochy Trust and Perth & Kinross Council continue to provide revenue funding to help Horsecross Arts achieve its business development priorities – arts and cultural activity and creative learning. In addition, all three funders have generously provided capital funds for the Transform Perth Theatre project to ensure the long term sustainability of the theatre and the development and diversification of the cultural and creative learning programmes.

Due to the extensive and diverse cultural programme, track record in community engagement, prime location in one of Scotland's most affluent areas, and overall organisational profile, it was recognised that there is great potential to significantly increase both unrestricted and restricted income. Likewise, with the ongoing redevelopment and restoration of Perth Theatre, there is a unique opportunity to capture the support of the theatre's many loyal subscribers and audiences and to attract additional funders such as trusts and foundations and local businesses.

For these reasons, a development officer and development administrator were recruited during the year to support the head of development to increase fundraising income across all strands of cultural and creative learning activity, as well as driving the Transform Perth Theatre fundraising campaign. This increase in resource will provide a much needed development framework to grow fundraising income for many years to come.

Within the first six months of the new team being in place, the organisation has more corporate sponsors than ever before, eight in total, and several of these sponsorship agreements have been match funded through the Arts and Business match funding programme.

Priority has been given to launching a number of individual giving schemes and this will remain an area of focus as the objective is to build on the support of existing and new donors so that major gifts and legacies become a reliable source of income. To date, schemes have been well received, particularly by the classical audience.

Trust and foundation fundraising has benefited from extra resource with an increase in the number of trust and foundations supporting the organisation, particularly the creative learning programme. The delivery of high quality projects with lasting benefits for local and Scottish communities combined with good Trustee relationship management should ensure that this remains a reliable source of income.

As we look to the future, including the Horsecross Arts community, education and outreach team returning to its home at Perth Theatre, we are building relationships with existing and new funders so that we can continue to grow our cultural creative learning programme, which will be delivered in the new dedicated performance and creative learning spaces within Perth Theatre and in community settings across Scotland.

The final leg of the Transform Perth Theatre fundraising campaign is being supported by a dedicated Fundraising Advisory Panel, comprising Board members and well-connected, influential members of the community. This panel is providing introductions to prospective major donors and businesses in an effort to secure significant donations.

The Transform Perth Theatre fundraising campaign is further benefiting from a large scale Perth Theatre individual giving campaign.

Applications to Trusts and Foundations will be a priority over the year ahead. Revenue funding from Trusts and Foundations will be used to support the extra cultural and creative learning activity in the new theatre and to supplement the increase in earned income the new theatre will bring.

The Board and Team would like to extend sincere thanks to our core funders and all the trusts and foundations, corporate sponsors and individuals who have contributed to this successful year.

Financial review

Total incoming group resources for the year were £4.210 million (2015 – £4.080 million) including restricted fund income of £333.8k (2015 - £196.3k).

The group net increase on general funds was £23k (2015 – £102.2k) after expenditure of £3.857 million (2015 - £3.785 million) and incoming fund transfers of £3.5k (2015 – £3.5k). Group net assets at 31 March 2016 were £634.3k (2015 – £412.3k), of which £266.3k (2015 – £243.3k) relates to general funds and £368.0k (2015: £169.0k) relates to funds which are not available for the general purposes of the charity as they have been restricted by the donor to specific purposes (see note 23 to the financial statements). Net current assets improved to £323.6k (2015 – 182.3k) of which £1.265 million was held in cash (2015 – £0.921 million).

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The 30% cut in our regular funding grant from Creative Scotland which took effect in 2015-16 has required a significant adjustment to operating budgets. However, the trustees believe that the operating surplus achieved in 2015-16, together with the core funding and other support from Perth & Kinross Council and Creative Scotland, provides the organisation with a manageable basis on which to continue to develop its transitional plans while Perth Theatre undergoes redevelopment.

Perth Theatre Catering Services Ltd ("PTCS Ltd")

The results of the charity's wholly owned subsidiary company, PTCS Ltd, are consolidated with those of the charity in the group financial statements. Further details are provided at note 16.

PTCS Ltd reported an operating profit for the year to 31 March 2016 of £71.8k (2015 - £47.6k). Due to an intention to build reserves to minimise financing requirements from the parent charity, no provision has been made for a donation to the parent charity out of the trading profit reported for the year.

Sources of finance

Core funding is provided through grants and service level agreements with Perth and Kinross Council. Horsecross Arts also receives regular revenue funding from Creative Scotland. The Creative Scotland regular funding agreement was renewed at a significantly lower level for the three year period from 2015-16 to 2017-18, during which time Perth Theatre will remain closed while it undergoes re-development.

As well as its primary purpose charitable trading and other activities for generating funds, the charity carries on a catering business through its wholly owned subsidiary, Perth Theatre Catering Services Limited, whose results are consolidated with those of the charity in the accounts.

Risk management

The main risks, to which the charity is exposed, as identified by the trustees, are reviewed periodically. The trustees identify control measures and specific actions required to mitigate the critical risks identified and are satisfied that those measures, once implemented, will reduce the potential impact of the critical risks to manageable levels.

Reserves policy

Reserves are needed to bridge the gap between the spending and receiving of income, to cover unplanned emergency repairs and other expenditure, and to provide funds for long-term capital maintenance and artistic planning purposes. Advance box office sales provide short-term liquidity, but cannot be relied upon to provide secure reserves due to the uncertain nature of box office outcomes.

Based on a 3 months' net operating expenditure benchmark, a unrestricted general funds to the order of £500k is suggested as being desirable at 31 March 2016. General reserves at this date are reported as £266k, which includes net current liabilities of £19k. The trustees will continue to seek ways to build operating reserves over the medium term to nearer the 3 month operating expenditure benchmark.

In the meantime, given the inherent uncertainties associated with the organisation's charitable trading and voluntary fund-raising revenue model, the organisation will remain dependent on the continued support of its principal funders for core revenue stability.

Going concern

An overview of the key factors which the trustees have taken into account in assessing the organisation's ability to carry on as a going concern is set out in Note 1 to the Financial Statements.

Plans for future periods

Both 2015/16 and 2016/17 form a transition period with a strong focus on preparation for the re-opening of Perth Theatre in late 2017. Horsecross Arts has through 2015 reviewed key supporting systems, policy and procedures. This includes: a systematic review of all HR policies including union consultation and Board approval; review, overhaul and introduction of new financial management system and software; organisational re-structure and introduction of new processes to support collaboration, partnership and enhanced creative learning activity supported by our performing arts programme.

A priority area the organisation is focusing on in readiness for re-opening of the Theatre is the flow of timely performance management information to ensure that when our new enterprise is up and running we can quickly review (weekly) performance against assumptions with a solid 18 months of comparative data in place for our current level of activity. This shift in reporting using a new finance and forecasting system will for the

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first time enable Horsecross Arts to see on a week by week basis how we are performing enabling managers to take swift action to mitigate areas of concern and/or enhance areas of success.

A revised Business Plan will cover the period 2016 – 2021 which is currently in development. With the period 2016 to 2019 (the period straddling the re-opening of the Theatre) providing detailed plans and targets for both operational and artistic delivery. The 3 year detailed plan will form part of a longer term view providing a full set of financial and non-financial plan targets for the 5 year period.

Lu Kemp the new Artistic Director of Perth Theatre who will be in post on a part-time basis from May 2016 building up to Full-time in the lead up to opening the theatre will play an important role in shaping the artistic plan for Perth Theatre, its tie into creative learning programmes and cross venue and art form work. The summer of 2016 is a critical period to test and develop artistic plans which in turn will shape operational activity and budget going forward.

Structure, governance and management

Structure

Horsecross Arts Limited ("Horsecross Arts") was incorporated on 25 April 2006 as a company limited by guarantee not having a share capital. Following an Extraordinary Members' Meeting in March 2013, new Articles of Association were adopted whereby Perth & Kinross Council became the sole member of the company. The Articles were last amended by a member's special resolution dated 14 October 2013.

A board of up to twelve individuals, acting in a voluntary capacity, carry fiduciary responsibility for safeguarding the assets of the charity, as trustees and directors. Perth & Kinross Council has the power under the Articles to nominate up to three Elected Members of the Council for appointment to the board.

Current governance arrangements

Following amendment to the Articles in October 2013, Perth & Kinross Council has powers of appointment and removal of all directors, as well as the power to appoint and remove the Chair of the board. The foregoing powers are only to be exercised by Perth & Kinross Council in exceptional circumstances, in accordance with a Memorandum of Understanding which sets out the terms of the arm's length relationship between the council and the charity. OSCAR has been consulted on the arrangements.

The board meets up to six times a year. Observers from Perth & Kinross Council and Creative Scotland are invited to, and receive papers for, all board meetings.

Working sub-groups may be convened from time to time, in accordance with the Articles, to deal with matters reserved to the board. Currently there are three sub-groups covering: financial and other resource planning, artistic policy and direction, catering operations.

Horsecross Arts works in close partnership with Perth and Kinross Council to develop programmes of activity which greatly enhance delivery against Horsecross Arts charitable objectives. A partnership in which the charity has significantly benefitted during 2015/16 has been the project management of a £16.6m capital project to Redevelop Perth Theatre, significantly reducing risk to the Charity while maximising return against charitable objectives. Perth and Kinross Council maintains an arm's length relationship with regards to all governance matters of the Charity. Horsecross also has a service provider relationship with Perth and Kinross Council in which through a Service Level Agreement the Council purchases services from the Charity.

Trustee selection, induction and training

New trustees receive briefing materials covering their legal obligations under charity and company law, including OSCAR's published guidance on trustee responsibilities. They are provided with a copy of the Articles of Association, the business plan and recent financial performance of the charity. Arrangements are made to introduce new trustees to key employees and other trustees as soon as practicable after their appointment.

Operational management

The day-to-day running of the charity is delegated to the Chief Executive, supported by a senior management team.

In setting pay and remuneration for the charity's personnel benchmarking, using industry pay scales, is undertaken, such as BECTU and Equity.

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Reference and Administrative Information

Charity number SC022400

Company Number SC301328

The company is registered in Scotland.

Trustees (and Directors)

At the date of this report:

Dr Magnus Linklater CBE (Chair)

Lady Georgina Bullough

Jason Elles

Patrick Elsmie

Stephanie Fraser (appointed 18 November 2015)

Charles Kinnoull

Alan Strachan

Cllr Henry Anderson (Perth & Kinross Council nominee)

Cllr Ann Gaunt (Perth & Kinross Council nominee)

Cllr 'Mac' Roberts (Perth & Kinross Council nominee)

During the period

Lesley Thomson (resigned 1 May 2015)

Secretary

Graeme Wallace (resigned 26 June 2015)

Gwilym Gibbons (appointed 26 June 2015)

Key management personnel

Gwilym Gibbons

Graeme Wallace (until 3 July 2015)

Wendy Niblock (until 12 December 2015)

Peter Hood (from January 2016)

Christina McKenzie (from January 2016)

Michaela Ruff (from January 2016)

Noelle Cobden (from January 2016)

Kath Clark (from January 2016)

Louisa Evans (from January 2016)

Patrick Dalgety (from January 2016)

Gavin Johnston (from January 2016)

Chief Executive

Director of Planning and Resources

Director of Marketing

Venues Manager

Head of Finance

Head of Conference and Events

Head of Creative Learning

Head of Sales and Marketing

Head of Development

Production Manager – Concert Hall

Production Manager – Theatre

Registered Office

Perth Concert Hall

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Auditor

Scott-Moncrieff

Exchange Place 3

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Bankers

Bank of Scotland

Broxden House

Lamberkine Drive

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Statement of Trustee' Responsibilities

The Trustees, who are also the directors of Horsecross Arts Limited for the purpose of company law, are responsible for preparing the Trustees' Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

In preparing these accounts, 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; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in operation.

The Trustees are responsible for keeping adequate accounting records that disclose, with reasonable accuracy at any time, the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 2006, with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each of the persons who are trustees at the time when the Trustees' Report is approved:

- so far as the trustees are aware, there is no relevant information of which the charity's auditor is unaware; and
- each trustee has taken all the steps that he ought to have taken as a trustee in order to make himself aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

HORSECROSS ARTS LIMITED

Trustees' Annual Report

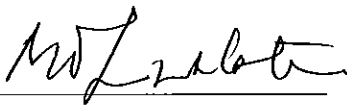
for the year ended 31 March 2016

Auditor

The auditor, Scott-Moncrieff, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

This report has been prepared in accordance with the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) and in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

The report was approved by the board on 24 June 2016 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'M Linklater', is written over a horizontal line.

Dr Magnus Linklater CBE
Chairman

HORSECROSS ARTS LIMITED

Independent Auditor's Report to the Members and Trustees

for the year ended 31 March 2016

We have audited the financial statements of Horsecross Arts Limited for the year ended 31 March 2016 which comprise the Consolidated and parent company Statement of Financial Activities, Consolidated and parent company Balance Sheets, Consolidated and parent company Statements of Cash Flows and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the charity's member, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's trustees, as a body, in accordance with section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the members and the charitable company's trustees those matters we are required to state in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and the auditor

As described in the statement of Trustees' responsibilities set out on page 10, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the accounts give a true and fair view.

We have been appointed as auditor under section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors, including "APB Ethical Standard – Provisions Available for Smaller Entities (Revised)", in the circumstances set out in note 28 to the financial statements.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2016 and of the group's and the parent charitable company's incoming resources and application of resources, including the group's and the parent's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

HORSECROSS ARTS LIMITED

Independent Auditor's Report to the Members and Trustees (continued)

for the year ended 31 March 2016

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act and Charity Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the parent charitable company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records or returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit report; or
- the trustees were not exempt from the requirement to prepare a strategic report.

Scott - Moncrieff

**Michael Harkness, Senior Statutory Auditor
For and on behalf of Scott-Moncrieff, Statutory Auditor
Chartered Accountants
Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL**

24 June 2016

HORSECROSS ARTS LIMITED

**Group Statement of Financial Activities
(incorporating Income and Expenditure Account)**

for the year ended 31 March 2016

	Note	Unrestricted Funds £	Restricted Funds £	2016 Total Funds £	2015 Total Funds £
Income and endowments from:					
Donations and legacies	5	403,856	333,769	737,625	675,986
Charitable activities	6	2,474,580	-	2,474,580	2,440,535
Other trading activities	7	998,024	-	998,024	963,745
Total		<u>3,876,460</u>	<u>333,769</u>	<u>4,210,229</u>	<u>4,080,266</u>
Expenditure on:					
Raising funds	8	960,268	31,334	991,602	956,133
Charitable activities	9	2,896,693	99,905	2,996,598	3,000,191
Total		<u>3,856,961</u>	<u>131,239</u>	<u>3,988,200</u>	<u>3,956,324</u>
Net income		19,499	202,530	222,029	123,942
Transfers between funds		3,502	(3,502)	-	-
Net movement in funds	12	23,001	199,028	222,029	123,942
Reconciliation of funds:					
Total funds brought forward		243,259	168,993	412,252	288,310
Total funds carried forward		<u>266,260</u>	<u>368,021</u>	<u>634,281</u>	<u>412,252</u>

All activities relate to continuing operations.

There are no other recognised gains or losses in the year.

The notes on pages 19 to 37 form part of these financial statements.

HORSECROSS ARTS LIMITED

**Company Statement of Financial Activities
(incorporating Income and Expenditure Account)**

for the year ended 31 March 2016

	Note	Unrestricted Funds £	Restricted Funds £	2016 Total Funds £	2015 Total Funds £
Income and endowments from:					
Donations and legacies	5	403,856	333,769	737,625	675,986
Charitable activities	6	2,474,580	-	2,474,580	2,440,535
Other trading activities	7	452,178	-	452,178	438,657
Total		<u>3,330,614</u>	<u>333,769</u>	<u>3,664,383</u>	<u>3,555,178</u>
Expenditure on:					
Raising funds	8	486,184	31,334	517,518	478,635
Charitable activities	9	2,896,693	99,905	2,996,598	3,000,191
Total		<u>3,382,877</u>	<u>131,239</u>	<u>3,514,116</u>	<u>3,478,826</u>
Net income/(expenditure)		(52,263)	202,530	150,267	76,352
Transfers between funds		3,502	(3,502)	-	-
Net movement in funds	12	(48,761)	199,028	150,267	76,352
Reconciliation of funds:					
Total funds brought forward		<u>195,669</u>	<u>168,993</u>	<u>364,662</u>	<u>288,310</u>
Total funds carried forward		<u>146,908</u>	<u>368,021</u>	<u>514,929</u>	<u>364,662</u>

All activities relate to continuing operations.

There are no other recognised gains or losses in the year.

The notes on pages 19 to 37 form part of these financial statements

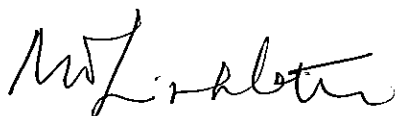
HORSECROSS ARTS LIMITED

Group Balance Sheet

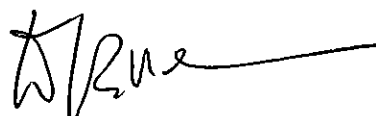
for the year ended 31 March 2016

	Notes	2016		2015	
		£	£	£	£
Fixed assets					
Tangible assets	15		310,678		229,905
Current assets					
Stocks		14,749		13,039	
Debtors and prepayments	17	327,227		418,015	
Cash at bank and in hand	18	1,264,510		920,831	
		<u>1,606,486</u>		<u>1,351,885</u>	
Liabilities					
Creditors: amounts falling due within one year	19	<u>(1,282,883)</u>		<u>(1,169,538)</u>	
Net current assets			323,603		182,347
Total net assets	24		<u><u>634,281</u></u>		<u><u>412,252</u></u>
The funds of the charity:					
Restricted funds	23		368,021		168,993
Unrestricted funds			266,260		243,259
			<u><u>634,281</u></u>		<u><u>412,252</u></u>

The financial statements were approved and authorised for issue on 24 June 2016 and signed on behalf of the board by:



Dr Magnus Linklater CBE
Chairman



Jason Elles
Trustee

Company Registration No. SC301328

The notes on pages 19 to 37 form part of these financial statements

HORSECROSS ARTS LIMITED

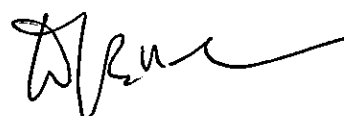
Company Balance Sheet

as at 31 March 2016

	Notes	2016 £	2015 £
Fixed assets			
Tangible assets	15	297,789	212,719
Investments	16	108,833	108,833
		<u>406,622</u>	<u>321,552</u>
Current assets			
Debtors and prepayments	17	294,460	375,957
Cash at bank and in hand	18	1,117,261	816,491
		<u>1,411,721</u>	<u>1,192,448</u>
Liabilities			
Creditors: amounts falling due within one year	19	(1,303,414)	(1,149,338)
Net current assets		<u>108,307</u>	<u>43,110</u>
Total net assets	24	<u><u>514,929</u></u>	<u><u>364,662</u></u>
The funds of the charity:			
Restricted funds	23	368,021	168,993
Unrestricted funds		146,908	195,669
		<u>514,929</u>	<u>364,662</u>

The financial statements were approved and authorised for issue on 24 June 2016 and signed on behalf of the board by:


Dr Magnus Linklater CBE
Chairman


Jason Elles
Trustee

Company Registration No. SC301328

The notes on pages 19 to 37 form part of these financial statements

HORSECROSS ARTS LIMITED

Consolidated and Parent Statement of Cash Flows

as at 31 March 2016

	Notes	Group		Company	
		2016 £	2015 £	2016 £	2015 £
Cash flows from operating activities:					
Net cash provided by operating activities	25	472,825	503,262	429,916	468,071
Cash flows from investing activities:					
Purchase of property, plant and equipment		(129,146)	(22,056)	(129,146)	(20,911)
Change in cash and cash equivalents in the reporting period		343,679	481,206	300,770	447,160
Cash and cash equivalents at the beginning of the period		920,831	439,625	816,491	369,331
Cash and cash equivalents at the end of the reporting period	18	<u>1,264,510</u>	<u>920,831</u>	<u>1,117,261</u>	<u>816,491</u>

The notes on pages 19 to 37 form part of these financial statements

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2016

1. Principal accounting policies

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 102, as issued by the Financial Reporting Council (effective 1 January 2015), the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Companies Act 2006 and the Statement of Recommended Practice (SORP) - Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). They are prepared on the historical cost basis.

Horsecross Arts Limited 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.

These financial statements are presented in pounds sterling (GBP) as that is the currency in which the charity's transactions are denominated.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires trustees to exercise their judgements in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Prior to 2015 the financial statements were prepared in accordance with UK GAAP applicable prior to the adoption of FRS 102, as issued by the Financial Reporting Council, the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities", the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, and the Charities Accounts (Scotland) Regulations 2006, and referred to below as "previous UK GAAP".

Basis of consolidation

The financial statements consolidate the results of the charity and its wholly owned subsidiary Perth Theatre Catering Services Limited (Company number SC081948, registered in Scotland) on a line by line basis. The company together with Perth Theatre Catering Services Limited comprises the Group.

As described in note 27, Horsecross Arts Limited is deemed to be a subsidiary undertaking of its ultimate parent, Perth & Kinross Council. Accordingly, the financial statements of Perth & Kinross Council will incorporate the results of Horsecross Arts Limited and its trading subsidiary.

Going concern

These financial statements have been prepared on a going concern basis following assessment by the trustees of the group's financial position at the date of approval which included consideration of forward revenue and cash flow projections for the next 12 months.

Horsecross Arts is dependent on the continuance of financial support from its principal funders, Perth & Kinross Council and Creative Scotland, and on the adequacy of its income generating endeavours in relation to charitable trading activities (which are primarily cultural and educational) and other fund-raising.

The board has reviewed operating revenue and cash flow forecasts prepared by management on the basis of approved income and expenditure budgets, with due allowance made for timing factors associated with grants, box office and other trading receipts.

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2016

1. Principal accounting policies (continued)

Management's forecasts indicate the adequacy of working capital to allow the group to continue to pay its debts as they fall due for at least a year from the date of this report. Accordingly, and in view of the confirmed funding agreements in place for 2016-17 with Perth & Kinross Council and Creative Scotland, the board is satisfied that the group can continue to trade as a going concern for the foreseeable future.

Recognition and allocation of income

Income is recognised when the charitable company has legal entitlement to the funds, it is probable that the income will be received and the amount can be measured reliably. Where practicable, income is related to the operating activities of the charitable company. Where there are terms placed on income that limit the company's discretion over how the income can be used that income is shown as restricted income in the accounts.

Grants, donations and legacies

Where there are performance conditions attached to any grants and donations, income is recognised when the conditions have been met or when meeting the conditions are within the company's control and there is sufficient evidence that they have been met or will be met. Where a grant condition allows for the recovery of any unexpended grant, a liability is recognised when repayment becomes probable. Where donor imposed conditions require that the resource is expended in a future accounting period, income is recorded as deferred income at the Balance Sheet date.

Entitlement to legacy income exists when the company has sufficient evidence that a gift has been left, the executor is satisfied that the gift will not be required to satisfy claims on the estate and any conditions are within the control of the company or have been met. Where legacies have been notified to the company and the criteria for income recognition haven't been met, the legacy is treated as a contingent asset and disclosed if material. Legacy income is measured at fair value, generally the cash amount receivable, and is discounted if deferred for more than 12 months. The unwinding of the discount is recognised as interest receivable.

Where incoming resources are given specifically to provide a fixed asset, or a fixed asset is donated, all of the incoming resource is recognised in the Statement of Financial Activities when receivable. Once the asset is acquired the relevant fund is reduced over the useful economic life of the asset in line with its depreciation

Incoming resources from charitable activities

Incoming resources from charitable activities: box office sales and other production income, creative learning and community programme participation fees and local authority service fees.

Box office and other production income is recognised in the Statement of Financial Activities on maturity of the performance or event. Income received in advance of a performance or provision of a specified service is deferred until the criteria for income recognition are met.

Other trading activities

Other trading activities: income from conferencing, catering, commercial sponsorships, box office commissions and booking fees, merchandise and other retail activities. Such income is recognised in the period in which the group is entitled to receive it.

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2016

1. Principal accounting policies (continued)

Resources expended

Expenditure is recognised when the company has entered into a legal or constructive obligation and related where practicable to the operating activities of the company. Where possible, expenditure is attributed directly to the function to which it relates. Where this is not possible it is allocated on a percentage basis consistent with the function's use of resources. The allocation of support costs is shown in Note 10.

Resources expended are included in the Statement of Financial Activities on an accrual basis, inclusive of any Value Added Tax which cannot be recovered.

Costs of raising funds are those costs incurred in attracting voluntary income and those incurred in trading activities that raise funds, together with associated support costs.

Charitable activities include expenditure associated with the staging of concerts, stage productions, art exhibitions and educational programmes undertaken to further the purposes of the charity and include both the direct costs and support costs relating to these activities.

Support costs are the costs of central functions that assist the work of the charity but do not directly undertake charitable activities. Governance costs relate to the costs associated with the governance of the charity and its assets and are primarily associated with the constitutional and statutory requirements and include an estimate of the cost of senior management time and other resources expended on long-term strategy and financial planning activities.

Fund accounting

Unrestricted funds are income sources which are receivable for the objects of the charity without further specified purposes and are available as general funds.

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund, together with a fair allocation of management and support costs.

Transfers from unrestricted funds are made to meet any shortfalls in restricted projects.

Tangible fixed assets

Fixed assets over £500 with a useful life of more than one year are capitalised and held at cost less accumulated depreciation.

Depreciation is provided to write off the cost of an asset, less its estimated residual value, over the anticipated useful economic life of that asset as follows:

Leasehold property	over the duration of the lease on a straight line basis
Plant and machinery	over 2 to 10 years on a straight line basis
Fixtures, fittings & equipment	over 4 to 5 years on a reducing balance method

The material costs of sets, props and costumes for use in productions are written off in full in the year in which the performance first falls.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

The charity's investment in its wholly owned subsidiary is included in the charity's balance sheet at cost less impairment.

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2016

1. Principal accounting policies (continued)

Debtors

Trade debtors are amounts due from members for membership services and sponsorship. Trade debtors are recognised at the undiscounted amount of cash receivable, which is normally the invoiced amount, less any allowance for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks which are readily convertible, being those with maturities of three months or fewer from inception and are measured at fair value.

Creditors

Trade creditors are obligations to pay for goods or services that have been acquired. Accounts payable are classified as creditors falling due within one year if payment is due within one year or less. If not, they are presented as creditors falling due after one year. Trade creditors are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

Pensions

The charity is a member of the Tayside Superannuation Fund ('the Fund'), a defined benefit pension scheme. Horsecross Arts is unable to identify its share of assets and liabilities of the Fund on a consistent and reasonable basis and accounts for its obligations in respect of the Fund as a defined contribution scheme, in accordance with the provisions of FRS102. Contributions to the fund are determined by periodic actuarial valuations using the 'projected unit' method.

The charity also operates a NEST defined contribution pension scheme. Contributions payable by the charity are charged to the Statement of Financial Activities in the year to which they relate.

Taxation

Horsecross Arts is a culturally exempt organisation under Schedule 9 of the VAT Act 1994. During the year VAT returns have been submitted on a culturally exempt basis.

Irrecoverable VAT is charged against the cost of activities where it is incurred. Irrecoverable VAT on capital expenditure is capitalised and written off over the life of the assets.

Horsecross Arts is a registered charity and therefore is not liable to income tax and corporation tax on income and gains derived from its charitable activities as it falls within the various exemptions available to registered charities.

The subsidiary company has an obligation to covenant any available taxable profits up to Horsecross Arts under Gift Aid.

Leases and hire purchase contracts

Rentals payable under operating leases are charged to expenditure on a straight line basis over the lease term.

Financial assets and liabilities

Financial instruments are recognised in the statement of financial position when the Charity becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price unless the arrangement constitutes a financing transaction which includes transaction costs for financial instruments not subsequently measured at fair value. Subsequent to initial recognition, they are accounted for as set out below. A financing transaction is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of FRS 102.

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2016

1. Principal accounting policies (continued)

At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective interest rate method. All financial instruments not classified as basic are measured at fair value at the end of the reporting period with the resulting changes recognised in income or expenditure. Where the fair value cannot be reliably measured, they are recognised at cost less impairment.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the Charity has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

2. Transition to FRS 102

These financial statements for the year ended 31 March 2016 are the charity's first financial statements that comply with the FRS 102. The charity's date of transition to FRS 102 is 1 April 2014. The charity's last financial statements prepared in accordance with previous UK GAAP were for the year ended 31 March 2015.

In preparing the financial statements, the trustees have considered whether, in applying the accounting policies required by FRS102 and the Charities SORP FRS102, the restatement of comparative items was required. At the date of transition no restatements were required.

3. Critical judgements and estimates

In preparing the financial statements trustees make estimates and assumptions which affect reported results, financial position and disclosure of contingencies. Use of available information and application of judgement are inherent in the formation of the estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Critical judgements are made in the application of income recognition accounting policies, and the timing of the recognition of income in accordance with the Charities SORP (FRS 102).

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2016

4. Comparative Statement of Financial Activities

Group

	Unrestricted funds £	Restricted funds £	2015 Total funds £
Income and endowments from:			
Donations and legacies	479,660	196,326	675,986
Charitable activities	2,440,535	-	2,440,535
Other trading activities	963,745	-	963,745
Total	3,883,940	196,326	4,080,266
Expenditure on:			
Raising funds	940,625	15,508	956,133
Charitable activities	2,844,625	155,566	3,000,191
Total	3,785,250	171,074	3,956,324
Net income	98,690	25,252	123,942
Transfers between funds	3,502	(3,502)	-
Net movement in funds	102,192	21,750	123,942
Reconciliation of funds:			
Total funds brought forward	141,067	147,243	288,310
Total funds carried forward	243,259	168,993	412,252

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2016

4. Comparative Statement of Financial Activities (continued)

Company

	Unrestricted funds £	Restricted funds £	2015 Total funds £
Income and endowments from:			
Donations and legacies	479,660	196,326	675,986
Charitable activities	2,440,535	-	2,440,535
Other trading activities	438,657	-	438,657
Total	3,358,852	196,326	3,555,178
Expenditure on:			
Raising funds	463,127	15,508	478,635
Charitable activities	2,844,625	155,566	3,000,191
Total	3,307,752	171,074	3,478,826
Net income	51,100	25,252	76,352
Transfers between funds	3,502	(3,502)	-
Net movement in funds	54,602	21,750	76,352
Reconciliation of funds:			
Total funds brought forward	141,067	147,243	288,310
Total funds carried forward	195,669	168,993	364,662

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2016

5. Income from donations and legacies

Group and company	Unrestricted funds £	Restricted funds £	2016 total £	2015 total £
Creative Scotland – Foundation funding	333,000	-	333,000	474,000
Creative Scotland – other	59,351	22,500	81,851	87,540
Perth & Kinross Council grants	-	56,875	56,875	10,575
The Monument Trust	-	150,000	150,000	-
Gannochy Trust	-	45,000	45,000	30,000
The Cross Trust	-	15,000	15,000	-
Northwood Charitable Trust	-	8,000	8,000	-
Big Lottery Fund – Little Stars	-	7,600	7,600	-
SSE	-	5,024	5,024	-
Binks Trust	-	-	-	50,000
BBC Children in Need – Autism Youth Theatre	-	-	-	6,999
Gordon Duncan Trust	-	-	-	5,000
Other	11,505	23,770	35,275	11,872
	<u>403,856</u>	<u>333,769</u>	<u>737,625</u>	<u>675,986</u>

6. Income from charitable activities

Group and company	Unrestricted funds £	Restricted funds £	2016 total £	2015 total £
Perth & Kinross Council service fees	1,186,480	-	1,186,480	1,186,605
Production and performance income	1,242,296	-	1,242,296	1,195,543
Creative Learning and community projects	45,804	-	45,804	58,387
	<u>2,474,580</u>	<u>-</u>	<u>2,474,580</u>	<u>2,440,535</u>

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2016

7. Income from other trading activities

	Unrestricted funds £	Restricted funds £	2016 total £	2015 total £
Group				
Conference sales	238,377	-	238,377	216,615
Other retail, merchandising and commission income	181,672	-	181,672	188,173
Sponsorship income	32,129	-	32,129	33,869
Catering sales	545,846	-	545,846	525,088
	<u>998,024</u>	<u>-</u>	<u>998,024</u>	<u>963,745</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Company				
Conference sales	238,377	-	238,377	216,615
Other retail, merchandising and commission income	181,672	-	181,672	188,173
Sponsorship income	32,129	-	32,129	33,869
	<u>452,178</u>	<u>-</u>	<u>452,178</u>	<u>438,657</u>

8. Expenditure on raising funds

	Direct costs £	Support costs £	Governance costs £	Total 2016 £	Total 2015 £
Group					
Fundraising costs	79,100	52,843	3,519	135,462	97,292
Conference and other trading costs	16,506	354,992	10,558	382,056	381,343
Catering costs	474,084	-	-	474,084	477,498
	<u>569,690</u>	<u>407,835</u>	<u>14,077</u>	<u>991,602</u>	<u>956,133</u>
		(Note 10)	(Note 11)		
Company					
Fundraising costs	79,100	52,843	3,519	135,462	97,292
Conference and other trading costs	16,506	354,992	10,558	382,056	381,343
	<u>95,606</u>	<u>407,835</u>	<u>14,077</u>	<u>517,518</u>	<u>478,635</u>
		(Note 10)	(Note 11)		

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2016

9. Expenditure on charitable activities

	Direct Costs £	Support Costs £	Governance costs £	Total 2016 £	Total 2015 £
Group and company					
Production and performances	1,166,288	1,486,770	52,792	2,705,850	2,702,563
Creative learning and community	169,325	117,904	3,519	290,748	297,628
	<u>1,335,613</u>	<u>1,604,674</u>	<u>56,311</u>	<u>2,996,598</u>	<u>3,000,191</u>
		(Note 10)	(Note 11)		

10. Support costs allocated to activities

	Raising funds £	Production and performances £	Creative learning and community £	Total 2016 £	Total 2015 £
Group and company					
Promotion, publicity & sales	80,181	411,519	13,173	504,873	434,178
Venue operations	146,888	419,554	41,123	607,565	609,619
Support services	180,766	655,697	63,608	900,071	875,816
	<u>407,835</u>	<u>1,486,770</u>	<u>117,904</u>	<u>2,012,509</u>	<u>1,919,613</u>

The costs of front of house and box office functions are included in promotion, publicity and sales.

Venue operations incorporate employment and other overhead costs related to house-keeping, maintenance, security and event management functions.

Support services incorporate employment and other overhead costs related to central finance and administration, business development and fund-raising capabilities.

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2016

11. Governance costs allocated to activities

	Raising funds £	Production and performances £	Creative learning and community £	Total 2016 £	Total 2015 £
Group and company					
Accountancy and audit fees	4,274	16,029	1,069	21,372	8,875
Legal and professional	204	763	51	1,018	2,904
Wages and salaries	8,203	30,763	2,051	41,017	43,097
Other	885	3,321	221	4,427	1,783
Irrecoverable VAT	511	1,916	127	2,554	3,162
	<u>14,077</u>	<u>52,792</u>	<u>3,519</u>	<u>70,388</u>	<u>59,821</u>

12. Net movement of funds

	Group		Company	
This is stated after charging:	2016 £	2015 £	2016 £	2015 £
Depreciation				
- tangible fixed assets	48,373	37,343	44,076	31,900
Operating lease payments	40,344	33,344	40,344	33,344
Auditor's remuneration – Audit fee	9,625	9,475	8,060	7,900
– Accountancy fee	1,505	1,475	995	975
– Other non-audit	12,317	1,000	12,317	-
	<u>112,164</u>	<u>82,637</u>	<u>107,792</u>	<u>83,119</u>

13. Board members

Trustees were not paid, nor did they receive any other benefits from employment with the charity or its subsidiary, nor did they receive payment for professional or other services supplied to the charity (2015: £nil). One trustee was reimbursed £992 for travel expenses incurred in connection with their duties as a trustee during the year (2015: none).

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2016

14. Employees

Number of employees

The average number of employees, per head count, during the year was:

	Group		Company	
	2016 number	2015 number	2016 number	2015 number
Catering	18	15	-	-
Encouragement of Performing Arts	90	97	90	97
Conferencing	2	2	2	2
	<u>110</u>	<u>114</u>	<u>92</u>	<u>99</u>

The average number of employees, on a full-time equivalent basis, during the year was:

	Group		Company	
	2016 number	2015 number	2016 number	2015 number
Catering	9	9	-	-
Encouragement of Performing Arts	45	49	45	49
Conferencing	2	2	2	2
	<u>56</u>	<u>60</u>	<u>47</u>	<u>51</u>

Employment costs

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Wages and salaries	1,623,778	1,501,276	1,384,549	1,269,167
Social security costs	83,908	82,963	75,210	73,264
Pension costs	138,552	143,272	133,990	140,121
	<u>1,846,238</u>	<u>1,727,511</u>	<u>1,593,749</u>	<u>1,482,552</u>

One employee received total employee benefits (excluding employer pension costs) of more than £60,000 (2015: none). The amount fell within the £60,000 - £70,000 band.

The key management personnel of the group comprise the Chief Executive and the senior management team detailed on page 9. The employee benefits for key management, included within employment costs above, totalled £208,034 (2015: £160,574).

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2016

15. Tangible fixed assets

Group	Land and buildings £	Plant and machinery £	Fixtures, fittings & equipment £	Total £
Cost				
At 1 April 2015	195,878	154,972	86,941	437,791
Additions	-	129,146	-	129,146
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016	195,878	284,118	86,941	566,937
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 April 2015	73,040	65,091	69,755	207,886
Charge for year	3,502	40,574	4,297	48,373
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016	76,542	105,665	74,052	256,259
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2016	119,336	178,453	12,889	310,678
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2015	122,838	89,881	17,186	229,905
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
 Company		Land and buildings £	Plant and machinery £	Total £
Cost				
At 1 April 2015		195,878	154,972	350,850
Additions		-	129,146	129,146
		<hr/>	<hr/>	<hr/>
At 31 March 2016		195,878	284,118	479,996
		<hr/>	<hr/>	<hr/>
Depreciation				
At 1 April 2015		73,040	65,091	138,131
Charge for year		3,502	40,574	44,076
		<hr/>	<hr/>	<hr/>
At 31 March 2016		76,542	105,665	182,207
		<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2016		119,336	178,453	297,789
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2015		122,838	89,881	212,719
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2016

16. Fixed asset investments

Company	Unlisted investments £
At 1 April 2015 and 31 March 2016	108,833

Unlisted investments relate entirely to Horsecross Arts' beneficial interest in its trading subsidiary, Perth Catering Services Limited.

Whilst formally repayable on demand, the Horsecross Arts board considers the status of a £108,830 debtor balance due from Perth Theatre Catering Services Limited to be a form of long-term investment in the trading subsidiary. Accordingly, this balance has been accounted for as a fixed asset investment. The remaining £3 relates to three £1 ordinary shares held in Perth Theatre Catering Services Limited.

Perth Theatre Catering Services Limited, incorporated in Scotland, is a wholly-owned trading subsidiary of Horsecross Arts established to operate catering services on behalf of the group.

Net assets of Perth Theatre Catering Services Limited at 31 March 2016 totalled £119,355 (2015: £47,593) which comprised fixed assets of £12,889 (2015: £17,186), current assets of £194,765 (2015: £159,437), and liabilities of £88,299 (2015: £129,030). Relevant financial information regarding Perth Theatre Catering Services Limited for the year ended 31 March 2016 is as follows:

	2016 £	2015 £
Turnover	545,846	531,230
Cost of sales	(167,534)	(185,059)
Gross profit	378,312	346,171
Administrative expenses	(306,550)	(298,581)
Profit on ordinary activities before taxation	71,762	47,590
Tax on profit on ordinary activities	-	-
Profit for the financial year	71,762	47,590

17. Debtors

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Trade debtors	76,161	92,520	44,701	53,422
Amounts owed by parent undertaking	150,496	140,407	150,496	140,407
Other debtors	49,152	150,280	47,845	147,320
Prepayments and accrued income	51,418	34,808	51,418	34,808
	327,227	418,015	294,460	375,957

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2016

18. Cash and cash equivalents

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Cash at bank and in hand	1,264,510	920,831	1,117,261	816,491
	<u>1,264,510</u>	<u>920,831</u>	<u>1,117,261</u>	<u>816,491</u>

19. Creditors: amounts falling due within one year

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Trade creditors	67,805	80,005	56,319	75,920
Taxes and social security costs	176,307	100,862	154,004	77,388
Other creditors	306,544	345,590	288,902	336,130
Deferred income (note 20)	732,227	643,081	732,227	643,081
Amounts owed to group undertakings	-	-	71,962	16,819
	<u>1,282,883</u>	<u>1,169,538</u>	<u>1,303,414</u>	<u>1,149,338</u>

20. Deferred Income

Group and company	2016 Total £	2015 Total £
At 1 April 2015	643,081	579,865
Amount released to incoming resources	(643,081)	(579,865)
Amount deferred in year	732,227	643,081
At 31 March 2016	<u>732,227</u>	<u>643,081</u>

21. Financial assets and liabilities

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Financial assets that are debt instruments measured at amortised cost	384,639	492,037	351,872	449,979
Financial liabilities measured at amortised cost	<u>550,656</u>	<u>526,457</u>	<u>571,187</u>	<u>506,257</u>

Financial assets that are debt instruments measured at amortised cost comprise: trade debtors, other debtors, and amounts owed by group undertakings. Financial liabilities measured at amortised cost comprise: trade creditors, other creditors, taxes and social security costs, and amounts owed to group undertakings.

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2016

22. Pension and other post-retirement commitments

Horsecross Arts Limited is a member of the Tayside Superannuation Fund, a defined benefit scheme with the assets held in separate trustee administered funds. Contributions payable by the company to the scheme amounted to £127,859 (2015: £130,044).

In view of the fact that contributions to the scheme are currently established on a scheme-wide basis and that Horsecross Arts' share of the scheme assets is only derived on a notional basis and has no impact on Horsecross Arts' contribution rates as an employer, the Trustees are of the view that the scheme should be accounted for as if it were a defined contribution scheme under the requirements of FRS102. The cost recognised within the statement of financial activities is equal to the contributions payable to the scheme for the year.

During the prior year the company set up a second defined contribution pension scheme. This NEST scheme is an alternative to the local government scheme. Contributions payable by the company to the scheme amounted to £6,131 (2015: £10,077).

	2016 £	2015 £
Contributions payable by the company for the year	133,990	140,121
	133,990	140,121

23. Restricted funds (Group and company)

	Movement in funds				Balance at 31 March 2016 £
	Balance at 1 April 2015 £	Incoming resources £	Resources expended £	Transfers £	
BBC Children in Need - Autism					
Youth Theatre	5,759	3,000	(5,759)	-	3,000
Big Lottery Fund – Little Stars	-	7,600	(2,533)	-	5,067
Capital fund	18,585	-	-	(3,502)	15,083
Gordon Duncan Experience	5,000	8,000	(13,000)	-	-
Margaret Morris Archive	-	22,500	(291)	-	22,209
PKC – Common Good Fund	-	10,191	(10,191)	-	-
PKC – Radio Microphones	13,657	-	(3,414)	-	10,243
PKC – Southern Fried Outdoors	-	8,000	(8,000)	-	-
PKC – Other funds	-	8,779	(8,779)	-	-
Scottish Government Youth					
Music Forum	1,880	-	(1,880)	-	-
SSE – Youth Drama Workshops	-	5,024	-	-	5,024
Talent Hub:					
- The Gannochy Trust	-	45,000	(45,000)	-	-
- Creative Scotland	2,487	-	(2,487)	-	-
Tay Charitable Trust	-	500	-	-	500
Transform Perth Theatre	121,625	215,175	(29,905)	-	306,895
	168,993	333,769	(131,239)	(3,502)	368,021

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2016

23. Restricted funds (Group and company) (continued)

BBC Children in Need – Autism Youth Theatre

- Funding used, in partnership with Perth Autism Support and with additional funding received in the year from the Guildry Incorporation of Perth, to provide exciting and engaging activities, centred on theatre life, designed to enable young people with high functioning autism to express themselves through acting, story-telling and movement.

Big Lottery Fund – Little Stars

- Funding received towards our established programme of singing, dancing and acting sessions for 3 to 5 year olds. Led by our team of early years' specialist tutors, these sessions are tailored to help the children build their imagination as well as promoting healthy physical activity.

Capital fund

- This fund reflects the proportion of grants and donations received for fixed assets used in furtherance of charitable objects. The transfer reflects depreciation charged in respect of the assets.

Gordon Duncan Experience

- Funding from the Gordon Duncan Memorial Trust and Northwood Charitable Trust in support of on-going tuition, performance and other development costs relating to the *Gordon Duncan Experience*, our established 'house band' for young traditional musicians.

Margaret Morris Archive

- Working in collaboration with Margaret Morris Movement International Ltd, we aim to bring to the public and artists-in-residence, the legacy of the dance pioneers contribution to Scotland's culture by giving access to her unchartered archive.

Perth & Kinross Council

- *Radio microphones*
A grant towards the cost of replacing radio microphone equipment required as a result of changes to the OFCOM licensed frequencies in 2012
- *Perth Common Good Fund (10th Anniversary Community Celebrations)*
These funds were used to meet some of the costs incurred in extending out programme of community and outreach projects last summer, culminating in a weekend of family fun events which look place on 12th and 13th September 2015, the 10th Anniversary of the opening of the Concert Hall.
- *Southern Fried Outdoors*
A grant received towards the costs of an expanded programme of events at the 2015 Southern Fried Festival.
- *Other funds*
Funds received in connection with strategic commissioning of cultural services and volunteer projects. Additional funding of £29,905 is included within the Transform Perth Theatre fund.

Scottish Government – Youth Music Forum

- Funding received for a collaborative project run in partnership with music agencies working in Perth & Kinross with the aim of achieving wider, better and smarter delivery of access to music tuition across the region.

SSE – Youth Drama Workshops

- Two grants, £3,024 and £2,000, have been received for workshops to be held in Alyth and Kirkmichael and in Aberfeldy, Dunkeld and Birnam respectively. The workshops are planned to take place between August and October 2016.

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2016

23. Restricted funds (Group and company) (continued)

Talent Hub

- Funding provided by the Gannochy Trust and Creative Scotland for projects in connection with creative apprenticeship, work experience and performing arts skills development activities for young people in Perthshire.

Transform Perth Theatre

- Further donations received during the year towards our joint project with Perth & Kinross Council to refurbish and re-develop Perth Theatre, including £150,000 from the Monument Trust, £15,000 from the Cross Trust and £10,000 from an individual donor.

24. Analysis of net assets between funds

Group	Unrestricted Funds £	Restricted funds £	Total £
Fund balances at 31 March 2016 are represented by:			
Tangible fixed assets	285,352	25,326	310,678
Current assets	1,261,691	344,795	1,606,486
Creditors: amounts falling due within one year	(1,280,783)	(2,100)	(1,282,883)
	266,260	368,021	634,281
	266,260	368,021	634,281
Company	Unrestricted Funds £	Restricted funds £	Total £
Fund balances at 31 March 2016 are represented by:			
Tangible fixed assets	272,463	25,326	297,789
Investments	108,833	-	108,833
Current assets	1,066,926	344,795	1,411,721
Creditors: amounts falling due within one year	(1,301,314)	(2,100)	(1,303,414)
	146,908	368,021	514,929
	146,908	368,021	514,929

25. Reconciliation of net income to net cash flow from operating activities

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Net income for the reporting period (as per the statement of financial activities)	222,029	123,942	150,267	76,352
Adjustments for:				
Depreciation charges	48,373	37,343	44,076	31,900
(Increase) in stocks	(1,710)	-	-	-
Decrease in debtors	90,788	229,921	81,497	234,507
Increase in creditors	113,345	112,056	154,076	125,312
	472,825	503,262	429,916	468,071
Net cash provided by operating activities	472,825	503,262	429,916	468,071

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2016

26. Operating lease commitments

At 31 March 2016 the total commitments payable under non-cancellable operating leases was as follows:

Group and company	2016		2015	
	Land & buildings £	Other £	Land & buildings £	Other £
Operating leases which expire in 1 year	29,600	16,310	29,600	13,857
Operating leases which expire in 2 to 5 years	19,275	10,097	44,775	20,841
Operating leases which expire in over 5 years	118,900	-	123,000	-
	167,775	26,407	197,375	34,698
	167,775	26,407	197,375	34,698

27. Related parties

The parent and ultimate controlling party is Perth & Kinross Council.

Substantial funding is received from Perth & Kinross Council by way of grants and service level fees for general purposes and other activities. Perth & Kinross Council is also Horsecross Arts' landlord at Perth Theatre and Perth Concert Hall, the principal premises from which Horsecross Arts operates and carries on its charitable purposes.

Furthermore, following changes to governance arrangements made in 2013, Perth & Kinross Council is now the sole member of Horsecross Arts. As sole member, Perth & Kinross Council has certain powers of control, which are set out in the Articles, including the right to nominate up to 3 elected members of the Council to serve on the board of directors, as well as to decide on the appointment and removal of all other directors and to control appointments to the office of Chair.

Given the degree of control and influence which exists in the funding, operational and governance relationship, 100% of Horsecross Arts' general funds and net assets are consolidated in Perth & Kinross Council's annual group accounts, in accordance with financial reporting and accounting standards and other regulations applicable to local authorities delivering services through arm's length external organisations.

Related party transactions and balances with Perth & Kinross Council are exempted from disclosure in accordance with paragraph 33.11(a) of FRS 102.

Balances and transactions between the company and its wholly-owned subsidiary, Perth Theatre Catering Services Limited, have been eliminated on consolidation in these group accounts and are exempted from disclosure in accordance with paragraph 1.12(e) of FRS 102.

28. Non-audit services

In common with many other organisations of its size and nature, the group uses its auditors to assist with the preparation of the financial statements, submit returns to the tax authorities and to provide general VAT advice.

29. Company status

Horsecross Arts is a company limited by guarantee and the contribution of members to the liability of the Company is restricted by the Memorandum and Articles of Association to a maximum of £1. The company is registered in Scotland.