

HORSECROSS ARTS LIMITED

Company Number SC301328

Charity Registration Number SC022400

Trustees' Report and Consolidated Financial Statements

For the year ended 31 March 2020

HORSECROSS ARTS LIMITED

Trustees' Report and Consolidated Financial Statements

for the year ended 31 March 2020

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HORSECROSS ARTS LIMITED

Trustees' Annual Report

for the year ended 31 March 2020

Trustees Report for Financial Year to 31st March 2020

Interim Chair's Summary

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 2020.

Horsecross Arts presented an extensive and diverse programme across classical and contemporary music, theatre, comedy, creative participation and visual arts during 2019/20. During this period, we presented 428 performances on our stages, welcomed 126,880 audience members and hosted 2,341 participants. We won two CATS (Critics Award Theatre in Scotland) for Best Director and Best Ensemble for our production *Lost At Sea*.

The organisation also faced a period of challenging financial and operational circumstances during the year, and after year end as a result of the Covid-19 pandemic. Actions taken to mitigate these challenging circumstances include a new and strengthened leadership team, a refreshed Board of Trustees, enhanced governance arrangements and a new strategic direction for the organisation. The details of these actions are outlined in the body of this report.

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 if such activities are regarded as charitable in law.

Main Aims & Strategies for their Achievement

Horsecross Arts delivers a diverse, year-round programme of high-quality theatre, music, participatory and comedy events which appeal to a broad spectrum of tastes and interests supported by an extensive programme of creative learning, engagement and community outreach activities for people of all ages and backgrounds.

The over-riding aims are to make a substantial positive difference to the cultural life of the City of Perth and its people, to reach out to its outlying areas in Perth and Kinross and beyond, as well as to contribute a positive economic impact, and maintain an attractive cultural offer in support of long-term ambitions to build on Perth's appeal as a tourist destination.

Perth Concert Hall and Perth Theatre are multi-purpose facilities. As well as producing our own performances and 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

Learning and Engagement

Our Learning and Engagement programme seeks to bring creative experiences to a broad range of groups across Perth and Kinross. Working in partnership with an array of different organisations, we continue to run Scotland's oldest youth theatre and saw us focus on reaching beyond our venues to create engagement opportunities through our rural youth theatre initiative, work in nurseries and expanding our work in schools.

Our Performance and Participation programme places professional artists and performances where young people gather. Our schools programme saw, 1,106 primary school pupils had an introduction to live orchestra music at *Follow the Band* whilst *Our Boys Dance* engaged 98 boys across five Perthshire schools in dance workshops, aimed at building confidence and challenging the perception of dance amongst boys.

Our biggest ever *Primary School Set Design Challenge* saw 590 pupils from 14 schools across Perthshire take part, coming up with fabulous panto set ideas through a series of workshops. We worked with several visiting companies and associate artists to deliver masterclasses to our Join In members. We also supported free bus transport which encouraged several rural schools and nurseries to take part in our activities and bring young people to children's shows including *Poggle* and Perth Theatre panto *Sinbad*.

Our Enterprise training and development scheme which offers hands on opportunities for young people to get involved with what we do saw Work Experience placements, Creative Assistants and volunteers recruited from among our Join In members to support our classes as well as two trainee directors along with 30 young people coming to *Bring Your Child to Work Day*. We once again worked alongside Perth Autism Support to deliver work experience opportunities for those who may otherwise struggle to attend placements delivered lighting and sound and design workshops.

Creative Lives was a new event for S3 pupils and was delivered in partnership with Developing Young Workforce, Creative Pipeline, Culture Perth and Kinross, Skills Development Scotland, Perth College UHI and Perth and Kinross Council. Pupils from Perth and Kinross secondary schools were invited to attend the free event which was aimed at inspiring young people to take up a career in the creative industries.

Partnership work with Higher Education colleges included Creative Industries students and alumni from Perth College UHI exhibited alongside established international artists Mare Tralla and Marlene Millar for #WorldAidsDay2019 in Perth Theatre. This was the 7th annual pop-up exhibition of contemporary art and activism in response to the global AIDS crisis. In the run up to Perth Theatre panto, we collaborated with Edinburgh College for *Dames*, an exhibition of work by the costume design students at Edinburgh College showcasing the luscious needlework that they put into their dame-inspired costumes, headwear and accessories.

Our adult work saw *Keeeeeep Dancing* workshops sell out each term and our Horsecross Voices choirs have continued to receive positive reviews from participants. After the success of our 2018 partnership, Her Majesty's Prison Perth asked us to return in 2019 with our *Prison Choir Project - Sentenced to Symphony* for up to 15 prisoners. The weekly sessions gave the inmates something positive to focus on and helped boost their mood during a time of year many find especially difficult.

Delivered in partnership with Tayside Health Arts Trust and working with adults with dementia, copd, Parkinsons, and in-stroke recovery *Vocal Chord* engaged 40 people and became a valuable resource for them, culminating in inclusion in a Christmas concert. *Dance for Parkinsons* in partnership with Scottish Ballet ran all the way through the year.

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Classical Music

As always, the *Perth Concert Series* during which all of Scotland's major orchestras co-present a programme of orchestral concerts was at the core of the classical programme. The Scottish Chamber Orchestra, Royal Scottish National Orchestra and BBC Scottish Symphony Orchestra continued to bring their very strongest programmes featuring their music directors and major soloists.

The *Lunchtime Concert Series* continued to attract excellent attendances. The series included visits from the Hebrides Ensemble, the Scottish Ensemble, the Solem String Quartet, Giuseppe Guarrera and ZRI who also performed their live score to Charlie Chaplin Films in the Joan Knight Studio

The *Perth Piano Sundays* continues to attract the world's finest talent to Perth Concert Hall featuring an unforgettable recital by Piotr Anderszewski and a programme of piano duets by Steven Osborne and Paul Lewis which was exclusive to Scotland. BBC Radio 3 broadcast the concerts by Llyr Williams, and Vadim Kholodenko live from the Hall.

Horsecross Arts has continued its particularly close relationship with the truly world-class *Dunedin Consort* who gave three performances over the year. It was a real coup to welcome Sheku Kanneh-Mason in partnership with his Royal Academy of Music colleagues in the *Cassado Ensemble* selling 1,000 seats just before Christmas.

Guitarist Milos Karadaglic has a popularity which crosses boundaries, and we were delighted to welcome him with a large audience in January for a programme entitled *Bach to the Beatles* whilst Russian State Opera returned with *Madam Butterfly* using the pit and stage of the Concert Hall to their maximum potential – the last classical performance before Covid closed the hall.

Contemporary Music

The commercial backbone of the Concert Hall is our mainstream entertainment programme with very busy houses for *Seven Drunken Nights*, *Jane McDonald*, *Nashville Live*, *Graceland Live*, *The Meat Loaf Story*, *What's Love Got To Do With It*, *Abbamania's Christmas Party* and *Vampires Rock*. We also welcomed 3 spin off performances from *Strictly Come Dancing* with very busy nights for *Rip It Up*, *Here Come The Boys* and *Brendan Cole*.

2019/20 was a strong year for rock and pop with highlights including *Wet Wet Wet*, *UB40*, *Midge Ure*, *Ocean Colour Scene*, *Jack Savoretti* and *Primal Scream*. This was topped off by a real coup in the form of a rare solo performance in Perth Theatre in June from renowned US singer-songwriter *Ben Folds*.

The intimate Joan Knight Studio hosted memorable nights with *Tina May & Brian Kellock*, *Yola*, *Mike Peters*, *Lauren MacColl's* stirring new piece *The Seer*, *Fergus McCreadie Trio*, and local artists *Roberto Cassani* and *Chris Small*.

Among notable acoustic and roots concerts at the Concert Hall were *Skerryvore*, *Phil Cunningham's Xmas Songbook*, the *Scottish National Jazz Orchestra* with the outstanding US vocalist Jazzmeia Horn, a double bill of Breabach and Siobhan Miller, a solo concert from Dougie MacLean as part of his *Perthshire Amber festival*, *Karine Polwart's* superb Scottish Songbook show and the triumphant return of King Creosote's audio-visual spectacular, *From Scotland With Love*.

Our comedy programme sold well across all performance spaces with performers including a very strong Scottish line-up including *Leah MacRae*, *Craig Hill*, *Janey Godley*, and *Susie McCabe* crowned by three Concert Hall sell-outs from Perthshire's own comedy farmer *Jim Smith* in October.

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Theatre

Our home-produced work saw Ian Brown returned to Scotland to direct the world premiere of fishing drama *Lost at Sea*. The critically acclaimed production embarked on a national tour and won awards for Best Director and Best Ensemble at the Critics' Awards for Theatre in Scotland (CATS).

The autumn season opened with our co-production with Belgrade Theatre Coventry, Selladoor Productions and Matthew Townshend Productions of a new adaptation of *Mary Shelley's Frankenstein*. The production opened with a Scottish press night and run in Perth then went on to tour to 19 venues throughout the UK to March 2020.

Our annual panto *Sinbad* struck all the right notes with its topical themes of the environment, family and friendship served up with the usual hilarity and laughter by a fabulous cast and writer, director and dame extraordinaire, Barrie Hunter and was dubbed "Perth's best ever pantomime ..." by the Perthshire Advertiser.

The season ended all too early when our riotous audience and critically acclaimed production of *The Importance of Being Earnest* starring Scottish comedienne Karen Dunbar had to close before the end of the run due to the COVID-19 crisis.

In the Joan Knight Studio, we are building a reputation and an audience for family work. Our first coproduction with the Little Angel Theatre's *Prince Charming* delighted and charmed children of 6 years and above running at the Little Angel for 10 weeks and playing at Perth over the Easter holidays for 2 weeks. Andy Manley's *Stick by Me* presented by Redbridge Arts for audiences aged 3+ did beautiful business in October. Alongside the Panto we once again presented a Christmas offering for the under 5s *Poggle* by Barrowland Ballet, a choice which is seeing real returns, with performances selling out towards the end of the run.

In May for our annual Rural Tour, we presented House of Mirth's *Marie*, a dark and funny story about Mary Queen of Scots on its well-received tour to rural Perthshire venues. Our own production of Barry Hine's tale of boy and kestrel *Kes* brought in 25% new bookers, pointing to the success of strong titles on our stages. It was invited to perform at Imagine the international children's theatre festival in 2021 with a view to touring in Scotland and beyond.

In January we launched our *Perthshire Plays* programme in partnership with Pitlochry Festival Theatre and Birnam Arts Centre, together with the Playwright's Studio Scotland. This is a two-year programme to develop playwrights across Perth and Kinross. The first public sharing of work took place on Saturday 14th March in the Theatre's café bar, presented by Mike Robinson from the Royal Scottish Geographical Society to a healthy audience, which promises well for work presented in our public spaces.

Visiting work included Classic Spring Theatre Company's *A Woman of No Importance* by Oscar Wilde played to good houses in October. The Original Theatre Company's thriller *The Croft* drew decent audiences, in a dark story unfolding in a remote Scottish croft in Perth Theatre in February 2020.

Visual Arts

A range of digital visual arts projects were presented throughout the year across both of our buildings, with a number of public interpretation events.

Alongside our production of *Lost at Sea*, we presented *Fish-Work*, a first solo exhibition in Scotland by Corey Arnold, acclaimed American artist and commercial fisherman during the show's run at Perth Theatre.

We continued to champion the work of female artists with an exhibition of works by women artists featuring live performances by students from Duncan of Jordanstone College of Art and Design, University of Dundee as a part of the annual *3G: Three Generations of Women Artists Perform*. We also presented the third annual *Women of the World Festival* in October. The day-long programme included short films, talks, exchanges, exhibitions, and discussions taking stock of gender equality globally and nationally and how the landscape has changed for women and girls across Scotland.

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BAFTA award-winning Scottish artist and filmmaker *Ross Hogg* showcased his widely acclaimed films as part of his first solo exhibition in Perth Concert Hall, including the premiere of our new commission *4: 3. 4: 3* which went on to win the Vimeo Staff Pick Award at the Vienna Shorts Festival 2019.

In May, dancers, filmmakers and performance artists from throughout the UK and worldwide gathered in Perth Theatre for *Screen.Dance, Scotland's Festival of Dance on Screen*. Unique in Scotland, the three-day festival featured a programme of events and awards dedicated to celebrating the art and creativity of innovative dance on screen.

Combining theatre with visual art, *Transient Spaces* in Perth Theatre featured prints, paintings, drawings, and objects by Bulgarian-born Scottish visual and performance artist Katherina Radeva. Inspired by the glowing, five-pointed Red Star – re-created for the performance, it featured in the backdrop of *Fallen Fruit*, Katerina Radeva's solo drama about Bulgaria's acceleration away from communism to the uncertain future of today.

The walls of Perth Concert Hall came to life with Perth-based artist Louise Robertson's fun cartoon characters as *Fat Coo and Little Moo* drew a path through the range of works on offer as part of the Collect + Support initiative for exclusive artist limited editions.

The current visual arts programme ended in March 2020 along with the closure of the building.

Curtailement of Programming Due to Covid-19

As a result of the global pandemic, Horsecross Arts closed its buildings on 17th March 2020, in line with the rest of the performing arts sector. We had already seen cancellations of youth-focused venue hires and a strong increase in concern from the general public alongside messaging from the Scottish Government. We were forced to cancel the remainder of the scheduled run of our own production of *The Importance of Being Ernest*, alongside the cancellation of a range of contemporary and classical music performance at the hall and the suspension of all in-person participatory activity.

2020 and Future Plans

The Covid crisis saw the cancellation of the majority of the organisation's programme for 2020. However, Horsecross has continued to pursue its charitable objectives and connect with audiences through a daily blog of culture and community – *Keep Going Together*. The management worked hard at securing additional funding from a variety of sources to support the organisation's cashflow which was hampered as a result of the sudden closure. Following successful bids to Creative Scotland Performing Arts Venues Relief Fund and The Gannochy Trust's Covid Emergency Fund, we launched a programme of online and secure in-person work through autumn 2020, to continue to reach our communities and work with artists. We thank all of those funders for their ongoing support of the organisation through this difficult time.

Whilst the public health situation remains unclear, we continue to develop different scenarios for the future, focusing on high quality artistic offer and community engagement. We have continued to offer the Hall for live streaming by orchestral partners as well as welcoming commercial hires for key worker training. Based on our current understanding, we hope to rebuild our programme gradually during spring 2021 returning to a more normal range of programming in autumn 2021 as public health guidance permits.

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Financial review

The year saw a period of financial instability within Horsecross Arts, leading to Perth and Kinross Council offering extensive organisational and financial management support during summer and autumn 2019, whilst a new Chief Executive was recruited. Support comprised of a Joint Advisory Group, hands on management from senior Council Officers, as well as the instituting of an audit on financial management processes from Glasgow City Council. The Council invested a further £180k to support liquidity during this period as well as supporting the organisation through external providers of expert HR and Health and Safety advice.

In addition, we believe the financial impact of the COVID-19 closure to be approximately £90k in net terms during 2019/20.

Total incoming group resources for the year were £5.067 million (2019 – £5.517 million) including restricted fund income of £243k (2019 - £166k). The group net decrease on general funds was £210K (2019 – £176k) after expenditure of £5.038 million (2019 - £5.472 million) and fund transfers of £3k (2019 – £35k outgoing). Group net liabilities at 31 March 2020 were £358k (2019 – £145k), of which £370k liability (2019 – £164k) relates to general funds and £12k (2019 – £19k) 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 20 to the financial statements). Net current liabilities stood at £755k (2019 – £605k) of which £334k was held in cash (2019 – £238k).

Horsecross Trading Limited

The results of the charity's wholly owned subsidiary company are consolidated with those of the charity in the group financial statements. Further details are provided at note 15. The Company reported an operating profit for the year to 31 March 2020 of £125k (2019 – £210k), prior to a donation of £214k (2019: £154k) paid to Horsecross Arts as a distribution of profits earned in 2019.

Sources of finance

Core funding is provided through a service level agreement with Perth and Kinross Council. Horsecross Arts also receives regular revenue funding from Creative Scotland. Currently this is confirmed to March 2021, with an indicative commitment for 2021/22. As well as its primary purpose, charitable trading and other activities for generating funds, the charity runs a catering and conferencing business through its wholly owned subsidiary, Horsecross Trading 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. Recent financial performance and the onset of the COVID-19 crisis has prohibited the organisation from establishing the level of reserves that it aspires to attain, in order to meet its' ongoing financial aspirations. General reserves at this date are reported as in deficit by £364k, which includes net current liabilities of £760k on free reserves (unrestricted funds which are not tied up in fixed assets). The post balance sheet funding received from Creative Scotland will provide an impetus to the correction of the current reserves position. The trustees will continue to identify methods to build operating reserves over the medium term to nearer the 3-month operating expenditure benchmark. In the meantime, the organisation will remain dependent on the continued support of its principal funders for core revenue stability.

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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.

Following the onset of COVID-19, the organisation has sourced £935k in specific, targeted funding. The funding received includes £433k specifically to cover liabilities in relation to advance ticket sales, which had previously been used to fund working capital. In addition to this funding, the organisation has been receiving UK Government grants via the Coronavirus Job Retention Scheme (CJRS), which is expected to provide in excess of £700k by the end of the scheme.

The Trustees took the painful and difficult decision to enact a large reduction in staff as a result of a redundancy process triggered by the impact of the COVID-19 outbreak, in order to secure the long-term financial future of the organisation and maintain the charity's ability to fulfil its objectives. As a result of these proactive measures, the organisation now has a fixed cost base, including staff costs, which is within current core funding values receivable.

On this basis, the board is satisfied that the group can continue to trade as a going concern for the foreseeable future.

Structure

Horsecross Arts Limited ("Horsecross Arts") was incorporated on 25 April 2006 as a company limited by guarantee not having 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

Horsecross Arts works in close partnership with Perth and Kinross Council to develop programmes of activity against Horsecross Arts charitable objectives and the Council's strategic priorities. Perth and Kinross Council maintains an arm's length relationship with regards to all governance matters of the Charity as outlined in Horsecross' Memorandum and Articles of Association and a Memorandum of Understanding between the Council and Horsecross Arts.

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. Perth and Kinross Council exercised its power as sole member and issued a direction on 26th June 2019 to facilitate additional support to Horsecross Arts to meet a challenging cashflow situation.

The board meets at least four times a year. Observers from Perth & Kinross Council and Creative Scotland are invited to attend, 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. During 2019/20, there were three sub-groups covering: financial and other resource planning, artistic policy and direction and health & safety. These sub-committees have been reviewed and reconstituted during 2020/21 to focus on key elements forming a Finance and General Purposes Committee, Nominations Committee, and a Remuneration Committee.

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In December 2019, the Council expressed a lack of confidence in the Board which ultimately led to their resignations and the recruitment of new board members. Horsecross continues to rebuild its board and has recruited further independent board members during 2020/21. A new Chief Executive joined the organisation in December 2019 with a remit to effect change within the structure, programme and operations of Horsecross and presented initial plans to Perth & Kinross Council's Scrutiny Committee in February 2020, securing the Council's ongoing support for the organisation. A new Head of Finance joined the organisation in April 2020 to impose appropriate systems and control on the organisation and to develop the financial model for the future.

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.

Operational Management

The day-to-day running of the charity is delegated to the Chief Executive, supported by a senior management team. A new CEO, Nick Williams, took up post in December 2019 with a remit of restructuring the charity, its staff, and operations and to deliver a sustainable model for the future. The interim Finance Consultant's contract ended in June 2019, and a new Head of Finance and Administration Willie Anderson was appointed in February 2020, taking up post in April 2020.

Senior staff who departed during the financial year include the Head of Creative Learning, Head of Venues and Creative Director Visual Arts. The management structure of the organisation has evolved and as a result these roles are no longer required. A new Associate Director, Learning and Engagement joined the organisation in September 2020.

HORSECROSS ARTS LIMITED

Trustees' Annual Report

for the year ended 31 March 2020

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:

Jason Elles (resigned 25 February 2020)
Dr Magnus Linklater CBE (resigned 20 December 2019)
Lady Georgina Bullough (resigned 31 October 2019)
Stephanie Fraser (resigned 31 August 2019)
Charles Kinnoull (resigned 19 December 2019)
Alan Strachan (resigned 24 December 2019)
Anna Stapleton (resigned 20 December 2019)
Jeannine Mcvean (resigned 31 August 2019)
Steven Stewart (appointed 2 April 2020)
Gordon Macdougall (appointed 12 August 2020)
Amina Shah (appointed 12 August 2020)
Cllr Callum Purves (Perth & Kinross Council nominee) (appointed 28 January 2020)
Cllr Murray Lyle (Perth & Kinross Council nominee) (appointed 28 January 2020)
Cllr Stewart Donaldson (Perth & Kinross Council nominee) (appointed 28 January 2020)
Cllr Willie Robertson (Perth & Kinross Council nominee) (resigned 18 December 2019)
Cllr Henry Coates (Perth & Kinross Council nominee) (resigned 2 September 2019)
Cllr John Rebbeck (Perth & Kinross Council nominee) (resigned 16 December 2019)

Secretary

Michael Griffiths (to 28 June 2019)

Key management personnel

Nick Williams Chief Executive (from 2 December 2019)
Michael Griffiths Interim Chief Executive (to 28 June 2019)
Willie Anderson Head of Finance and Administration (from 20 April 2020)

Registered Office

Perth Concert Hall
Mill Street
Perth
PH1 5HZ

Auditor

Azets Audit Services
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 2020

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:

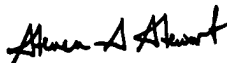
- so far as the trustees are aware, there is no relevant information of which the charity's auditor is unaware; and
- each trustee has taken all the steps that he ought to have taken as a trustee in order to make himself aware of any relevant audit information and to establish that the charity's auditor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

Auditor

On 7 September 2020 Group Audit Service Limited trading as Scott Moncrieff Audit Services changed its name to Azets Audit Services Limited. The name they practice under is Azets Audit Services and accordingly they have signed their report in their new name.

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) 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 10 December 2020 and signed on its behalf by:



Steven Stewart
Interim Chair

HORSECROSS ARTS LIMITED

Independent Auditor's Report to the Members and Trustees

for the year ended 31 March 2019

Opinion

We have audited the financial statements of Horsecross Arts Limited (the parent charitable company) and its subsidiary (the group) for the year ended 31 March 2020 which comprise the Consolidated and Parent Charitable Company Statement of Financial Activities (incorporating the Income and Expenditure Account), the Consolidated and Parent Charitable Company Balance Sheet, the Consolidated and Parent Charitable Company Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2020 and of the group's and parent charitable company'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, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

HORSECROSS ARTS LIMITED

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

for the year ended 31 March 2020

Other information

The other information comprises the information included in the annual report, other than the financial statements and our Auditor's Report thereon. The trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters 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
- the Trustees' Report has 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 group and parent charitable company and their 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 in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and 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.

Responsibilities of the trustees

As explained more fully in the trustees' responsibilities statement set out on page 12, the trustees (who are the directors for the purposes of company law and trustees for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the parent charitable company or to cease operations, or have no realistic alternative but to do so.

HORSECROSS ARTS LIMITED

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

for the year ended 31 March 2020

Auditor's responsibilities for the audit of the financial statements

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 the Acts and relevant regulations made or having effect thereunder.

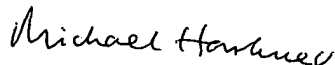
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

Use of our report

This report is made solely to the parent charitable company's members, as a body, 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 regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Our audit work has been undertaken so that we might state to the parent charitable company's members, as a body, and the charitable company's trustees, as a body, 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 parent charitable company, the parent charitable company's members, as a body, and the parent charitable company's trustees, as a body, for our audit work, for this report, or for the opinions we have formed.



Michael Harkness, Senior Statutory Auditor
For and on behalf of
Azets Audit Services, 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

10 December 2020

HORSECROSS ARTS LIMITED
Group Statement of Financial Activities
(incorporating Income and Expenditure Account)

for the year ended 31 March 2020

	Note	Unrestricted Funds £	Restricted Funds £	2020 Total Funds £	2019 Total Funds £
Income and endowments from:					
Donations and legacies	4	576,751	243,430	820,181	741,331
Charitable activities	5	2,951,177	-	2,951,177	3,319,045
Other trading activities	6	1,295,564	-	1,295,564	1,456,357
Total		<u>4,823,492</u>	<u>243,430</u>	<u>5,066,922</u>	<u>5,516,733</u>
Expenditure on:					
Raising funds	7	1,381,897	5,738	1,387,635	1,463,127
Charitable activities	8	3,651,368	240,923	3,892,291	4,325,536
Total		<u>5,033,265</u>	<u>246,661</u>	<u>5,279,926</u>	<u>5,788,663</u>
Net expenditure	11	(209,773)	(3,231)	(213,004)	(271,930)
Transfers between funds		3,445	(3,445)	-	-
Net movement in funds		(206,328)	(6,676)	(213,004)	(271,930)
Reconciliation of funds:					
Total funds brought forward		(164,033)	18,622	(145,411)	126,519
Total funds carried forward		<u>(370,361)</u>	<u>11,946</u>	<u>(358,415)</u>	<u>(145,411)</u>

All activities relate to continuing operations.

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

The notes on pages 19 to 38 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 2020

	Note	Unrestricted Funds £	Restricted Funds £	2020 Total Funds £	2019 Total Funds £
Income and endowments from:					
Donations and legacies	4	791,024	243,430	1,034,454	895,731
Charitable activities	5	2,951,177	-	2,951,177	3,319,045
Other trading activities	6	285,479	-	285,479	307,747
Total		<u>4,027,680</u>	<u>243,430</u>	<u>4,271,110</u>	<u>4,522,524</u>
Expenditure on:					
Raising funds	7	496,909	5,738	502,647	524,559
Charitable activities	8	3,651,368	240,923	3,892,291	4,325,536
Total		<u>4,148,277</u>	<u>246,661</u>	<u>4,394,938</u>	<u>4,850,095</u>
Net expenditure	11	(120,597)	(3,231)	(123,828)	(327,571)
Transfers between funds		<u>3,445</u>	<u>(3,445)</u>	-	-
Net movement in funds		(117,152)	(6,676)	(123,828)	(327,571)
Reconciliation of funds:					
Total funds brought forward		<u>(523,184)</u>	<u>18,622</u>	<u>(504,562)</u>	<u>(176,991)</u>
Total funds carried forward		<u><u>(640,336)</u></u>	<u><u>11,946</u></u>	<u><u>(628,390)</u></u>	<u><u>(504,562)</u></u>

All activities relate to continuing operations.

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

The notes on pages 19 to 38 form part of these financial statements

HORSECROSS ARTS LIMITED

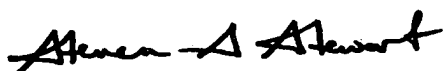
Group Balance Sheet

as at 31 March 2020

	Notes	2020		2019	
		£	£	£	£
Fixed assets					
Tangible assets	14		396,590		459,379
Current assets					
Stocks		4,800		20,757	
Debtors and prepayments	16	237,755		504,794	
Cash at bank and in hand		333,951		237,776	
		<u>576,506</u>		<u>763,327</u>	
Liabilities					
Creditors: amounts falling due within one year	17	<u>(1,331,511)</u>		<u>(1,368,117)</u>	
Net current liabilities			(755,005)		(604,790)
Total net liabilities	21		<u><u>(358,415)</u></u>		<u><u>(145,411)</u></u>
The funds of the charity:					
Restricted funds	20		11,946		18,622
Unrestricted funds			<u>(370,361)</u>		<u>(164,033)</u>
			<u><u>(358,415)</u></u>		<u><u>(145,411)</u></u>

The financial statements have been prepared in accordance with the provision applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue on 10 December 2020 and signed on behalf of the board by:



Steven Stewart
Interim Chairman

Company Registration No. SC301328

The notes on pages 19 to 38 form part of these financial statements

HORSECROSS ARTS LIMITED

Company Balance Sheet

as at 31 March 2020

	Notes	2020		2019	
		£	£	£	£
Fixed assets					
Tangible assets	14		376,002		434,256
Investments	15		3		3
			<u>376,005</u>		<u>590,534</u>
Current assets					
Stock			-	1,450	
Debtors and prepayments	16	191,030		418,931	
Cash at bank and in hand		266,677		100,547	
		<u>457,707</u>		<u>520,928</u>	
Liabilities					
Creditors: amounts falling due within one year	17	(1,462,102)		(1,459,749)	
Net current liabilities			(1,004,395)		(938,821)
Total net liabilities	21		<u>(628,390)</u>		<u>(504,562)</u>
The funds of the charity:					
Restricted funds	20		11,946		118,622
Unrestricted funds			(640,336)		(523,184)
			<u>(628,390)</u>		<u>(504,562)</u>

The financial statements have been prepared in accordance with the provision applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue on 10 December 2020 and signed on behalf of the board by:



Steven Stewart
Interim Chairman

Company Registration No. SC301328

The notes on pages 19 to 38 form part of these financial statements

HORSECROSS ARTS LIMITED

Consolidated and Parent Statement of Cash Flows

as at 31 March 2020

	Notes	Group 2020 £	2019 £	Company 2020 £	2019 £
Cash flows from operating activities:					
Net cash provided by/(used in) operating activities	22	106,655	1,339	173,010	(34,762)
Cash flows from investing activities:					
Purchase of property, plant and equipment		(10,480)	(27,022)	(6,880)	(24,027)
<hr/>					
Change in cash and cash equivalents in the reporting period		96,175	(25,683)	166,130	(58,789)
Cash and cash equivalents at the beginning of the period		237,776	263,459	100,547	159,336
<hr/>					
Cash and cash equivalents at the end of the reporting period		<u>333,951</u>	<u>237,776</u>	<u>266,677</u>	<u>100,547</u>

The notes on pages 19 to 38 form part of these financial statements

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements

for the year ended 31 March 2020

1. Principal accounting policies

General Information

These financial statements are presented in pounds sterling (GBP) as that is the currency in which the group's transactions are denominated. They comprise the financial statements of Horsecross Arts Limited, and its subsidiary Horsecross Trading Limited.

The principal activity of Horsecross Arts Limited is to advance education by the encouragement of the performing arts and run arts development and arts education programmes in Perth.

The principal activity of Horsecross Trading Limited is to operate conferencing and catering services on behalf of the group.

Horsecross Arts Limited is a charitable company limited by guarantee incorporated in the United Kingdom and registered in Scotland. It is recognised as a charity for tax purposes by HMRC and is registered with the Office of the Scottish Charity Regulator (OSCR) under charity number SC02240. In the event of the winding up of the charitable company a member is liable to contribute a sum not exceeding £1. Details of the registered office and company registration number can be found on page 9 of these financial statements

Basis of preparation

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS 102") (United Kingdom Generally Accepted Accounting Practice), 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)', The Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

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.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires trustees to exercise their judgement 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.

The principal accounting policies applied in the preparation of these financial statements are noted below. These policies have been applied consistently to all the years presented in dealing with items which are considered material in relation to the charitable company's financial statements unless otherwise stated.

The charity has no debt financing and accordingly a reconciliation of net debt is not prepared.

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

1. Principal accounting policies (continued)

Basis of consolidation

The financial statements consolidate the results of the charitable company and its wholly owned subsidiary Horsecross Trading Limited (company number SC081948, registered in Scotland) on a line by line basis. The charitable company together with Horsecross Trading Limited comprises the Group. The registered address is Perth Concert Hall, Mill Street, Perth, PH1 5HZ.

As described in note 24, 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.

Following the onset of COVID-19, the organisation has sourced £935k in specific, targeted funding. The funding received includes £433k specifically to cover liabilities in relation to advance ticket sales, which had previously been used to fund working capital. In addition to this funding, the organisation has been receiving UK Government grants via the Coronavirus Job Retention Scheme (CJRS), which is expected to provide in excess of £700k by the end of the scheme. There has also been a large reduction in staff costs as a result of a redundancy process, initiated due to the COVID-19 outbreak. As a result of these proactive measures, the organisation now has a fixed cost base, including staff costs, which is within current core funding values receivable.

On this basis, 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 and donations

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.

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

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

1. Principal accounting policies (continued)

Recognition and allocation of income (continued)

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.

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.

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.

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

1. Principal accounting policies (continued)

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 and any provision for impairment.

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 represents the share capital of the subsidiary.

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 are 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.

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

1. Principal accounting policies (continued)

Pensions

The charity is a member of the Tayside Pension 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.

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.

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.

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

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).

3. Comparative Statement of Financial Activities

Group 2019	2019 Unrestricted Funds £	2019 Restricted Funds £	2019 Total Funds £
Income and endowments from:			
Donations and legacies	575,463	165,868	741,331
Charitable activities	3,319,045	-	3,319,045
Other trading activities	1,456,357	-	1,456,357
	<u>5,350,865</u>	<u>165,868</u>	<u>5,516,733</u>
Total			
Expenditure on:			
Raising funds	1,455,617	7,510	1,463,127
Charitable activities	4,035,960	289,576	4,325,536
	<u>5,491,577</u>	<u>297,086</u>	<u>5,788,663</u>
Total			
Net expenditure	(140,712)	(131,218)	(271,930)
Transfers between funds	(35,134)	35,134	-
	<u>(175,846)</u>	<u>(96,084)</u>	<u>(271,930)</u>
Net movement in funds			
Reconciliation of funds:			
Total funds brought forward	11,813	114,706	126,519
Total funds carried forward	<u>(164,033)</u>	<u>18,622</u>	<u>(145,411)</u>

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

3. Comparative Statement of Financial Activities (continued)

Company 2019	2019 Unrestricted Funds £	2019 Restricted Funds £	2019 Total Funds £
Income and endowments from:			
Donations and legacies	729,863	165,868	895,731
Charitable activities	3,319,045	-	3,319,045
Other trading activities	307,748	-	307,748
	<u>4,356,656</u>	<u>165,868</u>	<u>4,522,524</u>
Total			
Expenditure on:			
Raising funds	517,049	7,510	524,559
Charitable activities	4,035,960	289,576	4,325,536
	<u>4,553,009</u>	<u>297,086</u>	<u>4,850,095</u>
Total			
Net expenditure	(196,353)	(131,218)	(327,571)
Transfers between funds	(35,134)	35,134	-
	<u>(231,487)</u>	<u>(96,084)</u>	<u>(327,571)</u>
Net movement in funds			
Reconciliation of funds:			
Total funds brought forward	(291,697)	114,706	(176,991)
	<u>(523,184)</u>	<u>18,622</u>	<u>(504,562)</u>
Total funds carried forward			

4. Income from donations and legacies

2020	Unrestricted funds £	Restricted funds £	2020 total £
Creative Scotland – Regular funding	533,000	2,500	535,500
Perth & Kinross Council grants	-	5,000	5,000
The Gannochy Trust	-	64,367	64,367
The Turtleton Charitable Trust	-	6,000	6,000
Northwood Charitable Trust	-	8,000	8,000
Scottish Chamber Orchestra	-	7,000	7,000
Creative Scotland – Project Funding	-	97,000	97,000
Arts & Business – Project Funding	-	10,000	10,000
Corporate Donation	-	21,500	21,500
Other	43,751	22,063	65,814
	<u>576,751</u>	<u>243,430</u>	<u>820,181</u>
Group			
Subsidiary donation	214,273	-	214,273
	<u>791,024</u>	<u>243,430</u>	<u>1,034,454</u>
Company			

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

4. Income from donations and legacies (continued)

2019	Unrestricted funds £	Restricted funds £	2019 total £
Creative Scotland – Regular funding	533,000	-	533,000
Perth & Kinross Council grants	-	20,980	20,980
The Gannochy Trust	-	72,265	72,265
Northwood Charitable Trust	-	8,000	8,000
Margaret Morris Movement	-	7,500	7,500
Scottish Chamber Orchestra	-	8,500	8,500
Miller Hendry-Thomson Charitable Trust	-	15,000	15,000
Other	42,463	33,623	76,086
Group	575,463	165,868	741,331
Subsidiary donation	154,400	-	154,400
Company	729,863	165,868	895,731

5. Income from charitable activities

Group and company	2020 total unrestricted £	2019 total unrestricted £
Perth & Kinross Council service fees	1,280,480	1,211,480
Production and performance income	1,600,206	2,041,933
Creative learning and community projects	70,491	65,632
	2,951,177	3,319,045

6. Income from other trading activities

Company	2020 Total unrestricted £	2019 total unrestricted £
Other retail, merchandising and commission income	255,979	270,330
Sponsorship income	29,500	37,417
Company	285,479	307,747
Conference sales	198,230	233,801
Catering sales	811,855	914,809
Group	1,295,564	1,456,357

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

7. Expenditure on raising funds

2020	Direct costs £	Support costs £	Governance costs £	Total 2020 £
Fundraising costs	60,593	67,069	5,342	133,004
Conference and other trading costs	20,228	333,390	16,025	369,643
Company	<u>80,821</u>	<u>400,459</u>	<u>21,367</u>	<u>502,647</u>
Catering costs	884,988	-	-	884,988
Group	<u><u>965,809</u></u>	<u><u>400,459</u></u>	<u><u>21,367</u></u>	<u><u>1,387,635</u></u>
		(Note 9)	(Note 10)	
2019	Direct costs £	Support costs £	Governance costs £	Total 2019 £
Fundraising costs	68,669	79,201	4,067	151,937
Conference and other trading costs	22,484	337,937	12,201	372,622
Company	<u>91,153</u>	<u>417,138</u>	<u>16,268</u>	<u>524,559</u>
Catering costs	938,568	-	-	938,568
Group	<u><u>1,029,721</u></u>	<u><u>417,138</u></u>	<u><u>16,268</u></u>	<u><u>1,463,127</u></u>
		(Note 9)	(Note 10)	

8. Expenditure on charitable activities

2020	Direct Costs £	Support Costs £	Governance costs £	Total 2020 £
Group and company				
Production and performances	1,139,551	2,341,511	80,125	3,561,187
Creative learning and community	94,913	230,849	5,342	331,104
	<u>1,234,464</u>	<u>2,572,360</u>	<u>85,467</u>	<u>3,892,291</u>
		(Note 9)	(Note 10)	
2019	Direct Costs £	Support Costs £	Governance costs £	Total 2019 £
Group and company				
Production and performances	1,477,658	2,430,164	61,005	3,968,827
Creative learning and community	114,192	238,450	4,067	356,709
	<u>1,591,850</u>	<u>2,668,614</u>	<u>65,072</u>	<u>4,325,536</u>
		(Note 9)	(Note 10)	

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

9. Support costs allocated to activities

2020	Raising funds	Production and performances	Creative learning and community	Total 2020
Group and company	£	£	£	£
Promotion, publicity & sales	2,123	228,408	2,123	232,654
Venue operations	246,183	680,198	63,746	990,126
Support services	152,153	1,432,905	164,981	1,750,039
	<u>400,459</u>	<u>2,341,511</u>	<u>230,849</u>	<u>2,972,819</u>
	<u><u>400,459</u></u>	<u><u>2,341,511</u></u>	<u><u>230,849</u></u>	<u><u>2,972,819</u></u>
2019	Raising funds	Production and performances	Creative learning and community	Total 2019
Group and company	£	£	£	£
Promotion, publicity & sales	2,089	263,796	2,089	267,974
Venue operations	255,268	744,552	67,288	1,067,108
Support services	159,781	1,421,816	169,073	1,750,670
	<u>417,138</u>	<u>2,430,164</u>	<u>238,450</u>	<u>3,085,752</u>
	<u><u>417,138</u></u>	<u><u>2,430,164</u></u>	<u><u>238,450</u></u>	<u><u>3,085,752</u></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 housekeeping, 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.

10. Governance costs allocated to activities

2020	Raising funds	Production and performances	Creative learning and community	Total 2020
Group and company	£	£	£	£
Accountancy and audit fees	1,538	5,773	385	7,696
Legal and professional	12,060	45,227	3,015	60,302
Wages and salaries	2,781	10,431	695	13,907
Other	4,693	17,588	1,173	23,454
Irrecoverable VAT	295	1,106	74	1,475
	<u>21,367</u>	<u>80,125</u>	<u>5,342</u>	<u>106,834</u>
	<u><u>21,367</u></u>	<u><u>80,125</u></u>	<u><u>5,342</u></u>	<u><u>106,834</u></u>

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

10. Governance costs allocated to activities (continued)

2019	Raising funds £	Production and performances £	Creative learning and community £	Total 2019 £
Group and company				
Accountancy and audit fees	1,767	6,633	442	8,842
Legal and professional	4,471	16,766	1,118	22,355
Wages and salaries	4,799	17,994	1,200	23,993
Other	4,924	18,460	1,230	24,614
Irrecoverable VAT	307	1,152	77	1,536
	16,268	61,005	4,067	81,340
	16,268	61,005	4,067	81,340

11. Net expenditure

This is stated after charging:	Group		Company	
	2020 £	2019 £	2020 £	2019 £
Depreciation - tangible fixed assets	73,269	79,239	65,134	71,472
Operating lease payments	12,016	9,859	12,016	9,859
Auditor's remuneration:				
– Audit fee	12,370	12,030	8,900	8,700
– Taxation services	1,070	1,040	-	-
– Other non-audit	2,200	5,816	2,200	5,816
	16,640	28,915	13,300	14,316
	16,640	28,915	13,300	14,316

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 (2019: £nil). No trustee (2019: None) was reimbursed for travel or other expenses incurred in connection with their duties as a trustee during the year.

13. Employees

Number of employees

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

	Group		Company	
	2020 number	2019 number	2020 number	2019 number
Catering	45	46	-	-
Encouragement of Performing Arts	115	116	115	116
Conferencing	2	2	2	2
	162	164	117	118
	162	164	117	118

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

13. Employees (continued)

Employment costs

	Group		Company	
	2020 £	2019 £	2020 £	2019 £
Wages and salaries	2,428,593	2,448,074	1,942,512	1,935,447
Social security costs	145,475	157,978	125,087	133,751
Pension costs	140,978	156,257	130,417	144,711
	<u>2,715,046</u>	<u>2,762,309</u>	<u>2,198,016</u>	<u>2,213,909</u>

No employees received total employee benefits (excluding employer pension costs) of more than £60,000 (2019: one).

The key management personnel of the group comprise the Chief Executive and the senior management team detailed on page 9. The total employee benefits for key management, included within employment costs above, totalled £50,000 (2019: £272,186).

14. Tangible fixed assets

Group	Leasehold property £	Plant and machinery £	Fixtures, fittings & equipment £	Total £
Cost				
At 1 April 2019	195,878	608,234	115,999	920,111
Additions	-	6,880	3,600	10,480
At 31 March 2020	<u>195,878</u>	<u>615,114</u>	<u>119,599</u>	<u>930,591</u>
Depreciation				
At 1 April 2019	87,042	282,814	90,876	460,732
Charge for year	3,500	61,634	8,135	73,269
At 31 March 2020	<u>90,542</u>	<u>344,448</u>	<u>99,011</u>	<u>534,001</u>
Net book value				
At 31 March 2020	<u>105,336</u>	<u>270,666</u>	<u>20,588</u>	<u>396,590</u>
At 31 March 2019	<u>108,836</u>	<u>325,420</u>	<u>25,123</u>	<u>459,379</u>

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

14. Tangible fixed assets (continued)

Company	Leasehold property £	Plant and machinery £	Total £
Cost			
At 1 April 2019	195,878	608,234	804,112
Additions	-	6,880	6,880
At 31 March 2020	<u>195,878</u>	<u>615,114</u>	<u>810,992</u>
Depreciation			
At 1 April 2019	87,042	282,814	369,856
Charge for year	3,500	61,634	65,134
At 31 March 2020	<u>90,542</u>	<u>344,448</u>	<u>434,990</u>
Net book value			
At 31 March 2020	<u>105,336</u>	<u>270,666</u>	<u>376,002</u>
At 31 March 2019	<u>108,836</u>	<u>325,420</u>	<u>434,256</u>

15. Fixed asset investments

Company	Unlisted investments £
At 1 April 2019 and 31 March 2020	<u>3</u>

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

Horsecross Arts owns all three £1 ordinary shares in Horsecross Trading Limited that have been issued.

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

15. Fixed asset investments (continued)

Net assets of Horsecross Trading Limited at 31 March 2020 totalled £269,979 (2019: £359,153) which comprised fixed assets of £20,588 (2019: £25,123), current assets of £340,625 (2019: £437,376), and liabilities of £91,234 (2019: £103,346). Relevant financial information regarding Horsecross Trading Limited for the year ended 31 March 2020 is as follows:

	2020 £	2019 £
Turnover	1,010,086	1,148,609
Cost of sales	(279,358)	(281,317)
	730,728	867,292
Gross profit	730,728	867,292
Administrative expenses	(605,629)	(657,251)
	125,099	210,040
Profit on ordinary activities before taxation	125,099	210,040
Tax on profit on ordinary activities	-	-
	125,099	210,040
Profit for the financial year	125,099	210,040

A distribution under gift aid of £214,273 (2019: £154,400) was paid to Horsecross Arts Limited during the year, based on the results for the year ended 31 March 2019.

16. Debtors

	Group		Company	
	2020 £	2019 £	2020 £	2019 £
Trade debtors	37,679	86,793	8,094	8,761
Amounts owed by parent undertaking	7,363	115,860	7,363	115,860
Other debtors	7,522	80,705	7,202	72,874
Prepayments and accrued income	185,191	221,436	168,371	221,436
	237,755	504,794	191,030	418,931
	237,755	504,794	191,030	418,931

17. Creditors: amounts falling due within one year

	Group		Company	
	2020 £	2019 £	2020 £	2019 £
Trade creditors	233,223	231,909	200,125	192,700
Taxes and social security costs	137,594	145,122	97,630	93,758
Other creditors	246,534	271,684	228,361	258,911
Deferred income (note 18)	714,160	719,402	714,160	719,402
Amounts owed to group undertakings	-	-	221,826	194,978
	1,331,511	1,368,117	1,462,102	1,459,749
	1,331,511	1,368,117	1,462,102	1,459,749

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

18. Deferred Income

	Group		Company	
	2020 £	2019 £	2020 £	2019 £
At 1 April 2019	719,402	567,976	719,402	553,129
Released to incoming resources	(719,402)	(567,976)	(719,402)	(553,129)
Deferred in year	714,160	719,402	714,160	719,402
	<u>714,160</u>	<u>719,402</u>	<u>714,160</u>	<u>719,402</u>
At 31 March 2020	<u>714,160</u>	<u>719,402</u>	<u>714,160</u>	<u>719,402</u>

The current year deferred income balance comprises advanced ticket sales relating to amounts refundable should future performances not take place.

19. Pension and other post-retirement commitments

Horsecross Arts Limited is a member of the Tayside Pension Fund, a defined benefit scheme with the assets held in separate trustee administered funds. Contributions payable by the company to the scheme amounted to £102,770 (2019: £121,343).

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.

The company set up a separate 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 £26,348 (2019: £23,368).

	2020 £	2019 £
Contributions payable by the group for the year	<u>141,793</u>	<u>156,257</u>

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

20. Restricted funds (Group and company)

2020	Movement in funds				Balance at 31 March 2020 £
	Balance at 1 April 2019 £	Incoming resources £	Resources expended £	Transfers £	
Capital fund	4,577	-	(3,502)	-	1,075
The Gannochy Trust	-	64,367	(64,367)	-	-
Perth & Kinross Council	-	5,000	(5,000)	-	-
Creative Scotland	-	2,500	(2,500)	-	-
Corporate Donation	-	21,500	(21,500)	-	-
Creative Scotland	-	97,000	(97,000)	-	-
Arts & Business	-	10,000	(10,000)	-	-
Other restricted funds	14,045	43,063	(42,792)	(3,445)	10,871
	<u>18,622</u>	<u>243,430</u>	<u>(246,661)</u>	<u>(3,445)</u>	<u>11,946</u>

2019	Movement in funds				Balance at 31 March 2019 £
	Balance at 1 April 2018 £	Incoming resources £	Resources expended £	Transfers £	
Capital fund	8,079	-	(3,502)	-	4,577
Margaret Morris Archive	(9,037)	7,500	-	1,537	-
PKC – Radio Microphones	3,415	-	(3,415)	-	-
Lets Dance	9,528	3,600	(13,203)	75	-
The Gannochy Trust	-	72,265	(72,265)	-	-
Transform Perth Theatre	21,428	15,000	(276)	(36,152)	-
Glasgow 2018	11,086	12,500	(27,953)	4,367	-
Young Director	35,700	-	(80,229)	44,529	-
Animals	28,725	1,000	(44,062)	14,337	-
CiTay	-	12,000	(12,000)	-	-
Other restricted funds	5,782	42,003	(40,181)	6,441	14,045
	<u>114,706</u>	<u>165,868</u>	<u>(297,086)</u>	<u>35,134</u>	<u>18,622</u>

The Gannochy Trust – Programme Specific

The second grant of a three-year funding award from long-term partner The Gannochy Trust supported a range of creative learning opportunities under the headings Join In, Performance and Participation, Enterprise and Celebrate, for young people across Perth and Kinross.

Corporate Donation – Event Specific

A donation from Whisky Auctioneer Ltd and a grant from Inchcape Foundation towards the Women of the World Festival, Perth 2019 – the only Scottish version of this global festival which celebrates women and girls whilst taking a frank look at the obstacles they face.

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

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

Creative Scotland – Performance Specific

A grant awarded to playwright Morna Young by Creative Scotland for her debut, PerthTheatre-produced play *Lost at Sea*. This epic tale, spanning forty years of the fishing industry and told through the eyes of one family and its surrounding community, premiered at Perth theatre before going on tour across the country.

Creative Scotland – Equipment Specific

A grant from Creative Scotland's Screen Scotland's Cinema Equipment Fund towards the purchase and installation of new screen for Perth Theatre's Joan Knight Studio to provide an enhanced viewing experience for those attending Perth Film Society's regular screenings and other productions/performances that include a film element.

Perth and Kinross Council – Event Specific

A grant from key partner Perth and Kinross Council towards *The Visit 2019* – a music industry event aimed at promoting Scottish artist and musicians and attended by agents, festivals venues, record labels, managers and media from Southern Europe.

Arts & Business – Performance Specific

Match funding of Bright Spirits' corporate sponsorship from Arts & Business Scotland's Culture Business Fund Scotland supported the creative team costs of Perth Theatre's hit production of *The Importance of Being Earnest*.

Other restricted funds

Throughout the year, the Charity received a number of grants and donations for various specific projects, including: grants from Northwood Charitable Trust, The Turtleton Charitable Trust, William Syson Foundation and Tasgadh for Scottish traditional youth music project the Gordon Duncan Experience; a grant from the Alexander Moncur Trust towards Perth Dance Festival 2019; a grant from Jimmie Cairncross Charitable Trust in support of Perth Autism Youth Theatre. Full details of the individual restricted funds are available on request from the registered address.

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

21. Analysis of net assets/(liabilities) between funds

2020 Group	Unrestricted Funds £	Restricted funds £	Total £
Fund balances at 31 March 2020 are represented by:			
Tangible fixed assets	396,590	-	396,590
Current assets	564,560	11,946	576,506
Creditors: amounts falling due within one year	(1,331,511)	-	(1,331,511)
	<u>(370,361)</u>	<u>11,946</u>	<u>(358,415)</u>

2020 Company	Unrestricted Funds £	Restricted funds £	Total £
Fund balances at 31 March 2020 are represented by:			
Tangible fixed assets	376,002	-	376,002
Investments	3	-	3
Current assets	445,761	11,946	457,707
Creditors: amounts falling due within one year	(1,462,102)	-	(1,462,102)
	<u>(640,336)</u>	<u>11,946</u>	<u>(628,390)</u>

2019 Group	Unrestricted Funds £	Restricted funds £	Total £
Fund balances at 31 March 2019 are represented by:			
Tangible fixed assets	454,802	4,577	459,379
Current assets	749,282	14,045	763,327
Creditors: amounts falling due within one year	(1,368,117)	-	(1,368,117)
	<u>(164,033)</u>	<u>18,622</u>	<u>(145,411)</u>

2019 Company	Unrestricted Funds £	Restricted funds £	Total £
Fund balances at 31 March 2019 are represented by:			
Tangible fixed assets	429,679	4,577	434,256
Investments	3	-	3
Current assets	506,883	14,045	520,928
Creditors: amounts falling due within one year	(1,459,749)	-	(1,459,719)
	<u>(523,184)</u>	<u>18,622</u>	<u>(504,562)</u>

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

22. Reconciliation of net (expenditure) to net cash flow from operating activities

	Group		Company	
	2020 £	2019 £	2020 £	2019 £
Net expenditure for the reporting period (as per the statement of financial activities)	(213,004)	(271,930)	(123,828)	(327,571)
Adjustments for:				
Depreciation charges	73,269	79,239	65,134	71,472
Decrease in stocks	15,957	1,079	1,450	-
Decrease in debtors	267,039	35,863	227,901	74,661
(Decrease)/Increase in creditors	(36,606)	157,088	2,353	146,676
Net cash provided by/(used in) operating activities	<u>106,655</u>	<u>1,339</u>	<u>173,010</u>	<u>(34,762)</u>

23. Operating lease commitments

At 31 March 2020 the total commitments payable under non-cancellable operating leases was as follows:

Group and company	2020		2019	
	Land & buildings £	Other £	Land & buildings £	Other £
Operating leases which expire in 1 year	4,101	3,958	4,101	5,937
Operating leases which expire in 2 to 5 years	16,404	-	16,404	-
Operating leases which expire in over 5 years	102,523	-	106,624	-
	<u>123,028</u>	<u>3,958</u>	<u>127,129</u>	<u>5,937</u>

24. 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.

HORSECROSS ARTS LIMITED

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 March 2020

24. Related parties (continued)

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, Horsecross Trading 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.

25. 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.

26. 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.

27. Post balance sheet events

Both Perth Concert Hall and Perth Theatre fell dark on 17 March 2020, due to the onset of the COVID-19 pandemic. Since then, the buildings have been closed to the public.

With the disappearance of almost all earned income, the Horsecross Board took the decision to enter into consultation with staff with regards to possible redundancies. This has resulted in a number of staff being made redundant and has reduced staff costs by around £100k per month.

In conjunction with cost reduction, the organisation has sourced £935k in specific, targeted funding. The funding received includes £433k specifically to cover liabilities in relation to advance ticket sales, which had previously been used to fund working capital. The Coronavirus Job Retention Scheme is also expected to provide in excess of £700k by the end of the scheme. As a result of these proactive measures, the organisation now has a fixed cost base, including staff costs, which is within current core funding values receivable.

A new Head of Finance and Administration took up post during April 2020, with a focus on creating a framework to allow financial sustainability for the organisation going forward.

The Horsecross Board has been meeting monthly since the year end, in order to monitor the redundancy consultation process and the wider financial situation. During this time, the Board has approved a new approach to programming, which will be developed in a financially sustainable manner.