



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 2017

HORSECROSS ARTS LIMITED

Trustees' Report and Consolidated Financial Statements

for the year ended 31 March 2017

CONTENTS	PAGE
Trustees' report	1 - 10
Independent auditor's report	11 - 12
Consolidated statement of financial activities	13
Company statement of financial activities	14
Consolidated balance sheet	15
Company balance sheet	16
Consolidated and parent statement of cash flows	17
Notes to the Financial Statements	18 - 36

HORSECROSS ARTS LIMITED

Trustees' Annual Report

for the year ended 31 March 2017

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 2017.

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 22 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.

HORSECROSS ARTS LIMITED

Trustees' Annual Report

for the year ended 31 March 2017

Achievements and performance

Creative Learning

Participations	20438
Adults	2984
Children & Young People	7346

The Creative learning department continued to go from strength to strength over the year with increased Join In numbers, and many bespoke projects delivered across Perth and Kinross.

Perth Youth Theatre (PYT) celebrated its 50th Anniversary with a series of workshops with noted PYT alumni and over 150 young people from across all Join In activities performed at a centenary Gala evening in Perth Concert Hall. Outreach youth theatre groups took place across the region.

The Creative learning team ran several drama projects for schools and communities with support from the Heritage Lottery Fund. Clare Duffy and Greg Sinclair were placed as artists in residence to develop new work with children and young people in Perth schools. *Titus* and *Fisk* were performed in classrooms and studio theatres in schools across the region.

Join In and Community Dance opportunities were developed and a pilot class in Indian Dance for families was introduced. Our dance officer worked with schools to develop classroom work, and curated the Perth Dance and Screen Dance Festival 2017.

Regular Join In groups, Glee, Glè and the Gordon Duncan Experience continued with consistent numbers and Glè performed at high profile events across the country including Celtic Connections and the launch of the City of Culture bid in London. Horsecross Voices, Southern Fried Voices, and Southern Fried Voices Junior have grown in demand, and yielded a higher than expected number of participants. Community choirs in Leven and Errol have a continued loyal following. The RSNO community orchestra and Blow and Blast continue to have a strong participation.

Our summer school for young people in July 2016, had over 80 participants performing the *Wizard of Oz* in Perth Concert Hall to near capacity houses.

Cultural programme

Classical

Performances	61
Attendances	18308

2016-2017 was a strong year for classical music with an enhanced Perth Piano Sundays series, more opera, increased visits by the Dunedin Consort and exciting developments for the future of Perth Concert Series

As always, the core of our classical programme is the Perth Concert Series presented by the three Scottish Orchestras. We were particularly lucky with soloists this year with Maria Joao Pires returning to the Hall as well as Imogen Cooper and Lawrence Power. Horsecross has entered a partnership with the orchestras to develop the series and work together strategically to increase young people's involvement with classical music. This has attracted substantially increased funding from the Gannochy Trust

Our Lunchtime Concert Series continued the strategy of presenting larger scale groups such as the Scottish Ensemble and particularly welcomed the concert given by SCO Winds with students from the Royal Conservatoire of Scotland. In a new experiment, a Hebrides Ensemble concert was streamed live in partnership with BBC World.

The 2016-2017 Perth Piano Sundays series was increased to 8 concerts and for the first time the series was presented in partnership with BBC Radio 3. This led to our investment in exciting new artists such as Lars

HORSECROSS ARTS LIMITED
Trustees' Annual Report
for the year ended 31 March 2017

Vogt and Sophie Pacini. As part of this arrangement with Radio 3 Kate Molleson succeeded Michael Tumelty as presenter.

Scottish Opera returned to Perth Concert Hall in October 2017 with a performance of their small-scale version of Donizetti's *The Elixir of Love*. We also welcomed a terrific performance of Handel's masterpiece *Alcina* by Ryedale Opera.

The Dunedin Consort visited twice with performances of two choral masterpieces – Handel's *Messiah* and Monteverdi's *Vespers*.

We presented a three-concert residency focused on Perth's internationally successful pianist, Alasdair Beatson, which partnered him with one of today's major string quartets, The Doric String Quartet.

Contemporary music, comedy, family shows and variety acts

Performances	108
Attendances	66966

For the third year in a row, the Southern Fried Festival was hailed the best yet by audiences, artists and media. Attendances broke box office records thanks to our strongest line up of headline artists yet. Mary Chapin Carpenter, and Nick Lowe, Paul Carrack and Andy Fairweather Low both sold out Perth Concert Hall and Imelda May sold well over standard seated capacity for her standing show. The Lowe/Carrack/Fairweather Low show deservedly earned a 5-star Herald review. The new free daytime Acoustic Stage in the Norie-Miller Studio complemented the Outdoor Stage line-up, sponsored by local business John Ross HiFi.

The Celtic Sessions series featured fantastic evenings from Blazin' Fiddles, The Red Hot Chilli Pipers, Altan and Karen Matheson, and an intimate concert with James Grant and friends. 10th Anniversary show, *Made in Perthshire* was restaged to coincide with its performance at Celtic Connections. Local artists showcased as opening acts included the Blackford Fiddlers and folk-rock combo True Gents.

Local Americana big band Red Pine Timber Co. and fellow locals Rancho Rebop and teenage songwriter Olivia Watson, gave us a great night of music just before Hogmanay.

Touring contemporary artists included Marc Almond, Rufus Wainwright, Gregory Porter, Deacon Blue, Bryan Ferry, Justin Hayward and Mike and the Mechanics plus Norie-Miller performances from the Furrow Collective, Graeme Stephen Trio and Chemikal Underground duo RM Hubbert and Rick Redbeard

Highlights of the mainstream light entertainment and tribute programme included the Scottish Fiddle Orchestra, Phil Cunningham's Christmas Songbook, *Strictly* star Brendan Cole, Barbara Dickson and a number of new tribute shows including *Big Girls Don't Cry*, the Johnny Cash Roadshow and a Whitney Houston celebration. It was also a good year for comedy with strong houses for Ed Byrne, Omid Djalili, Sarah Millican, Jimmy Carr and Ross Noble.

Drama

Performances	73
Attendance	29765

Perth Concert Hall and neighbouring venues continued to understudy during the ongoing restoration and redevelopment of Perth Theatre.

Hit show *Jackie the Musical*, featured a cast that included both well-known faces and new discoveries. Star Janet Dibley began her professional acting career at Perth Theatre and was delighted to lend her support to the Transform Perth Theatre fundraising campaign by recording a video about her theatre memories.

A Perthshire barn was transformed into an atmospheric theatre set for the co-production with the National Theatre of Scotland and 1418Now, *The 306: Dawn*. Based on the tragic and little-known story of British

HORSECROSS ARTS LIMITED

Trustees' Annual Report

for the year ended 31 March 2017

soldiers executed by their own side for desertion or cowardice during World War 1. The show was applauded by critics and audiences alike.

A cast of familiar faces came to Perth in September as Rapture Theatre brought Michael Frayn's *Democracy* to the Perth Concert Hall stage. Perth Youth Theatre alumnus and Taggart star Colin McCredie took time out from rehearsals to view the restoration of Perth Theatre's historic auditorium. At the end of the month, Perth Concert Hall hosted the world premiere of stage show *The Broons*. A talented company of actor-musicians brought the much-loved comic strip characters to colourful life in this well-received Sell A Door Theatre Company production in association with Perth Theatre. The cast, along with special guest star, Susan Boyle, posed for photographs with the *Play Your Part* campaign sign for Transform Perth Theatre, with pictures widely shared on social media.

Audiences were held in suspense as Agatha Christie's *The Mousetrap* made a once-in-a-lifetime trip to Perth Concert Hall in October 2016. The longest running show in the history of British theatre attracted sizeable houses and received overwhelmingly positive customer reviews.

Perth's traditional family pantomime, *Dick McWhittington* built on last year's monster success, *Beauty and the Beast*, gaining 4-star press reviews and many excellent audience comments, further reinforcing Perth's reputation for creating consistently strong Scottish pantomime.

Contemporary Art

Exhibitions	3
New artists' commissions/acquisitions	17
Scottish and international artists exhibited	80
Participants in 25 creative learning events	500

Over the year, 500 participants and 100,000 visitors to Threshold artspace experienced 3 major group exhibitions and 25 creative learning events featuring 80 Scottish and international artists including 17 new commissions and acquisitions of artists' films and related limited editions on paper. The exhibitions were supported by Creative Scotland and Heritage Lottery Fund in partnership with academic, local and national organisations.

Exhibition highlights included *Encore* – live performances and artists' films changing alongside local and national festivals of dance, drama, cinema and music featuring new works by Anne Gilchrist, Susan Mowatt, Jolanta Dolewska, Maja Zeco and Simon Fildes. *Movement* – co-curated by Iliyana Nedkova and Wendy Timmons – celebrated the artistic legacy of Margaret Morris (1891-1980) with new works by Katrina McPherson, Su Grierson, Brian Hartley, Vincent Hantam and Debra Salem culminating in *The Movement Weekend Extraordinaire* of live dance, drama, music, photography and artists' films. The group show *Stage* explored the relationship between museum and stage, music and movement featuring new works by Claudia Nocentini, Theresa Pickles, Marc Marnie, Augen Blick and Motion Dance Collectives

The associated creative learning programme included artists' masterclasses in photography, archives, art activism and contemporary dance.

We welcomed two students on curatorial placements and curated five artists' residencies at the archives of Margaret Morris and Perth Theatre.

Iliyana Nedkova and exhibiting artists continued to host regular Coffee, Croissant and Art curator's tours.

The first Threshold artspace SoundCloud featuring *3G Talk* by Jon Blackwood from *3 Generations of Artists Perform 2017* was issued and we celebrated the 10th anniversary of our *Collect + Support* initiative with a review of all 10 exclusive artists' limited editions so far.

We toured seven artists' films from our growing collection of contemporary art to Traverse Theatre, Edinburgh and Perth's Fergusson Gallery. We awarded four acquisition prizes for artist's films to Kaya-Lana Fraser, Amy Butler, Augen Blick and Motion Dance Collectives.

We co-curated 30 students' works at Threshold artspace and off-site for *Act Aware* – the fourth annual art and design students' exhibition in support of Worlds AIDS Day 2016.

HORSECROSS ARTS LIMITED

Trustees' Annual Report

for the year ended 31 March 2017

Conferencing and catering trading options

Conferences/meetings	113
Conference delegates	13181
Other events (awards, exhibitions, functions etc.)	25
Other attenders	10642
Catering transactions	81250

2016/17 was a good year for new clients and included the Scottish Green Party Conference which received excellent feedback from organisers and delegates alike. The Scottish Women's Institute attracted over 500 delegates as well as many first-time visitors to the concert hall to view the exhibition running alongside the conference. BIGGA, the British Green Keepers Association also held their first conference in Perth.

St Johnstone FC's Hall of Fame dinner is becoming an established event in Perth Concert Hall's annual calendar and we are looking forward to another event in September 2017. The catering team enjoys the different challenge that this represents each year.

BNBF (British Natural Bodybuilding Federation) has held their annual Scottish regional finals with us for the last 6 consecutive years and this year they also ran their National Finals in September.

The final quarter finished with a busy March hosting 5 big conferences as well as over 8 days of youth performances and musical competitions. Clients included NHS, BIDs Scotland and Age Scotland. Earlier in the year we successfully held on to the Peter Vardy Conference, who have already re-booked for 2018. In February, we welcomed the Scottish Labour Party Conference for the third time, attracting huge media coverage with a keynote speech by Jeremy Corbyn.

Many regular youth events and competitions, from the East Young Farmer's Cabaret Competition to Central Groups Concerts, Scottish Concert Band Festival and the Scottish Brass Band Championships, all brought large audiences to Perth Concert Hall.

The catering function continued to consolidate its financial performance with another good year; This has been possible due to a steady level of business and continued staff training to maintain and raise standards. The Green Party Conference in particular appreciated the different diet options and the effort made to meet particular requirements.

Development

Horsecross Arts work over the last year was made possible thanks to a mix of earned income and funding. Key, long-term core funders remained Creative Scotland, The Gannochy Trust and Perth & Kinross Council. Project funding from trusts and foundations further enhanced our capacity to engage people in creative encounters across multiple genres. Our list of corporate sponsors has remained solid and we have received match-funding from Arts & Business Scotland, which has boosted the impact of their support. Given today's challenging funding climate, individual giving is an important revenue stream. We have been focusing on expanding support in this area with the launch of a Patron scheme aimed at supporting our classical music offering at Perth Concert Hall.

Fundraising for Transform Perth Theatre has continued with large awards from several trusts and foundations, including £100,000 from both Garfield Weston Foundation and Dunard Fund, and pledges of £100,000 from The Foyle Foundation and £50,000 from The Wolfson Foundation, amongst others. A Perth Theatre Funders' Site Tour took place in March with representatives from Creative Scotland, Heritage Lottery Fund, Thomson Charitable Trust, Jimmie Cairncross Charitable Trust and The Guildry Incorporation of Perth in attendance. The previous month, over 40 individuals joined the Development team and Robertson Group Tayside for Perth Theatre Supporters' Site Tours, which were warmly received and prompted overwhelmingly positive feedback.

Various community groups across Perth and Kinross requested presentations about Perth Theatre's redevelopment, with several interested in finding out about Horsecross Arts more generally. This promotion of our cultural programme and participatory initiatives has been met with real enthusiasm and has shone a light on the scope and reach of our activities. We are keen to keep the resulting conversations alive; they have

HORSECROSS ARTS LIMITED

Trustees' Annual Report

for the year ended 31 March 2017

enabled communication and allowed us to hear directly from our beneficiaries the ways in which we can support their needs, expand their influences and enhance their lives.

Financial review

Total incoming group resources for the year were £4.637 million (2016 – £4.210 million) including restricted fund income of £593.7k (2016 - £333.8k).

The group net increase on general funds was £11k (2016 – £23k) after expenditure of £4.024 million (2016 - £3.857 million) and outgoing fund transfers of £8.6k (2016 – £3.5k incoming). Group net assets at 31 March 2017 were £1,047k (2016 – £634.3k), of which £277.1k (2016 – £266.3k) relates to general funds and £770.4k (2016 – £368.0k) 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 22 to the financial statements). Net current assets improved to £634.8k (2016 – £323.6k) of which £1.239 million was held in cash (2016 – £1.265 million).

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 2017 of £12.9k (2016 - £71.8k), subsequent to a donation of £59.5k (2016: nil) paid to Horsecross Arts.

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 until November 2017 following the completion of the 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, unrestricted general funds to the order of £500k is suggested as being desirable at 31 March 2017. General reserves at this date are reported as £277k, which includes net current liabilities of £110k on free reserves (unrestricted funds which are not tied up in fixed assets). 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.

HORSECROSS ARTS LIMITED

Trustees' Annual Report

for the year ended 31 March 2017

Plans for future periods

For Horsecross Arts, the next four years represent one of the most creative and challenging periods since our foundation in 2005. It is with keen anticipation that we look forward to the re-opening of the restored and redeveloped Perth Theatre, whilst at the same time building on the success of Perth Concert Hall, which has just celebrated its tenth anniversary, and has been acclaimed as one of the best performing spaces in the UK.

Our over-arching aim is to become a dynamic cultural hub, collaborating with the widest possible range of artists at home and abroad, as well as our local communities and partner organisations – enriching lives, pursuing excellence, and drawing on the best that Scotland offers in terms of culture and the creative arts.

Over the next four years Horsecross Arts will expand its role as a cultural leader, bringing the arts and culture to individuals, families and communities throughout the region and beyond. To do so, we will deliver a programme which is rich and varied, offering a diverse range of entertainment, inspiration, and cultural experiences across every art form, in our venues in Perth and in new and innovative spaces across the area. We will present much-loved classics whilst at the same time developing new work, with, and for, our audiences both current and future.

Our programme will enable people of all ages and abilities, with different backgrounds, and from diverse communities to access, and to engage with arts and culture in ways that will challenge and involve them, within their local areas and in our two main venues, Perth Concert Hall and the transformed Perth Theatre. Digital tools and live broadcast will enhance the ways in which we deliver our programme, reaching out to audiences and influencing creative practice.

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. OSCR 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 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 OSCR'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.

HORSECROSS ARTS LIMITED

Trustees' Annual Report

for the year ended 31 March 2017

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.

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

Charles Kinnoull

Alan Strachan

Anna Stapleton (appointed 22 August 2016)

Cllr Henry Anderson (Perth & Kinross Council nominee) – (resigned 3 May 2017)

Cllr Ann Gaunt (Perth & Kinross Council nominee) – (resigned 3 May 2017)

Cllr 'Mac' Roberts (Perth & Kinross Council nominee) – (resigned 3 May 2017)

Cllr Willie Robertson (Perth & Kinross Council nominee) – (appointed 14 May 2017)

Cllr Harry Coates (Perth & Kinross Council nominee) – (appointed 14 May 2017)

Cllr John Rebbeck (Perth & Kinross Council nominee) – (appointed 14 May 2017)

Secretary

Gwilym Gibbons

Key management personnel

Gwilym Gibbons

Peter Hood

Christina McKenzie

Michaela Ruff

Events

Noelle Cobden (until October 2017 – maternity leave)

Caroline Donald (from October 2017 – maternity cover)

Kath Clark

Louisa Evans (until July 2017 – maternity leave)

Patrick Dalgety (until January 2017)

Concert Hall

Gavin Johnston

Theatre

Lu Kemp (from February 2017)

Chief Executive

Head of Venues

Head of Finance

Head of Conference and

Head of Creative Learning

Head of Creative Learning

Head of Sales and Marketing

Head of Development

Production Manager –

Production Manager –

Artistic Director - Theatre

HORSECROSS ARTS LIMITED

Trustees' Annual Report

for the year ended 31 March 2017

Reference and Administrative Information (continued)

Registered Office

Perth Concert Hall
Mill Street
Perth
PH1 5HZ

Auditor

Scott-Moncrieff
Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

Solicitors

Lindsays LLP
Caledonian Exchange
19A Canning Street
Edinburgh
EH3 8HE

Bankers

Bank of Scotland
Broxden House
Lamberkine Drive
Perth
PH1 1RA

HORSECROSS ARTS LIMITED

Trustees' Annual Report

for the year ended 31 March 2017

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.

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 14 June 2017 and signed on its behalf by:



Dr Magnus Linklater CBE
Chairman

HORSECROSS ARTS LIMITED

Independent Auditor's Report to the Members and Trustees

for the year ended 31 March 2017

We have audited the financial statements of Horsecross Arts Limited for the year ended 31 March 2017 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 to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice's Board's (APB's) Ethical Standards for Auditors, including "APB Ethical Standard – Provisions Available for Smaller Entities (Revised)", in the circumstances set out in note 27 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 2017 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 2017

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report.

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:

- adequate accounting records have not been kept, 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 entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the Trustee's Report and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

Michael Harkness

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

14 June 2017

HORSECROSS ARTS LIMITED

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

for the year ended 31 March 2017

	Note	Unrestricted Funds £	Restricted Funds £	2017 Total Funds £	2016 Total Funds £
Income and endowments from:					
Donations and legacies	4	355,971	593,653	949,624	737,625
Charitable activities	5	2,659,106	-	2,659,106	2,474,580
Other trading activities	6	1,028,576	-	1,028,576	998,024
Total		<u>4,043,653</u>	<u>593,653</u>	<u>4,637,306</u>	<u>4,210,229</u>
Expenditure on:					
Raising funds	7	932,339	46,951	979,290	907,152
Charitable activities	8	3,091,828	152,971	3,244,799	3,081,048
Total		<u>4,024,167</u>	<u>199,922</u>	<u>4,224,089</u>	<u>3,988,200</u>
Net income		19,486	393,731	413,217	222,029
Transfers between funds		(8,600)	8,600	-	-
Net movement in funds	11	10,886	402,331	413,217	222,029
Reconciliation of funds:					
Total funds brought forward		266,260	368,021	634,281	412,252
Total funds carried forward		<u>277,146</u>	<u>770,352</u>	<u>1,047,498</u>	<u>634,281</u>

All activities relate to continuing operations.

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

The notes on pages 18 to 36 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 2017

	Note	Unrestricted Funds £	Restricted Funds £	2017 Total Funds £	2016 Total Funds £
Income and endowments from:					
Donations and legacies	4	415,502	593,653	1,009,155	737,625
Charitable activities	5	2,659,106	-	2,659,106	2,474,580
Other trading activities	6	445,609	-	445,609	452,178
Total		<u>3,520,217</u>	<u>593,653</u>	<u>4,113,870</u>	<u>3,664,383</u>
Expenditure on:					
Raising funds	7	421,849	46,951	468,800	433,068
Charitable activities	8	3,091,828	152,971	3,244,799	3,081,048
Total		<u>3,513,677</u>	<u>199,922</u>	<u>3,713,599</u>	<u>3,514,116</u>
Net income/(expenditure)		6,540	393,731	400,271	150,267
Transfers between funds		(8,600)	8,600	-	-
Net movement in funds	11	(2,060)	402,331	400,271	150,267
Reconciliation of funds:					
Total funds brought forward		146,908	368,021	514,929	364,662
Total funds carried forward		<u>144,848</u>	<u>770,352</u>	<u>915,200</u>	<u>514,929</u>

All activities relate to continuing operations.

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

The notes on pages 18 to 36 form part of these financial statements

HORSECROSS ARTS LIMITED

Group Balance Sheet

for the year ended 31 March 2017

	Notes	2017		2016	
		£	£	£	£
Fixed assets					
Tangible assets	14		412,724		310,678
Current assets					
Stocks		13,377		14,749	
Debtors and prepayments	16	407,561		327,227	
Cash at bank and in hand	17	1,239,235		1,264,510	
		<u>1,660,173</u>		<u>1,606,486</u>	
Liabilities					
Creditors: amounts falling due within one year	18	<u>(1,025,399)</u>		<u>(1,282,883)</u>	
Net current assets			634,774		323,603
Total net assets	23		<u>1,047,498</u>		<u>634,281</u>
The funds of the charity:					
Restricted funds	22		770,352		368,021
Unrestricted funds			277,146		266,260
			<u>1,047,498</u>		<u>634,281</u>

The financial statements were approved and authorised for issue on 14 June 2017 and signed on behalf of the board by:


Dr Magnus Linklater CBE
 Chairman


Jason Elles
 Trustee

Company Registration No. SC301328

The notes on pages 18 to 36 form part of these financial statements

HORSECROSS ARTS LIMITED


Company Balance Sheet

as at 31 March 2017

	Notes	2017		2016	
		£	£	£	£
Fixed assets					
Tangible assets	14		399,998		297,789
Investments	15		108,833		108,833
			<u>508,831</u>		<u>406,622</u>
Current assets					
Stock		614		-	
Debtors and prepayments	16	374,538		294,460	
Cash at bank and in hand	17	1,087,191		1,117,261	
		<u>1,462,343</u>		<u>1,411,721</u>	
Liabilities					
Creditors: amounts falling due within one year	18	(1,055,974)		(1,303,414)	
Net current assets			406,369		108,307
			<u>915,200</u>		<u>514,929</u>
Total net assets	23		<u><u>915,200</u></u>		<u><u>514,929</u></u>
The funds of the charity:					
Restricted funds	22		770,352		368,021
Unrestricted funds			144,848		146,908
			<u>915,200</u>		<u>514,929</u>

The financial statements were approved and authorised for issue on 14 June 2017 and signed on behalf of the board by:


 Dr Magnus Linklater CBE
 Chairman


 Jason Elles
 Trustee

Company Registration No. SC301328

The notes on pages 18 to 36 form part of these financial statements

HORSECROSS ARTS LIMITED

Consolidated and Parent Statement of Cash Flows

as at 31 March 2017

	Notes	Group		Company	
		2017 £	2016 £	2017 £	2016 £
Cash flows from operating activities:					
Net cash provided by operating activities	24	140,878	472,825	132,409	429,916
Cash flows from investing activities:					
Purchase of property, plant and equipment		(166,153)	(129,146)	(162,479)	(129,146)
Change in cash and cash equivalents in the reporting period		(25,275)	343,679	(30,070)	300,770
Cash and cash equivalents at the beginning of the period		1,264,510	920,831	1,117,261	816,491
Cash and cash equivalents at the end of the reporting period	17	<u>1,239,235</u>	<u>1,264,510</u>	<u>1,087,191</u>	<u>1,117,261</u>

The notes on pages 18 to 36 form part of these financial statements

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2017

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, 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 2.

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 26, 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.

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 imminent signing of 30 year leases for the Concert Hall and Theatre, along with the regular funding organisation application, the board is satisfied that the group can continue to trade as a going concern for the foreseeable future.

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2017

1. Principal accounting policies (continued)

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 2017

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 9.

During the year the charity changed the software used for maintaining the accounting records and the opportunity was taken to revise the expenditure classification structure to benefit internal reporting. Whilst there is no change to expenditure, this has affected the basis of the allocation of support costs to activities, the 2016 figures at notes 7 – 10 have been restated to the new basis.

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.

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2017

1. Principal accounting policies (continued)

Investments

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

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 is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

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 2017

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. 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 2017

3. Comparative Statement of Financial Activities

Group

	Unrestricted Funds £	Restricted Funds £	2016 Total Funds £
Income and endowments from:			
Donations and legacies	403,856	333,769	737,625
Charitable activities	2,474,580	-	2,474,580
Other trading activities	998,024	-	998,024
Total	<u>3,876,460</u>	<u>333,769</u>	<u>4,210,229</u>
Expenditure on:			
Raising funds	875,818	31,334	907,152
Charitable activities	2,981,143	99,905	3,081,048
Total	<u>3,856,961</u>	<u>131,239</u>	<u>3,988,200</u>
Net income	19,499	202,530	222,029
Transfers between funds	3,502	(3,502)	-
Net movement in funds	23,001	199,028	222,029
Reconciliation of funds:			
Total funds brought forward	243,259	168,993	412,252
Total funds carried forward	<u><u>266,260</u></u>	<u><u>368,021</u></u>	<u><u>634,281</u></u>

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2017

3. Comparative Statement of Financial Activities (continued)

Company

	Unrestricted Funds £	Restricted Funds £	2016 Total Funds £
Income and endowments from:			
Donations and legacies	403,856	333,769	737,625
Charitable activities	2,474,580	-	2,474,580
Other trading activities	452,178	-	452,178
Total	<u>3,330,614</u>	<u>333,769</u>	<u>3,664,383</u>
Expenditure on:			
Raising funds	401,734	31,334	433,068
Charitable activities	2,981,143	99,905	3,081,048
Total	<u>3,382,877</u>	<u>131,239</u>	<u>3,514,116</u>
Net income/(expenditure)	(52,263)	202,530	150,267
Transfers between funds	3,502	(3,502)	-
Net movement in funds	(48,761)	199,028	150,267
Reconciliation of funds:			
Total funds brought forward	195,669	168,993	364,662
Total funds carried forward	<u><u>146,908</u></u>	<u><u>368,021</u></u>	<u><u>514,929</u></u>

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2017

4. Income from donations and legacies

	Unrestricted funds £	Restricted funds £	2017 total £	2016 total £
Creative Scotland – Foundation funding	333,200	-	333,200	333,000
Creative Scotland – other	-	2,500	2,500	81,851
Perth & Kinross Council grants	-	90,571	90,571	56,875
The Monument Trust	-	-	-	150,000
Gannochy Trust	-	40,000	40,000	45,000
The Cross Trust	-	-	-	15,000
Northwood Charitable Trust	-	8,000	8,000	8,000
Big Lottery Fund – Little Stars	-	-	-	7,600
Big Lottery Fund – Let's dance	-	7,500	7,500	-
SSE	-	-	-	5,024
A&M Thompson CT	-	1,000	1,000	-
Angus Allnatt Charitable Foundation	-	1,000	1,000	-
Baldoukie Trust	-	1,000	1,000	-
The Leng Charitable Trust	-	1,000	1,000	-
Garfield Weston Foundation	-	100,000	100,000	-
Jimmy Cairncross Charitable Trust	-	25,000	25,000	-
SPFL Trust	-	2,400	2,400	-
The Dunard Fund	-	100,000	100,000	-
The Guildry Incorporation of Perth	-	5,000	5,000	-
The Robertson Trust	-	150,000	150,000	-
The Thomson Charitable Trust	-	15,000	15,000	-
Barcapel Trust	-	5,000	5,000	-
Other	22,771	38,682	61,453	35,275
Group	355,971	593,653	949,624	737,625
Subsidiary donation	59,531	-	59,531	-
Company	415,502	593,653	1,009,155	737,625

5. Income from charitable activities

Group and company	Unrestricted funds £	Restricted funds £	2017 total £	2016 total £
Perth & Kinross Council service fees	1,186,480	-	1,186,480	1,186,480
Production and performance income	1,407,267	-	1,407,267	1,242,296
Creative Learning and community projects	65,359	-	65,359	45,804
	2,659,106	-	2,659,106	2,474,580

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2017

6. Income from other trading activities

	Unrestricted funds £	Restricted funds £	2017 total £	2016 total £
Group				
Conference sales	205,298	-	205,298	238,377
Other retail, merchandising and commission income	190,294	-	190,294	181,672
Sponsorship income	50,017	-	50,017	32,129
Catering sales	582,967	-	582,967	545,846
	<u>1,028,576</u>	<u>-</u>	<u>1,028,576</u>	<u>998,024</u>
	Unrestricted funds £	Restricted Funds £	2017 total £	2016 total £
Company				
Conference sales	205,295	-	205,295	238,377
Other retail, merchandising and commission income	190,294	-	190,294	181,672
Sponsorship income	50,020	-	50,020	32,129
	<u>445,609</u>	<u>-</u>	<u>445,609</u>	<u>452,178</u>

7. Expenditure on raising funds

	Direct costs £	Support costs £	Governance costs £	Total 2017 £	Total 2016 £
Group					
Fundraising costs	87,367	53,991	4,860	146,218	126,492
Conference and other trading costs	30,281	277,723	14,578	322,582	306,576
Catering costs	510,490	-	-	510,490	474,084
	<u>628,138</u>	<u>331,714</u>	<u>19,438</u>	<u>979,290</u>	<u>907,152</u>
		(Note 9)	(Note 10)		
	Direct costs £	Support costs £	Governance costs £	Total 2017 £	Total 2016 £
Company					
Fundraising costs	87,367	53,991	4,860	146,218	126,492
Conference and other trading costs	30,281	277,723	14,578	322,582	306,576
	<u>117,648</u>	<u>331,714</u>	<u>19,438</u>	<u>468,800</u>	<u>433,068</u>
		(Note 9)	(Note 10)		

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2017

8. Expenditure on charitable activities

Group and company	Direct Costs £	Support Costs £	Governance costs £	Total 2017 £	Total 2016 £
Production and performances	1,072,462	1,790,822	72,892	2,936,176	2,775,149
Creative learning and community	98,198	205,565	4,860	308,623	305,899
	<u>1,170,660</u>	<u>1,996,387</u>	<u>77,752</u>	<u>3,244,799</u>	<u>3,081,048</u>
		(Note 9)	(Note 10)		

9. Support costs allocated to activities

Group and company	Raising funds £	Production and performances £	Creative learning and community £	Total 2017 £	Total 2016 £
Promotion, publicity & sales	2,995	190,800	913	194,708	229,048
Venue operations	168,714	518,190	48,795	735,699	792,193
Support services	160,005	1,081,832	155,857	1,397,694	1,283,726
	<u>331,714</u>	<u>1,790,822</u>	<u>205,565</u>	<u>2,328,101</u>	<u>2,304,967</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 2017

10. Governance costs allocated to activities

	Raising funds £	Production and performances £	Creative learning and community £	Total 2017 £	Total 2016 £
Group and company					
Accountancy and audit fees	2,700	10,125	675	13,500	21,372
Legal and professional	6,191	23,215	1,548	30,954	1,018
Wages and salaries	5,340	20,029	1,335	26,704	41,017
Other	4,943	18,533	1,236	24,712	23,118
Irrecoverable VAT	264	990	66	1,320	2,554
	<u>19,438</u>	<u>72,892</u>	<u>4,860</u>	<u>97,190</u>	<u>89,079</u>

11. Net movement of funds

This is stated after charging:	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Depreciation				
- tangible fixed assets	64,107	48,373	60,270	44,076
Operating lease payments	45,910	40,344	45,910	40,344
Auditor's remuneration – Audit fee	9,875	9,625	8,215	8,060
– Taxation services	5,425	4,300	4,405	3,300
– Other non-audit	5,818	9,522	5,318	10,012
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

12. 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 (2016: £nil). No trustee (2016: one) was reimbursed £nil for travel expenses incurred in connection with their duties as a trustee during the year (2016: £992).

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2017

13. Employees

Number of employees

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

	Group		Company	
	2017 number	2016 number	2017 number	2016 number
Catering	27	18	-	-
Encouragement of Performing Arts	97	90	97	90
Conferencing	2	2	2	2
	<u>126</u>	<u>110</u>	<u>99</u>	<u>92</u>

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

	Group		Company	
	2017 number	2016 number	2017 number	2016 number
Catering	11	9	-	-
Encouragement of Performing Arts	47	45	47	45
Conferencing	2	2	2	2
	<u>60</u>	<u>56</u>	<u>49</u>	<u>47</u>

Employment costs

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Wages and salaries	1,789,063	1,623,778	1,514,832	1,384,549
Social security costs	113,619	83,908	103,382	75,210
Pension costs	147,091	138,552	140,127	133,990
	<u>2,049,774</u>	<u>1,846,238</u>	<u>1,758,341</u>	<u>1,593,749</u>

One employee received total employee benefits (excluding employer pension costs) of more than £60,000 (2016: one). The amount fell within the £70,000 - £80,000 band (2016: £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 £403,969 (2016: £208,034). The majority of the key management personnel were appointed following a management restructure by the chief executive in January 2016.

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2017

14. Tangible fixed assets

Group	Land and buildings £	Plant and machinery £	Fixtures, fittings & equipment £	Total £
Cost				
At 1 April 2016	195,878	284,118	86,941	566,937
Additions	-	162,479	3,674	166,153
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2017	195,878	446,597	90,615	733,090
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 April 2016	76,542	105,665	74,052	256,259
Charge for year	3,500	56,770	3,837	64,107
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2017	80,042	162,435	77,889	320,366
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2017	115,836	284,162	12,726	412,724
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2016	119,336	178,453	12,889	310,678
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Company	Land and buildings £	Plant and machinery £	Total £	
Cost				
At 1 April 2016	195,878	284,118	479,996	
Additions	-	162,479	162,479	
	<hr/>	<hr/>	<hr/>	
At 31 March 2017	195,878	446,597	642,475	
	<hr/>	<hr/>	<hr/>	
Depreciation				
At 1 April 2016	76,542	105,665	182,207	
Charge for year	3,500	56,770	60,270	
	<hr/>	<hr/>	<hr/>	
At 31 March 2017	80,042	162,435	242,477	
	<hr/>	<hr/>	<hr/>	
Net book value				
At 31 March 2017	115,836	284,162	399,998	
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	
At 31 March 2016	119,336	178,453	297,789	
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2017

15. Fixed asset investments

Company	Unlisted investments £
At 1 April 2016 and 31 March 2017	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 2017 totalled £132,301 (2016: £119,355) which comprised fixed assets of £12,726 (2016: £12,889), current assets of £197,830 (2016: £194,765), and liabilities of £78,255 (2016: £88,299). Relevant financial information regarding Perth Theatre Catering Services Limited for the year ended 31 March 2017 is as follows:

	2017 £	2016 £
Turnover	582,967	545,846
Cost of sales	(177,442)	(167,534)
Gross profit	405,525	378,312
Administrative expenses	(392,579)	(306,550)
Profit on ordinary activities before taxation	12,946	71,762
Tax on profit on ordinary activities	-	-
Profit for the financial year	12,946	71,762

These amounts are subsequent to a gift aid donation to Horsecross Arts of £59,531 (2016: nil).

16. Debtors

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Trade debtors	77,970	76,161	50,059	44,701
Amounts owed by parent undertaking	159,335	150,496	159,335	150,496
Other debtors	56,678	49,152	51,565	47,845
Prepayments and accrued income	113,578	51,418	113,579	51,418
	407,561	327,227	374,538	294,460

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2017

17. Cash and cash equivalents

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Cash at bank and in hand	1,239,235	1,264,510	1,087,191	1,117,261
	<u>1,239,235</u>	<u>1,264,510</u>	<u>1,087,191</u>	<u>1,117,261</u>

18. Creditors: amounts falling due within one year

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Trade creditors	165,607	67,805	144,496	56,319
Taxes and social security costs	57,888	176,307	32,831	154,004
Other creditors	256,630	306,544	246,103	288,902
Deferred income (note 19)	545,274	732,227	545,274	732,227
Amounts owed to group undertakings	-	-	87,270	71,962
	<u>1,025,399</u>	<u>1,282,883</u>	<u>1,055,974</u>	<u>1,303,414</u>

19. Deferred Income

Group and company	2017 Total £	2016 Total £
At 1 April 2016	732,227	643,081
Amount released to incoming resources	(732,227)	(643,081)
Amount deferred in year	545,274	732,227
At 31 March 2017	<u>545,274</u>	<u>732,227</u>

20. Financial assets and liabilities

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Financial assets that are debt instruments measured at amortised cost	1,587,910	1,549,807	1,403,773	1,370,492
Financial liabilities measured at amortised cost	422,237	366,497	477,869	409,331

Financial assets that are debt instruments measured at amortised cost comprise: cash & cash equivalents, trade debtors, other debtors, and amounts owed by group undertakings. Financial liabilities measured at amortised cost comprise: trade creditors, other creditors, and amounts owed to group undertakings.

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2017

21. 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 £133,215 (2016: £127,859).

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 £6,912 (2016: £6,131).

	2017 £	2016 £
Contributions payable by the company for the year	140,127	133,990

22. Restricted funds (Group and company)

	Movement in funds				Balance at 31 March 2017 £
	Balance at 1 April 2016 £	Incoming resources £	Resources expended £	Transfers £	
BBC Children in Need - Autism Youth Theatre	3,000	1,000	(7,834)	3,834	-
Big Lottery Fund – Little Stars	5,067	-	(6,586)	1,519	-
Capital fund	15,083	-	(3,502)	-	11,581
Gordon Duncan Experience	-	9,000	(6,123)	-	2,877
Margaret Morris Archive	22,209	-	(29,246)	-	(7,037)
PKC – Radio Microphones	10,243	-	(3,414)	-	6,829
Big Lottery Fund – Lets Dance	-	7,500	-	-	7,500
Music Box – SPFL Trust	-	2,400	(2,531)	131	-
Music Forum	-	2,500	(2,024)	-	476
SSE – Youth Drama Workshops	5,024	-	(7,716)	2,692	-
Talent Hub:					
- The Gannochy Trust	-	40,000	(40,000)	-	-
Tay Charitable Trust	500	-	(500)	-	-
Transform Perth Theatre	306,895	486,750	(46,951)	-	746,694
Leven Voices	-	1,000	(1,000)	-	-
PKC – Project Pitlochry & Rattray	-	7,140	(7,564)	424	-
PKC – Perth Dance Festival	-	7,949	(6,517)	-	1,432
PKC – Legal Fees	-	12,550	(12,550)	-	-
PKC – Dance Development Officer	-	15,864	(15,864)	-	-
	368,021	593,653	(199,922)	8,600	770,352

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2017

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

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.

Let's Dance

- Is to assist the running of the Perth Dance Festival incorporating Perth Screen Dance. This regional dance festival is a celebration of dance from all sectors, private, community and professional. Perth Screen Dance adds an international accent to the festival with over 130 submitted entries in 2 categories vying for a place in the Threshold Artspace permanent collection of art works.

Music Box – SPFL Trust

- The Music Box project provides young people the chance to take part in music making with Horsecross tutors at their local SPL football club free of charge. It offers a wealth of opportunities for young people to learn about the music industry, make their own recordings and take part in performances whilst being signposted to physical sports activities at the club.

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. The deficit on this fund will be met by funding which has been confirmed after the year-end.

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

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 2017

22. 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.

23. Analysis of net assets between funds

Group	Unrestricted Funds £	Restricted funds £	Total £
Fund balances at 31 March 2017 are represented by:			
Tangible fixed assets	387,398	25,326	412,724
Current assets	915,147	745,026	1,660,173
Creditors: amounts falling due within one year	(1,025,399)	-	(1,025,399)
	277,146	770,352	1,047,498
	277,146	770,352	1,047,498
Company	Unrestricted Funds £	Restricted funds £	Total £
Fund balances at 31 March 2017 are represented by:			
Tangible fixed assets	374,672	25,326	399,998
Investments	108,833	-	108,833
Current assets	717,317	745,026	1,462,343
Creditors: amounts falling due within one year	(1,055,974)	-	(1,055,974)
	144,848	770,352	915,200
	144,848	770,352	915,200

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

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Net income for the reporting period (as per the statement of financial activities)	413,217	222,029	400,271	150,267
Adjustments for:				
Depreciation charges	64,107	48,373	60,270	44,076
Decrease/ (increase) in stocks	1,372	(1,710)	(614)	-
Increase/ (decrease) in debtors	(80,334)	90,788	(80,078)	81,497
Decrease/ (increase) in creditors	(257,484)	113,345	(247,440)	154,076
	140,878	472,825	132,409	429,916
Net cash provided by operating activities	140,878	472,825	132,409	429,916

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2017

25. Operating lease commitments

At 31 March 2017 the total commitments payable under non-cancellable operating leases was as follows:

Group and company	2017		2016	
	Land & buildings £	Other £	Land & buildings £	Other £
Operating leases which expire in 1 year	6,975	7,262	29,600	16,310
Operating leases which expire in 2 to 5 years	16,400	2,835	19,275	10,097
Operating leases which expire in over 5 years	114,800	-	118,900	-
	138,175	10,097	167,775	26,407

26. 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.

27. 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.

28. 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.