

ROYAL EXCHANGE THEATRE COMPANY LIMITED

Annual Report and Consolidated Financial Statements for the
Year ended 31 August 2016

Charity No. 255424 Company No. 927203



Royal Exchange Theatre Company Limited

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Royal Exchange Theatre Company Limited

REFERENCE AND ADMINISTRATIVE DETAILS

Charity registration number:	255424
Company registration number:	927203
Registered office:	Royal Exchange Theatre Company Limited St Ann's Square Manchester M2 7DH
Trustee / Directors:	Ben Caldwell (Chair) Tania Black Anthony Gordon Sinead Greenaway Cllr Ann-Marie Humphreys Jean Oglesby Sally Penni Jennifer Raffle (Chair Finance Committee) Aziz Rashid Caroline Roberts-Cherry Dave Roscoe Geoffrey Shindler Cllr Bernard Sharp Martyn Torevell
Artistic Director	Sarah Frankcom
Executive Director	Mark Dobson
Director of Finance and Administration & Company Secretary	Barry James
Bankers:	National Westminster Bank plc Manchester Regional Office Spring Gardens Manchester M60 2DB
Solicitors:	Addleshaw Goddard LLP One St. Peter's Square Manchester M2 3DE Harbottle & Lewis 14 Hanover Square London W1R 0BE
Auditors:	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 101 Barbirolli Square Lower Mosley Street Manchester M2 3PW

Royal Exchange Theatre Company Limited

TRUSTEES' REPORT

INTRODUCTION

The trustees present their report and the audited group and company financial statements for the year ended 31 August 2016. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" (FRS 102) in preparing the annual report and financial statements of the charity. The Trustees' Annual Report incorporates the group Directors' Report and Strategic Report.

The financial statements have been prepared in accordance with accounting policies set out in the notes to the accounts and comply with the charity's governing document, the Companies Act 2006, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland published on 16 July 2014.

Royal Exchange Theatre Company Limited

STRATEGIC REPORT

VISION, CHARITABLE OBJECTIVES AND PUBLIC BENEFIT

Manchester's Royal Exchange Theatre Company transforms the way people see theatre, each other and the world around them.

Our historic building, once the world's biggest cotton exchange, was taken over by artists in 1976. Today it is an award-winning cultural charity that produces new theatre in-the-round, in communities, on the road and online.

Exchange remains at the heart of everything we make and do. Now our currency is brand new drama and reinvigorated classics, the boldest artists and a company of highly skilled makers - all brought together in a shared imaginative endeavour to trade ideas and experiences with the people of Greater Manchester and beyond.

The Exchange's unique auditorium is powerfully democratic, a space where audiences and performers meet as equals, entering and exiting through the same doors. It is the inspiration for all we do; inviting everyone to understand the past, engage in today's big questions, collectively imagine a better future and lose themselves in the moment of a great night out.

This vision ensures the delivery of our charitable objects as stated in our Memorandum of Association which is to promote, maintain, improve and advance education particularly by the production of educational plays and the encouragement of the Arts including the arts of drama, ballet, music, singing, literature, sculpture and painting.

The Trustees have considered the Charity Commission's guidance on public benefit, both in developing the organisation's objectives, and in planning its activities. As demonstrated by these ambitions the public and public benefit sit at the heart of all our activity.

Royal Exchange Theatre Company Limited

STRATEGIC REPORT (continued)

OUR ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE

The year ended August 2016 saw the Royal Exchange mark its 40th anniversary, and Sarah Frankcom's second full year as sole Artistic Director, with a wide range of artistically exciting work which attracted an excellent critical and public response. We presented fifteen productions in 2015-16, six of which were world premieres. This work – together with our continuing wide programme of engagement, new writing and talent development activities – saw us win The Stage's Regional Theatre of the Year award 2016.

Several of our shows toured or transferred to other theatres around the UK, and our innovative exploration of ways of capturing and distributing our work digitally continued with the filming of *King Lear*, which was shown on BBC4 on Christmas Day. This means that our work has reached a much wider audience than those who attended performances in Manchester.

We collaborated with a wide variety of other theatres (including, for the first time, the National Theatre) and further developed key relationships with Talawa Theatre Company and Graeae Theatre Company that will help us to continue to expand the diversity of work that we present on stage. Talawa are the most significant black-led touring theatre company in the UK and Graeae is a force for change in theatre, boldly placing D/deaf and disabled actors centre stage and challenging preconceptions.

In addition, our emphasis on engagement, new writing and talent development has opened the theatre to a wider range of people than ever before through various initiatives, including You the Audience, the Bruntwood Prize for Playwriting (Europe's largest playwriting prize) and Open Exchange.

More than 164,000 people came to see our work in 2015/16, with attendances for productions presented in our main Theatre module achieving 79% of seating capacity (the second highest achievement of our national peer group) and 62% of financial capacity (target of 65%).

Nearly 47,000 people saw our work on tours/transfers, in London, Birmingham, East Anglia and the North-West of England, with many thousands more experiencing our work digitally.

MAJOR PRODUCTIONS:

The Crucible by Arthur Miller, directed by Caroline Steinbeis.
'an intensity that never runs out of steam' *The Guardian*

Pomona by Alistair McDowell, directed by Ned Bennett in an Orange Tree Theatre CO-production in association with the National Theatre.
'Thrillingly genre-literate exploration of all the dark things in the world we've learned not to see...A triumph' 5***** *What's On Stage*

Into The Woods by Stephen Sondheim, directed by Matthew Xia.
'Tinglyingly atmospheric...deliciously alluring...The show has a powerful emotional heartbeat...a dark delight' *The Times* 4****

Wit by Margaret Edson, directed by Raz Shaw, who won the Best Director award for this production at the UK Theatre 2016 awards.
'...its final radiant moment is breath-taking and had the first-night audience on its feet' *Independent* 4****

Husbands & Sons by DH Lawrence, adapted by Ben Power, directed by Marianne Elliott in a co-production with National Theatre.
'A major triumph. Dramatic gold' *Mail on Sunday* 5*****

Royal Exchange Theatre Company Limited

STRATEGIC REPORT (continued)

King Lear by William Shakespeare, directed by Michael Buffong in a co-production with Talawa Theatre Company in association with Birmingham Repertory Theatre, and starring Don Warrington as King Lear.

*'As close to definitive as can be' The Guardian 4*****

The Night Watch by Sarah Waters, adapted by Hattie Naylor, directed by Rebecca Gatward.

*'A pitch-perfect production' THE OBSERVER 4*****

The Mighty Walzer by Howard Jacobson, adapted by Simon Bent, directed by Jonathan Humphries.

*'A very funny...portrait of adolescence' The Telegraph 4*****

Little Sister created by Mark Storer in collaboration with the Company

STUDIO PRODUCTIONS:

So Here We Are by Luke Norris, directed by Stephen Atkinson in a co-production with High Tide Theatre, prior to a transfer to High Tide Festival

*'Norris's dialogue is razor sharp... The cast is excellent and Steven Atkinson's direction sensitive.' 4**** Financial Times*

Nothing by Janne Teller, adapted by Amanda Dalton

A Royal Exchange Young Company production and world premiere, directed by Bryony Shanahan.

Bird by Katherine Chandler, directed by Rachel O'Riordan in a co-production with Sherman Cymru.

*'Intense and powerful' The Stage 4*****

Britannia Waves the Rules by Gareth Farr, directed by Dan Bird, touring to venues in the North West of England

All I Want Is One Night by Jessica Walker, directed by Sarah Frankcom

The Factory devised by the Royal Exchange Young Company, directed by Matt Hassall.

PRESENTED TOURING THEATRE WORKS:

Several visiting companies/artists were also presented during the year, highlights included;

The Chair, a Dissemble production in association with the Unicorn Theatre

Blake Remixed by Testament

Men in The Cities by Chris Goode and Company in association with the Royal Court Theatre

The Ballad of Rudy by Goblin theatre company

My Son & Heir by Search Party

The Solid Life of Sugar Water by Jack Thorne, a co-production with Graeae Theatre Company and Theatre Royal Plymouth

An Invitation by Jo Fong

Am I Dead Yet? by Unlimited Theatre

Tonight, I'm Gonna Be the New Me by Made in China

Get Yourself Together by Josh Coates

We were also proud to be a regional hub for the development and presentation of **We're Here Because We're Here**, a modern memorial to commemorate the 100th anniversary of the battle of the Somme, conceived and created by Turner prize-winning artist Jeremy Deller as part of 14-18NOW, a series of art commissions to mark the centenary of the first World War.

Royal Exchange Theatre Company Limited

STRATEGIC REPORT (continued)

New Writing and Talent Development

New writing continued to be central to the Company's work, with our 2015/16 productions including six world premieres. 2015/16 also saw the culmination of the fifth Bruntwood national playwriting competition, which attracted nearly 2,000 entries, with the winning play – **Wish List** by Katherine Soper – scheduled for production at both the Royal Exchange and the Royal Court, London in 2016/17.

Our commitment to developing creative talent continued, in particular through our Open Exchange programme, which provides development opportunities for emerging artists, by offering masterclasses, free rehearsal space and opportunities for collaboration with other artists. In 2015/16, we hosted placements, training and work experience to nearly 1,200 individuals.

Our Hodgkiss prize for 2016, which provides support for an exceptional artist or company based in the North of England with an original idea for a piece of live performance-based work, was awarded to Powder Keg, who are now developing a show to be presented in Summer 2017. We also hosted a trainee director studying for the Birkbeck Master's degree in Theatre Directing.

Engagement, Participation & Learning

We believe that participation is key to providing access, broadening reach and deepening engagement for all. We therefore continued to develop programmes of work for individual young people, individual adults, education (primary to higher education) and adult community groups. In the year ended August 2016, the department ran a wide range of projects with more than 35,000 participants. Key projects this year included:

- Truth About Youth – culmination of a major multi-year project supported by the Co-operative Foundation designed to challenge negative perceptions about young people
- The Young Company – our own resident company for people between the age of 14 and 21, whose work included two productions (NOTHING and THE FACTORY)
- The Company of Elders – our new resident performance group for people aged 60+
- World Wide Workshop – working with refugees and immigrants to our city and especially those for whom English is not their first language
- Our history of innovative partnership working with housing associations continued with New Charter Housing in Tameside focused on a neighbourhood approach to building community cohesion and with One Manchester, delivering On Top of the World, a three-year programme using arts to tackle isolation and related mental health issues among single-living, older, male high-rise tenants in four tower blocks in Hulme and Gorton.
- Presentation of Children's Shakespeare Festival introducing hundreds of primary school children, along with their teachers and families, to Shakespeare and drama as a deep, active learning experience.
- LITTLE SISTER, a project in which artist Mark Storor worked with community groups in Greater Manchester to develop a production based on a Grimm's fairy tale, which was performed in our large Theatre module.
- You, The Audience, an initiative developed in partnership with the University of Manchester to create a series of events and rich conversations with our audience to understand what theatre really means to them and their lives.

Many of our high-quality participation opportunities are for individuals and communities with limited access to arts and culture and were achieved through extensive partnership working and community consultation. Where participation cannot be free, fees are reduced for those with limited means.

We are also a registered Arts Award Centre, and during 2015/16 we delivered 83 Discover, 48 Explore and 1 Bronze Arts Awards (total of 132 awards.)

Royal Exchange Theatre Company Limited

STRATEGIC REPORT (continued)

We offer a wide range of ticket prices to ensure accessibility, with seats for sale for our Theatre performances from £10. Seats in our smaller Studio theatre cost just £12. Moreover, we encourage wide access by offering a range of discounts to groups such as young people, senior citizens, schools and disabled patrons. For example, on Friday nights, attenders aged 25 and under pay only £6 for Theatre performances.

We continue to grow new audiences and 36% of bookers in 2015/16 were coming to see shows at the Royal Exchange for the first time.

We also provide access to the benefits of the theatre in other ways, most significantly through free entry to our building's Great Hall (the City's former Cotton Exchange) in which the theatre is situated. This historic and listed building attracted a total of 500,000 visitors in 2015/16.

We also have an engaged and active pool of 90 volunteers, contributing to our Visitor Experience, Costume Hire, Marketing and Development departments, and giving an estimated 18,500 hours of support each year.

Diversity

We seek to present a diversity of performers on our stage, with this year's productions including the UK's first main stage black King Lear for twenty years. As well as developing our relationship with Talawa Theatre Company on this production, we have also worked closely during the year with Graeae, in preparation for a co-production with them in early 2017. Over the past two years, 51% of performers in our productions were female and 31% were from Black and Minority Ethnic (BAME) backgrounds. 21% of entrants for the Bruntwood national playwriting competition were BAME and 6% of entrants identified as disabled, while recruitment to our Open Exchange programme is currently 20% BAME.

We offer accessible performances for all our Theatre productions (audio-description, BSL-interpretation and captioned performances) and have also introduced relaxed performances in 2015/16 with great success.

We have also been successful in increasing the diversity of our board which is now 55% female and 29% BAME, with more than half of Board members being under the age of 50.

Fundraising

Increasing and diversifying our fundraising income is an organisational priority, as we seek to counterbalance reductions in grant income in real terms, and we have continued to make progress in this area.

Fundraising income - which consists of grants or donations from trusts/foundations and individuals of £667,000 (See "income from donations and legacies" – note 2) and another £135,000 of income from sponsorship/corporate members (See "income earned from other activities" in note 4) totalled £802,000, just short of our target for the year (£815,000) and a significant growth on our achievement in 2014/15 of £649,000. A particular success has been an increase in donations from individuals (gifts), following the introduction of several new schemes seeking to capitalise on the Theatre's 40th anniversary.

Environmental sustainability

We have continued our sector-leading role and commitment to environmental sustainability, and we now outperform the "Cultural Building Benchmark" for energy consumption as reported to Arts Council England. We have switched to LED lighting in the public areas and installed voltage optimisation, reducing our electricity consumption by more than 40% over the past ten years. We have also significantly reduced the use of landfill by prioritising reuse and recycling with local contractors.

Royal Exchange Theatre Company Limited

STRATEGIC REPORT (continued)

FINANCIAL REVIEW

Following an exceptionally positive and over-target box office achievement in the previous year, this year has proved more challenging.

Our net deficit for the year was £1,050,000 (2015: £603,000) as shown in the Statement of Financial Activities, however it is important to note that this deficit takes into account substantial depreciation of fixed assets of more than £1 million relating to past capital programmes. This sum does not form part of our day-to-day operating expenditure and so a more representative assessment of our financial performance for 2015/2016 is best obtained by looking at the surplus or deficit on our unrestricted general funds.

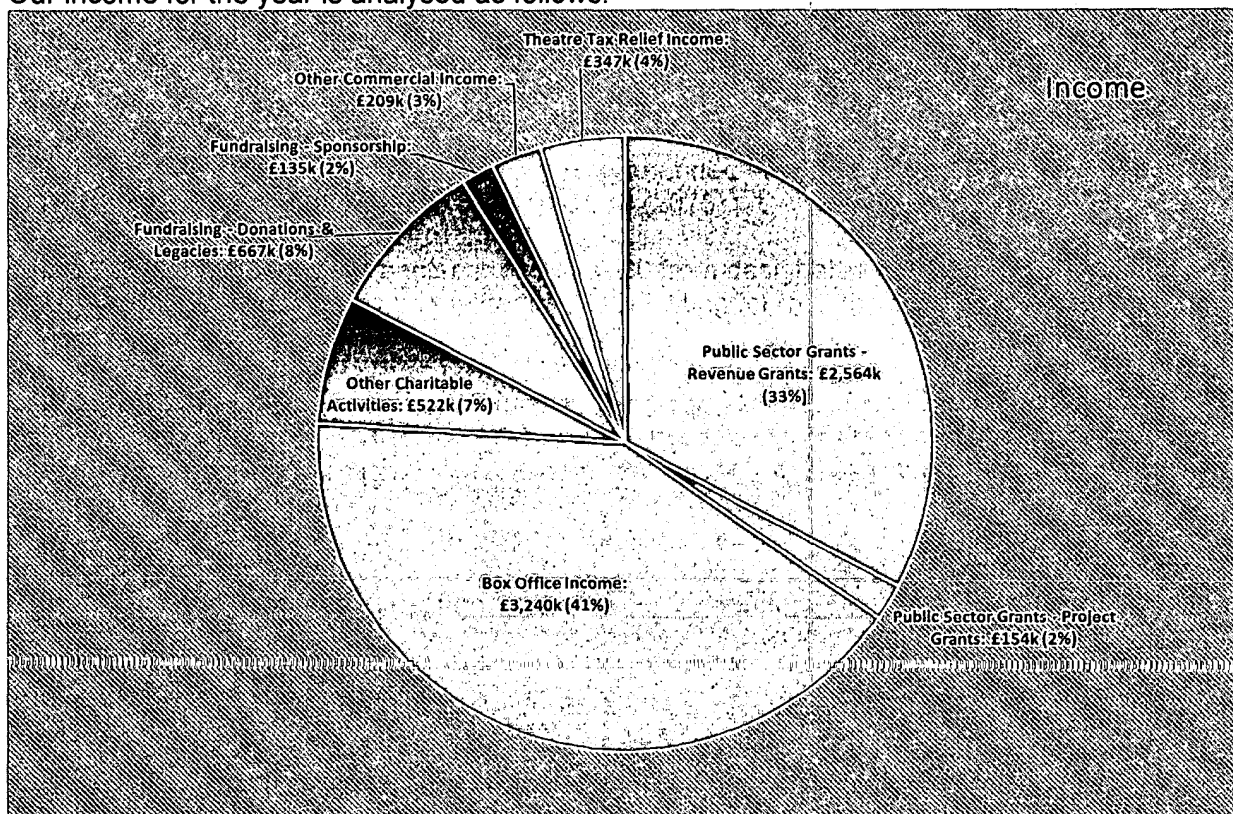
The movement in general funds shows a modest net decrease (deficit) of £15,000 for the year. This compares with a net increase of £1,013,000 (2015).

This 2015 result includes a transfer in of £424,000 from designated funds, being a reallocation of available funds not already committed. After adjusting for this, the comparable figure for 2015 is a net increase of £589,000.

The disparity primarily reflects fluctuations in box office income. Box office income is highly sensitive, dependent on the nature of the programme and the popularity of the work produced, one production failing to reach or exceeding its target can have an immediate six-figure impact.

Box office in 2015/16 fell £150,000 below target. Year on year box office income showed a reduction from £3,690,000 (2014/15) to £3,240,000 (2015/16). Fortunately this does not reflect a trend; in 2014/15 we had exceptional ticket sales, exceeding target by £200,000, and since September 2016 ticket sales have again been extremely strong and over target.

Our income for the year is analysed as follows:



Royal Exchange Theatre Company Limited

STRATEGIC REPORT (continued)

Income from public sector grants (note 1) consists of revenue grants and project grants. Our revenue grants are from the Arts Council of England (£2,332,000) and from the Association of Greater Manchester Authorities (AGMA) of £232,000. Arts Council England has designated the Royal Exchange as a National Portfolio Organisation, and has confirmed three-year funding through to March 2018. Grant funding from AGMA has been agreed in principle through to March 2018, however these awards are subject to annual and also in-year review.

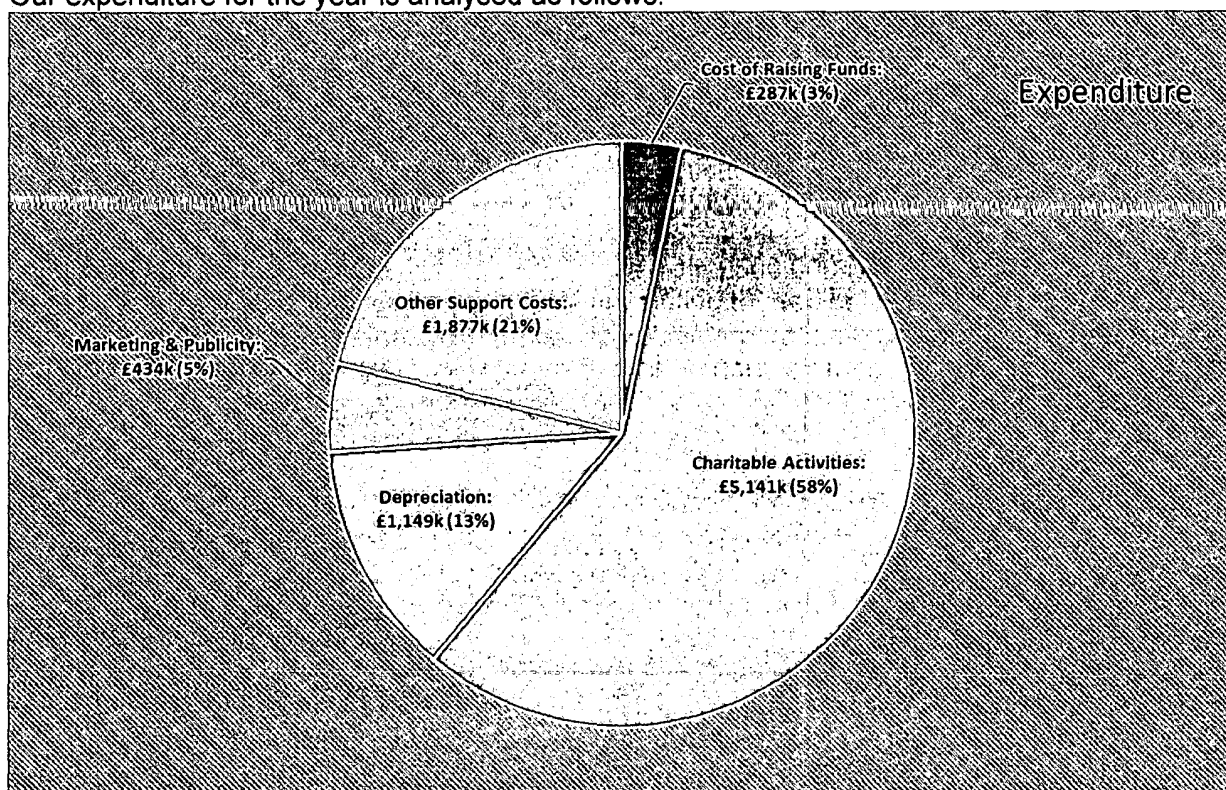
Project grants (also note 1) for the year include Arts Council England grants to support the tour of Britannia Waves the Rules (£45,000) and to support the Royal Exchange's participation in We're Here Because We're Here (£103,000.) Both grants were restricted income and were spent during the year.

Income from donations and legacies (note 2) rose from £500,000 (2015) to £667,000 (2016) because of successes in fundraising campaigns relating to the Theatre's 40th anniversary. We also generated £135,000 of income from sponsorship/corporate members (2015: £149,000), included within "income earned from other activities" in note 4, giving an overall fundraised total of £802,000, compared with a figure of £649,000 in 2015. Related costs of raising funds were £257,000 (2015: £208,000), before the allocation of support costs (see note 6.)

Income from charitable activities (note 3) fell from £4,266,000 (2015) to £3,762,000 (2016) primarily because of lower box office income as noted above.

Theatre Tax Relief income increased from £280,000 (2015) to £347,000 in 2016, as we could claim on more productions.

Our expenditure for the year is analysed as follows:



Royal Exchange Theatre Company Limited

STRATEGIC REPORT (continued)

Total expenditure rose from £8,532,000 to £8,888,000, primarily due to planned increased investment in the quality of our artistic programme, much of which was supported by Restricted funds, e.g. We Are Here Because We're Here which had additional funding of £103,000.

Expenditure on charitable activities (note 7) rose from £4,801,000 to £5,141,000 (before support costs) due to higher levels of activity, much of which was supported by Restricted funds.

Costs of raising funds (note 6) increased from £221,000 to £287,000 (before support costs) because of investment in our fundraising staff and campaigns to generate the increased fundraising returns referred to in the Income section of this report.

Governance and support costs (note 8) fell slightly from £3,510,000 in 2015 to £3,460,000 in 2016. These include expenditure on management and maintenance of the building, including insurance and energy costs, marketing, finance, HR, governance, IT and other administrative costs. They also include the substantial depreciation costs referred to previously (total of £1,148,000) most which are charged to Restricted or Designated funds.

Our net assets reduced from £11,071,000 as at 31st August 2015 to £10,021,000 as at 31st August 2016, because of depreciation on our fixed assets - see Balance Sheet.

Our cash balance rose from £1,255,000 at the end of 31st August 2015 to £1,522,000 as at 31st August 2016. This was primarily due to strong advance ticket sales for our Autumn/Winter 2016 season, which is accounted for as deferred income within creditors. This also largely explains the rise in our creditors from £1,143,000 (2015) to £1,537,000 (2016) – see Balance Sheet.

As at 31st August 2016, the balance on Group funds was £10,021,000 (2015: £11,071,000). The balance on Unrestricted funds at the year-end was £1,571,000 (2015: £1,609,000).

Key risks and uncertainties

The financial climate continues to be challenging, as with revenue funding from public sector grants at standstill there is an ever-increasing need for us to maximise our self-generated income from all sources but especially box office and to review and control our cost base.

The board is very alive to the major risks to which we are exposed and an extensive risk register is maintained and reviewed and systems established to mitigate those risks. We assess all risks, and quantify the likelihood of these risks occurring, and the potential impact of these risks.

Three areas are identified as high risk:

- Standstill revenue grant funding (representing a reduction in real terms). We aim to mitigate this risk through the continuing excellence of our programme, including our Studio and education work, and ongoing dialogue with our funding bodies. In addition, we are seeking to grow and diversify our fundraising income, increase our commercial income and to control our cost base.
- Fluctuations in income from ticket sales. We endeavour to achieve ticket sales income at the required level by ensuring that we present a programme that will prove attractive to our potential audience, maintaining our high standard of productions, and implementing audience development initiatives. We also seek to maximise income by dynamic pricing (increasing the price of tickets on popular shows) while ensuring that we also make available tickets at lower prices to ensure accessibility.
- Shortfalls in income from fundraising. We have invested in our fundraising team and have already seen resultant growth in this income stream. We have a detailed fundraising plan, with targets benchmarked against Arts Council England research into performance within the sector, and we monitor progress against these targets on a regular basis.

Royal Exchange Theatre Company Limited

STRATEGIC REPORT (continued)

Reserves policy

Our available reserves are calculated as Unrestricted funds not already invested in fixed assets, or irrevocably committed for other purposes – i.e. the group's net current assets held within Unrestricted Funds (see note 19). As noted a challenging year at box office, combined with an increase in the level of our fixed assets held within unrestricted funds, has resulted in an erosion of our unrestricted funds and as at 31 August 2016, the Royal Exchange had £242,000 (2015: £358,000) of available reserves.

Our reserves policy is designed to provide available financial reserves for the following reasons:

- to absorb potential box office shortfalls
- to cover significant unbudgeted costs (e.g. investment in new areas of artistic activity, one-off costs of organisational change)
- to ensure that we have sufficient resources for capital replacement, as our likely annual capital expenditure over the next few years is expected to exceed our annual depreciation charge

We have quantified the sums needed for each reason (box office shortfalls, significant additional costs and capital expenditure) whilst also considering that these needs are unlikely to all occur simultaneously. Overall, we believe that a figure of £600,000 of available reserves should be sufficient to cover these requirements. Accordingly, we have developed a financial plan that will, if achieved, build our available reserves up to the target level of £600,000 by August 2019.

Going concern

We have set out above a review of our financial performance and reserves position. We currently have adequate financial resources, and our planning process, which includes financial projections, has taken into account the current economic climate and likely levels of funding support. The Royal Exchange Theatre places significant reliance on Arts Council England grant funding in order to balance income and expenditure on an annual basis and trustees assume that this funding – which is currently confirmed until March 2018 - will continue beyond this date following planning advice from Arts Council of standstill annual funding for 2018-22. Trustees therefore believe that the Royal Exchange Theatre will continue in operational existence for the foreseeable future and, based on future financial forecasts to March 2018, will be in a position to continue to meet its liabilities as they fall due for at least twelve months from signing these financial statements. The accounts have therefore been prepared on the basis that the charity is a going concern.

PLANS FOR FUTURE PERIODS

Our plans are to continue to reimagine our purpose as a world-class local theatre with national and international reach, listening to and learning from the communities in Greater Manchester (GM), especially those with whom we are least engaged, while supporting the widest range of artists to make their best work and take bolder risks.

The key outcomes we are seeking to contribute towards are:

1. An increasingly ambitious and diverse programme of new theatre for new audiences, that supports artistic risk and boldly reimagines the relationship a producing theatre has with its communities, especially those least engaged.
2. The optimum conditions and opportunities for next generation artists and companies enabling the most talented artists to make their best work here: for, with, and by the people of GM.
3. A diverse and thriving theatre community and culture in the North West, and further development of GM as a national and international hub of theatre excellence.

Royal Exchange Theatre Company Limited

STRATEGIC REPORT (continued)

To deliver these outcomes our programme will consist of around 15 new productions/projects each year ranging in scale from a Young Company outcome to a major main stage musical. At the heart of this will be our commitment to bold theatre making, risk-taking and under-represented artists and stories.

Our Autumn/Winter season for 2016/17 reflects this as a strong and varied programme of work in both our large theatre space and in the Studio, including a revival of **A Streetcar Named Desire** by Tennessee Williams, with Maxine Peake; the world premiere of **Wish List** by Katherine Soper (winner of the 2015 Bruntwood Prize for playwriting); **Breaking The Code** by Hugh Whitmore; our Christmas musical **Sweet Charity**; and a co-production with Graeae Theatre Company of **The House of Bernarda Alba** by Federico Garcia Lorca. The season also features **Birth** (a global festival of theatre and debate, featuring new plays by seven playwrights from across the globe).

We are also beginning to explore, in collaboration with our audiences, the possibility of a major capital redevelopment plan in three to four years' time.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Royal Exchange Theatre Company Limited, whose registered office is situated at St Ann's Square, Manchester is a charitable company limited by guarantee and governed by its Memorandum and Articles of Association.

Each member undertakes to contribute £1 to the assets of the company in the event of a winding up.

Directors and Trustees

The trustees of the company who were in office during the year were:

Ben Caldwell * (Chair)
Tania Black
Cllr Alistair Cox (resigned 21 March 2016)
Peter Folkman * (resigned 27 June 2016)
Anthony Gordon
Sinead Greenaway *
Cllr Ann-Marie Humphreys
Mike Hutchins (resigned 25 September 2015)
Cllr James King (resigned 27 June 2016)
Jean Oglesby
Jennifer Raffle * (Chair Finance Committee)
Caroline Roberts-Cherry
Geoffrey Shindler *
Martyn Torevell *
Hon Alderman Keith Whitmore (resigned 27 June 2016)

Trustees whose names are appended with an asterisk (*) are also members of the company's Finance and Scrutiny committee, which is chaired by Jennifer Raffle.

AGMA (the Association of Greater Manchester Authorities) is entitled to appoint two members of our Board. They were Cllr Alistair Cox and Cllr Ann-Marie Humphreys.

Royal Exchange Theatre Company Limited

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

In accordance with the Articles of Association, Anthony Gordon, Cllr Ann-Marie Humphreys, Jennifer Raffle and Martyn Torevell retire by rotation and, being eligible, offer themselves for re-election.

We are grateful for the service of Alistair Cox, Peter Folkman, Keith Whitmore and Jim King. All of them have been granted the title of Honorary Members.

Recruitment and appointment of trustees

Trustees are recruited and appointed as and when required to maintain or enhance the range of expertise of the Board. They are appointed on an initial fixed term of three years, which may be extended by a maximum of another three years. This ensures that the composition of the Board is refreshed on a regular basis.

Opportunities for Trustees are advertised publicly and all new trustees are given induction into the Royal Exchange.

Governance and Management

The Governing Body of the Royal Exchange Theatre Company is the Board whose members are non-executive and unpaid. The Board retains full and effective control of the Company, with approval for all major strategic decisions and has ultimate responsibility for the conduct of the Company and its financial stability.

The Board meets four times each year and is supported by the Finance and Scrutiny committee, which also meets quarterly. Both the Board and its sub-committee receive agenda and papers in advance. Terms of reference set out the key decisions which must be approved by the Board and/or the Finance and Scrutiny committee, including approval thresholds for any large or exceptional items of expenditure.

The Board delegates day-to-day control of the Royal Exchange to Artistic Director Sarah Frankcom and Executive Director Mark Dobson (who replaced Fiona Gasper during the year), both of whom attend meetings of the Board, together with Barry James (Director of Finance and Administration).. It is their responsibility to ensure that the management of the Company is efficient, effective and run in accordance with good business practice. The Board monitors their performance, and reviews the quality, effectiveness and timeliness of all information provided to the Board. The Board appoints members of the Executive and determines their contracts of employment.

The Company is divided into seven departments each led by a senior manager who collectively with the executive form the Senior Management Team (SMT).

Note that 'Director' is a traditional title for the above senior posts in our sector, but they are not directors under the Companies Act, nor are other members of the senior management team whose title includes the word 'director'.

Pay and remuneration of the charity's key management personnel are benchmarked against peer organisations, reviewed annually following annual appraisal and approved by the Board.

The Board has access to independent professional advice should it be required, at the Company's expense. The affairs of the Company are subject to continuous scrutiny by Arts Council England, which can attend our Board meetings as an observer, and undertakes an annual review of our work. Similarly, our other funder (Association of Greater Manchester Authorities) also appraises our work annually.

Royal Exchange Theatre Company Limited

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Relationship with other charities, organisations and related parties

Royal Exchange Theatre Company Limited has two subsidiary companies; Royal Exchange Theatre Catering Limited, which is responsible for the theatre's catering facilities and gift-aids profits made to its parent company, and Exchange Productions Limited, which acts as a production company for some of the Royal Exchange Theatre's productions.

Royal Exchange Theatre Company Limited also has two branches: The Royal Exchange Theatre Appeal Fund, a trust which undertakes fundraising activities and uses these funds to make grants to the theatre charity, and Royal Exchange Theatre Trustees Limited, which holds the leases for the Theatre's properties.

Royal Exchange Theatre Company Limited

TRUSTEES' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The trustees (who are also directors of Royal Exchange Theatre Company for the purposes of company law) are responsible for preparing the Trustees' Annual Report (including the Strategic Report) and the financial statements in accordance with applicable law and regulation.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Statement of Recommended Practice: Accounting and Reporting by Charities (2015);
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to auditors

Each of the persons who are trustees at the date of approval of this report confirm that:

- (a) so far as the trustee is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he/she has taken all the steps that he/she ought to have taken as a trustee to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

A resolution to reappoint PricewaterhouseCoopers LLP will be proposed at the Annual General Meeting.

The Trustees' report, including the Strategic Report (pages 5 -14) was approved by the Board of Trustees on 27th March 2017.

On behalf of the Trustees



Ben Caldwell (Chair)

Independent auditors' report to the members of Royal Exchange Theatre Company Limited

Report on the financial statements

Our opinion

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 August 2016 and of the group's incoming resources and application of resources, including its income and expenditure and the group's cash flows 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.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements and parent charitable company financial statements (the "financial statements"), which are prepared by Royal Exchange Theatre Company Limited, comprise:

- the group and parent charitable company balance sheets as at 31 August 2016;
- the consolidated statement of financial activities for the year then ended;
- the consolidated cash flow statement for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate 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.

We have no exceptions to report arising from this responsibility.

Trustees' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of trustees' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Royal Exchange Theatre Company Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the trustees

As explained more fully in the Trustees' Responsibilities Statement, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the charity's members and trustees as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the trustees; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Nicholas Boden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
4th April 2017

Consolidated Statement of Financial Activities for the year ended 31 August 2016

		2016	2016	2016	2016	2015
	Note	Unrestricted (general) funds £'000	Unrestricted (designated) funds £'000	Restricted funds £'000	Total funds £'000	Total funds £'000
INCOME						
Income from public sector grants	1	2,564	-	154	2,718	2,571
Income from donations and legacies	2	214	-	453	667	500
Income from charitable activities	3	3,742	-	20	3,762	4,266
Income from other trading activities						
Commercial trading operations	4	334	-	-	334	298
Investment income	5	10	-	-	10	14
Total income		6,864	-	627	7,491	7,649
EXPENDITURE						
Cost of raising funds from commercial trading operations and donations/legacies.	6	(347)	(1)	(24)	(372)	(308)
Expenditure on charitable activities	7	(6,814)	(87)	(1,615)	(8,516)	(8,224)
Total expenditure		(7,161)	(88)	(1,639)	(8,888)	(8,532)
Net income/(expenditure) and net movement in funds for the year		(297)	(88)	(1,012)	(1,397)	(883)
Transfer between funds		(65)	65	-	-	-
Net income/(expenditure) after transfers		(362)	(23)	(1,012)	(1,397)	(883)
Theatre tax relief income		347	-	-	347	280
Net movement in funds		(15)	(23)	(1,012)	(1,050)	(603)
Fund balance at 01 Sep 2015		924	685	9,462	11,071	11,674
Fund balances at 31 August 2016		909	662	8,450	10,021	11,071

The statement of financial activities includes all gains and losses recognised in the current or previous years.

There is no difference between the results for the financial years stated above and their historical cost equivalents.

All incoming resources and resources expended above relate to continuing operations.

Royal Exchange Theatre Company Limited

Balance Sheets as at 31 August 2016

	Note	Group		Company	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
Fixed assets					
Tangible assets	13	9,125	10,092	9,125	10,092
Investments	14	-	-	-	-
		9,125	10,092	9,125	10,092
Current assets					
Stocks	15	20	29	20	29
Debtors	16	891	838	891	746
Cash at bank and in hand		1,522	1,255	1,493	1,255
		2,433	2,122	2,404	2,030
Creditors: amounts falling due within one year	17	(1,537)	(1,143)	(1,529)	(1,118)
Net current assets		896	979	875	912
Total assets less current liabilities		10,021	11,071	10,000	11,004
Net assets		10,021	11,071	10,000	11,004
The funds of the charity	18/19				
Restricted income funds		8,450	9,462	8,450	9,462
Designated income funds		662	685	662	685
Unrestricted income funds		909	924	888	857
Total charity funds		10,021	11,071	10,000	11,004

The financial statements on pages 20 to 41 were approved and authorised for issue by the Board of Trustees on 27 March 2017 and signed on their behalf by:



Ben Caldwell
Chairman

Royal Exchange Theatre Company Limited
Company registration number: 927203

Royal Exchange Theatre Company Limited

**Consolidated Cash Flow Statement
for the year ended 31 August 2016**

	Note	2016 £'000	2015 £'000
Net cash (outflow)/inflow from operating activities	20	438	(620)
Returns on investment and servicing of finance			
Interest received		10	14
Capital expenditure and financial investment			
Purchase of fixed assets	13	(181)	(187)
Increase in cash		267	(793)
Reconciliation of net cash flow to movement in net funds:			
Net funds at the beginning of year		1,255	2,048
Increase/(Decrease) in cash		267	(793)
Net funds at the end of year		1,522	1,255

Royal Exchange Theatre Company Limited

Accounting Policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards in the United Kingdom and on a going concern basis, which follows the recommendations in Charities SORP (FRS102) 2015 and in accordance with FRS102. The basis of preparation of these financial statements has taken due account of the Companies Act 2006 and Charities Act 2011.

The Royal Exchange Theatre places significant reliance on Arts Council England grant funding in order to balance income and expenditure on an annual basis and trustees assume that this funding – which is currently confirmed until March 2018 - will continue beyond this date following planning advice from Arts Council of standstill annual funding for 2018-22. After making enquiries, the Trustees therefore believe that the Royal Exchange Theatre will continue in operational existence for the foreseeable future, and that, based on future financial forecasts and on the current available cash reserves of the group, the organisation will be in a position to continue to meet its liabilities as they fall due for at least twelve months from signing these financial statements. The accounts have therefore been prepared on the basis that the charity is a going concern.

The principal accounting policies of the group have remained unchanged from the previous year. The key accounting policies are set out below.

Basis of consolidation

The financial statements of the charitable company incorporate those of all funds and branches as required by the Charities SORP (2015) on a line by line basis. Therefore this shows the financial affairs of the Royal Exchange Theatre Company Limited, together with its branches Royal Exchange Theatre Appeal Fund, and Royal Exchange Theatre Trustees Limited.

The group financial statements consolidate those of the charitable company (listed above) and of its subsidiary undertakings drawn up to 31 August 2016 on a line by line basis. These subsidiaries are Royal Exchange Theatre Catering Limited and Exchange Productions Limited.

All intra-group balances and transactions are eliminated on consolidation.

Accounting policies are consistent throughout the group.

Income from public sector grants

Revenue grants are credited as incoming resources when they are receivable provided the conditions for receipt have been complied with, unless they relate to a specified future period, in which case they are deferred.

Grants for the purchase of fixed assets are credited to restricted incoming resources when receivable. Depreciation of the fixed assets purchased with such grants is charged against the restricted fund.

Grants and related income subject to pre-conditions for use have been deferred to be released to the statement of financial activities as the pre-conditions are satisfied.

Income from donations and legacies

All monetary donations and gifts are included in full in the statement of financial activities when receivable, provided that there are no donor-imposed restrictions as to the timing of the related expenditure, in which case recognition is deferred until the pre-condition has been met. Legacies to which the charitable company is entitled are included in the statement of financial activities unless they are incapable of measurement.

Investments donated to the company during the year are included in income at the mid-market value at the date of the donation. Subsequent unrealised and realised gains or losses on the value of the investments are shown separately in the Statement of Financial Activities. Donations under Gift Aid together with the associated income tax recoveries are credited as income when the donations are received.

Donated services and facilities are included at the value to the charity where this can be quantified. No amounts are included in the financial statements for time donated by volunteers.

Royal Exchange Theatre Company Limited

Accounting Policies (continued)

Income from charitable activities comprises ticket sales for performances at the Royal Exchange, co-production income in respect of Royal Exchange productions, income for Royal Exchange tours, plus income from other artistic activities including education, craft shop and costume hire. Income relating to productions is deferred until the relevant performances have taken place.

Income from commercial trading operations comprises income generated from sponsorship, corporate membership and other income-generating activities. Membership and sponsorship income is recognised on a straight-line basis over the relevant period.

Investment income comprises interest receivable on cash balances held in interest-bearing accounts and is recognised on an accruals basis.

Theatre tax relief income represents income due from HMRC in respect of Theatre Tax Relief relating to productions that took place during the year. This income is recognised on a receivable basis.

Cost of raising funds from commercial trading operations and donations/legacies comprise costs relating to income generated from sponsorship, corporate membership and other income-generating activities.

Resources expended relating to charitable activities are analysed as follows:

Costs of performances comprise the costs of all Royal Exchange productions and those of visiting companies presented in the Main House, the Studio and on tour.

Costs incurred in relation to scenery materials, costumes and props and production costs for future productions are prepaid and released to the Statement of Financial Activities in the year in which the first night of the related production takes place.

Expenditure on charitable activities consist of costs relating to other artistic activities including education, the craft shop and costume hire.

All expenditure is accounted for on an accruals basis.

Provision has been made, where appropriate, for relevant expenses where a present obligation exists at the balance sheet date in accordance with the requirements of FRS 102.

Tangible fixed assets

Tangible fixed assets are stated at cost of acquisition, including costs that are directly attributable to bringing the assets into working condition for their intended use, less depreciation to date. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The periods applicable are as follows:

Leasehold improvements	Over the period of the lease
Freehold and long leasehold buildings	50 years
Short leasehold buildings	Over the period of the lease
Fixtures, fittings and equipment	4-10 years

Expenditure on tangible fixed assets in excess of £2,000 is capitalised.

Stocks

Stocks consist of goods for re-sale and are valued at the lower of cost and net realisable value.

Accounting Policies (continued)

Fund accounting

Restricted funds are to be used for specified purposes laid down by the donor. Expenditure for those purposes is charged to the fund

Unrestricted funds are donations and other incoming resources received or generated for expenditure on the general objectives of the charity.

Designated funds are unrestricted funds which have been designated for specific purposes by the trustees.

Taxation

The Charity is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes

VAT (Value added tax)

Income and expenditure is stated net of VAT to the extent that it is recoverable.

Operating leases

As lessee – Rents payable under operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term.

As lessor – Freehold buildings leased to customers under operating leases are included within fixed assets. Income from such leases is taken to the Statement of Financial Activities evenly over the period of the operating lease agreement on a straight line basis.

Pensions

The Royal Exchange theatre operates a group personal pension plan. The assets of the scheme are held in a separately administered fund. The pension costs charged to the Statement of Financial Activities represent the amount of contributions payable to the schemes by the charitable company in respect of the accounting period.

Royal Exchange Theatre Company Limited

Notes forming part of the Financial Statements

1 Income from public sector grants

	2016 Unrestricted £'000	2016 Restricted £'000	2016 Total £'000	2015 Total £'000
Grants receivable:				
Arts Council England (ACE) revenue funding	2,332	-	2,332	2,332
Association of Greater Manchester Authorities (AGMA) revenue funding	232	-	232	232
ACE Touring funding	-	45	45	4
ACE Lottery funding	-	103	103	-
Other ACE funding	-	-	-	1
MCC apprenticeship grant	-	6	6	2
	2,564	154	2,718	2,571

ACE Touring funding of £45k is in respect of our tour of Britannia Waves the Rules.

ACE Lottery Funding of £103k is in respect of the first World War project, We're Here Because We're Here.

2 Income from donations and legacies

	2016 Unrestricted £'000	2016 Restricted £'000	2016 Total £'000	2015 Total £'000
Gifts	199	453	652	500
Donated services	15	-	15	-
	214	453	667	500

Notes forming part of the Financial Statements (continued)

3 Income from charitable activities

	2016 Unrestricted £'000	2016 Restricted £'000	2016 £'000	2015 £'000
Box office income from performances				
Box office income - own productions	3,160	-	3,160	3,614
Box office income - other	80	-	80	76
	3,240	-	3,240	3,690
 <i>Participation & learning income</i>	 40	 -	 40	 60
New writing activities income	8	19	27	4
Other artistic activities	160	1	161	190
Costume hire, craft shop & programmes	294	-	294	322
	502	20	522	576
 Total	 3,742	 20	 3,762	 4,266

Royal Exchange Theatre Company Limited

Notes forming part of the Financial Statements (continued)

4 Income from commercial trading operations

	2016 £'000	2015 £'000
Sponsorship and fundraising	80	112
Corporate members	55	37
Operations of trading subsidiaries	78	84
Miscellaneous income	121	65
Total	334	298

Miscellaneous income includes income from other sources not included elsewhere, including hire income and insurance receipts.

5 Investment income

	2016 £'000	2015 £'000
Income from bank deposits	10	14

6 Costs of raising funds from commercial trading operations and donations/legacies

	2016 £'000 Unrestricted	2016 £'000 Designated	2016 £'000 Restricted	2016 £'000 Total	2015 £'000 Total
Sponsorship and corporate members	257	-	-	257	208
Other costs	30	-	-	30	13
Total before support costs	287	-	-	287	221
Support costs reallocated	60	1	24	85	87
Total	347	1	24	372	308

Royal Exchange Theatre Company Limited

Notes forming part of the Financial Statements (continued)

7a Charitable expenditure: analysis by fund type

	2016 £'000 Unrestricted	2016 £'000 Designated	2016 £'000 Restricted	2016 £'000 Total	2015 £'000 Total
Artistic and creative	677	-	-	677	649
Performers and stage management	988	-	-	988	921
Production costs	1,709	32	230	1,971	1,873
Customer services	434	-	-	434	407
Participation & learning	291	-	166	457	392
New writing and talent development	68	-	226	294	178
Other artistic activities	68	-	-	68	122
Costume hire, craft shop and programmes	252	-	-	252	259
Total before support costs	4,487	32	622	5,141	4,801
Support costs re-allocated (see note 8)	2,327	55	993	3,375	3,423
Total	6,814	87	1,615	8,516	8,224

7b Charitable expenditure: analysis by activity

	2016 £'000 Cost of performances	2016 £'000 Other Charitable Activities	2016 £'000 Total	2015 £'000 Total
Artistic and creative	677	-	677	649
Performers and stage management	988	-	988	921
Production costs	1,971	-	1,971	1,873
Customer services	434	-	434	407
Participation & learning	-	457	457	392
New writing and talent development	-	294	294	178
Other artistic activities	-	68	68	122
Costume hire, craft shop and programmes	-	252	252	259
Total before support costs	4,070	1,071	5,141	4,801
Support costs re-allocated (see note 8)	2,942	433	3,375	3,423
Total	7,012	1,504	8,516	8,224

Notes forming part of the Financial Statements (continued)

8 Analysis of governance and support costs

	Support costs £'000	Governance costs £'000	2016 Total £'000	2015 Total £'000
Costs of raising funds	85	-	85	87
Costs of performances	2,928	14	2,942	2,987
Other charitable activities	431	2	433	436
Subtotal – charitable activities	3,359	16	3,375	3,423
Total	3,444	16	3,460	3,510

Support costs include building management and maintenance, cleaning, security, related premises overheads (e.g. rates, electricity), depreciation, marketing, finance, IT and other administrative services.

All support costs have been allocated based upon a management review of the estimated usage, split 2.5% to costs of raising funds, 85% to costs of performances and 12.5% to other charitable activities.

9 Net income for the year

Net income is stated after charging	2016 £'000	2015 £'000
Auditors remuneration	16	16
Depreciation of tangible fixed assets (owned)	1,148	1,071

Royal Exchange Theatre Company Limited

Notes forming part of the Financial Statements (continued)

10 Operations of trading subsidiaries

A summary of the results of the company's trading subsidiaries are set out below.

	2016 £'000	2015 £'000
Royal Exchange Theatre Catering Limited		
The income and expenditure of the subsidiary were:		
Turnover	78	84
Cost of sales	-	-
Gross profit	78	84
Payment under gift aid	(78)	(84)
Retained in subsidiary	-	-
The net assets and liabilities of the subsidiary were:		
Current assets	28	70
Creditors due within one year	(124)	(166)
Total net assets	(96)	(96)
Share capital and reserves	(96)	(96)
Exchange Productions Limited		
The income and expenditure of the subsidiary were:		
Turnover	2,806	2,355
Cost of sales	(3,153)	(2,635)
Gross profit	(347)	(280)
Theatre tax relief	347	280
Retained in subsidiary	-	-
The net assets and liabilities of the subsidiary were:		
Current assets	348	320
Creditors due within one year	(350)	(322)
Total net assets	(2)	(2)
Share capital and reserves	(2)	(2)

Royal Exchange Theatre Company Limited

Notes forming part of the Financial Statements (continued)

11 Staff costs

	2016 £'000	2015 £'000
Wages and salaries	2,874	2,789
Social security costs	226	226
Pension costs	48	48
Termination payments	22	38
	3,170	3,101

The average number of permanent employees of the group during the year was as follows:

	2016 Number	2015 Number
Full time employees	79	83
Part time employees	51	51
	130	134

	2016 Number	2015 Number
The number of full time equivalent employees was:	96	100

Full time equivalent employees fell into the following categories:

	2016 Number	2015 Number
Generating funds	6	5
Artistic / education / literary	14	14
Production and stage operations	29	33
Other theatre operations	22	22
Support activities	12	12
Management and administration	5	6
Ushers	8	8
	96	100

Notes forming part of the Financial Statements (continued)

11 Staff costs (continued)

The number of employees with emoluments greater than £60,000 was as follows:

	2016 Number	2015 Number
£70,001 - £80,000	1	2

The key management personnel of the parent charity comprise the trustees, the Artistic Director, Executive Director, Associate Artistic Director, Director of Finance and Administration, Senior Producer, Head of Production, Operations Director, Director of Engagement, Director of Marketing and Development Director.

The total emoluments and employee benefits of the key management personnel of the Company were £508,914 (2015: £542,107).

The key management personnel of the group are the same as those of the parent charity.

No trustees of the company received any remuneration during the year or in the previous year. Expenses for travel and entertainment totalling £499 (2015 £25) were incurred by three trustees (2015: one trustee) wholly and necessarily on RET's business and were reimbursed during the year. Trustees are offered two tickets on Press Night for each main production to enable them to carry out their duties.

12 Results of the charitable company

The Company has taken advantage of Section 408 of the Companies Act 2006 and not included its own income and expenditure account in these financial statements. The net outgoing resources for the Company (including its branches) for the year was £1,004,000 (2015: £604,000)

Royal Exchange Theatre Company Limited

Notes forming part of the Financial Statements (continued)

13 Fixed assets – Group and Company

	Freehold and long leasehold buildings £'000	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Short leasehold buildings £'000	Total £'000
Cost					
At 1 September 2015	308	26,009	4,093	1,500	31,910
Additions	-	-	181	-	181
Disposals	-	-	-	-	-
At 31 August 2016	308	26,009	4,274	1,500	32,091
Accumulated depreciation					
At 1 September 2015	98	16,854	3,776	1,090	21,818
Depreciation for year	5	1,001	82	60	1,148
Depreciation on disposals	-	-	-	-	-
At 31 August 2016	103	17,855	3,858	1,150	22,966
NBV at 31 August 2016	205	8,154	416	350	9,125
NBV at 1 September 2015	210	9,155	317	410	10,092

14 Fixed asset investments - Company

	2016 Cost	2015 Cost
Shares in subsidiary undertakings	£101	£101
Shares in mixed motive investment	£1	-
Total	£102	£101

Investments in subsidiaries:

	Class of shares	Proportion of NV held	Nature of business
Royal Exchange Theatre Catering Limited	£1 ordinary	100%	Operation of theatre bars & café
Exchange Productions Limited	£1 ordinary	100%	Presentation of productions

Royal Exchange Theatre Company Limited

Notes forming part of the Financial Statements (continued)

14 Fixed asset investments – Company (continued)

Investments in mixed motive investments:

	Class of shares	Proportion of NV held	Nature of business
Lear the Film Limited	£1 ordinary	33.3%	Film production company

15 Stocks

	2016 (Group and Company) £'000	2015 (Group and Company) £'000
Craft Centre stock	19	25
Green Room stock	1	1
Ticket stock	-	3
	20	29

16 Debtors

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Trade debtors	60	135	60	25
Other debtors	155	53	155	51
Prepayments	326	370	326	370
Accrued income	3	-	3	-
Amounts due in relation to tax relief	347	280	-	-
Amounts due from subsidiaries	-	-	347	300
	891	838	891	746

Royal Exchange Theatre Company Limited

Notes forming part of the Financial Statements (continued)

17 Creditors: amounts falling due within one year

	Group 2016 £'000	Group 2015 £'000	Company 2016 £'000	Company 2015 £'000
Trade creditors	183	235	183	210
Social security & other taxes	64	67	61	67
Other creditors	105	109	105	109
Pension contributions	9	8	9	8
Accruals	229	251	229	251
Deferred income	947	473	942	473
	1,537	1,143	1,529	1,118

The Arts Council of England has a legal charge over the Royal Exchange Theatre and other freehold and leasehold properties in relation to any amounts due to that body in respect of capital grants made by the Arts Council of England to the Royal Exchange Theatre pre-2000. At 31 August 2016 no amounts fall to be repaid in respect of the grants.

Movement on deferred income due within one year:

	£'000
Brought forward	473
Released in year	(473)
Deferred in year	947
Carried forward	947

Royal Exchange Theatre Company Limited

Notes forming part of the Financial Statements (continued)

18 Analysis of charitable funds - Group

	Balance at 01- Sep-2015	Incoming Resources	Outgoing Resources	Transfers in/(out)	Balance at 31- Aug-2016
	£'000	£'000	£'000	£'000	£'000
Analysis of movements in restricted funds:					
Artistic projects					
Participation and learning	217	208	(166)	-	259
New writing & talent development	81	237	(226)	-	92
Other artistic activities	88	182	(230)	-	40
Total - artistic projects	386	627	(622)	-	391
Long term projects					
Theatre refurbishment project 1997	8,687	-	(997)	-	7,690
Capital project 2013	389	-	(20)	-	369
Total - long term projects	9,076	-	(1,017)	-	8,059
Total restricted funds	9,462	627	(1,639)	-	8,450
Analysis of movements in unrestricted funds:					
General fund	924	7,211	(7,161)	(65)	909
Designated funds					
Artistic funds	32	-	(32)	46	46
Long term projects					
Theatre refurbishment project 1997	341	-	(39)	-	302
Capital project 2013	234	-	(6)	19	247
Capital replacement fund	78	-	(11)	-	67
Total - long term projects	653	0	(56)	19	616
Total unrestricted funds	1,609	7,211	(7,249)	-	1,571
Total Funds	11,071	7,838	(8,888)	-	10,021

Notes forming part of the Financial Statements (continued)

18 Analysis of charitable funds (continued) - Company

	Balance at 01-Sep-2015	Incoming Resources	Outgoing Resources	Transfers in/(out)	Balance at 31-Aug-2016
	£'000	£'000	£'000	£'000	£'000
Analysis of movements in restricted funds					
Artistic projects					
Participation and learning – project funds	217	208	(166)	-	259
New writing & talent development - project funds	81	237	(226)	-	92
Other artistic activities - project funds	88	182	(230)	-	40
Total - artistic projects	386	627	(622)	-	391
Long term projects					
Theatre refurbishment project 1997	8,687	-	(997)	-	7,690
Capital project 2013	389	-	(20)	-	369
Total – long term projects	9,076	-	(1,017)	-	8,059
Total restricted funds	9,462	627	(1,639)	-	8,450
Analysis of movement in unrestricted funds					
General fund	857	7,257	(7,161)	(65)	888
Designated funds					
Artistic funds	32	-	(32)	46	46
Long term projects					
Theatre refurbishment project 1997	341	-	(39)	-	302
Capital project 2013	234	-	(6)	19	247
Capital replacement fund	78	-	(11)	-	67
Total – long term projects	653	0	(56)	19	616
Total unrestricted funds	1,542	7,257	(7,249)	-	1,550
Total Funds	11,004	7,884	(8,888)	-	10,000

Restricted funds

Artistic project funds represent restricted funding and related expenditure in respect of our participation and learning work, new writing programmes, talent development initiatives and other artistic activities

Long-term project funds represent restricted funding and related expenditure in respect of the following capital projects;

The Theatre refurbishment project 1997 fund relates to the major capital project undertaken after the IRA bomb blast in 1996, and covers ongoing depreciation in respect of this.

The Capital project 2013 fund represents funds raised and expended on the Royal Exchange's recent capital project, financed with the support of Arts Council England.

Designated funds

The Artistic project fund represents funds set aside to meet costs of future artistic projects

Long-term project funds represent funds set aside for the Theatre refurbishment project and Capital project 2013 referred to above; and also for a capital replacement fund, being funds previously spent on capital items which are now being depreciated.

Notes forming part of the Financial Statements (continued)

19 Analysis of net assets between funds

Group	2016 Unrestricted	2016 Designated	2016 Restricted	2016 Total Funds
	£'000	£'000	£'000	£'000
Tangible fixed assets	667	480	7,978	9,125
Current assets	1,771	182	480	2,433
Current liabilities	(1,529)	-	(8)	(1,537)
Net current assets	242	182	472	896
Net assets	909	662	8,450	10,021

Group	2015 Unrestricted	2015 Designated	2015 Restricted	2015 Total Funds
	£'000	£'000	£'000	£'000
Tangible fixed assets	566	536	8,990	10,092
Current assets	1,493	149	480	2,122
Current liabilities	(1,135)	-	(8)	(1,143)
Net current assets	358	149	472	979
Net assets	924	685	9,462	11,071

Company	2016 Unrestricted	2016 Designated	2016 Restricted	2016 Total Funds
	£'000	£'000	£'000	£'000
Tangible fixed assets	667	480	7,978	9,125
Current assets	1,742	182	480	2,404
Current liabilities	(1,521)	-	(8)	(1,529)
Net current assets	221	182	472	875
Net assets	888	662	8,450	10,000

Company	2015 Unrestricted	2015 Designated	2015 Restricted	2015 Total Funds
	£'000	£'000	£'000	£'000
Tangible fixed assets	566	536	8,990	10,092
Current assets	1,401	149	480	2,030
Current liabilities	(1,110)	-	(8)	(1,118)
Net current assets	291	149	472	912
Net assets	857	685	9,462	11,004

Notes forming part of the Financial Statements (continued)

20 Cash flow from operating activities

Reconciliation of net outgoing resources to net cash flow from operating activities:

	2016 £'000	2015 £'000
Net outgoing resources from statement of financial activities	(1,050)	(603)
Depreciation charge	1,148	1,136
Decrease in stock	9	3
Decrease / (Increase) in debtors	(53)	(272)
Increase / (Decrease) in creditors	394	(870)
Interest received	(10)	(14)
Net cash (outflow)/inflow from operating activities	438	(620)

21 Analysis of changes in cash and cash equivalents

	2015 £'000	Cash flow £'000	2016 £'000
Cash at bank and in hand	1,255	267	1,522

22 Financial commitments

The group has the following payments due under non-cancellable operating leases which expire as follows:

	2016 £'000	2015 £'000
Within one year	-	3
	-	3

Notes forming part of the Financial Statements (continued)

23 Branches

The branches as defined by the Statement of Recommended Practice: Accounting by Charities, incorporated into the company financial statements are as follows:

			Net (outgoing)/incoming resources		Capital reserves and income funds	
			2016 £'000	2015 £'000	2016 £'000	2015 £'000
Royal Exchange Theatre Appeal Fund			2	(2)	74	72
Royal	Exchange	Theatre	(71)	(71)	541	612
Trustees Limited						

24 Pensions

The group operates a number of defined contribution pension schemes for the benefit of its employees. The assets of the schemes are held in independently administered funds. The contributions paid by the group during the year were £47,531 (2015: £47,302). At 31 August 2016, £9,337 (2015: £7,795) was owed to the scheme.

25 Indemnity insurance

The group has purchased qualifying third party indemnity insurance for the trustees and officers of the group against liability arising for wrongful acts in relation to the group.

26 Related party transactions

The charitable company has relied on the exemption in FRS102 (s33.1A) which does not require the disclosure of transactions between wholly-owned subsidiaries which are consolidated.

Donations from trustees amounted to £148,637 (2015: £122,799). This amount includes both own donations and donations from trusts and companies related to trustees.

A close relative of a trustee was engaged as an actor in a main house production during the year and received fee payments of £6,912, which is in line with the theatre's standard rates of pay.

During the year and post the year-end, Councillors Alastair Cox, Anne Marie Humphreys and Bernard Sharp were elected representatives of local authorities which are major funders of the Royal Exchange Theatre.

27 First Time Adoption of FRS 102

This is the first year that the company has presented its results under FRS 102. The last financial statements under the UK GAAP were the period ended 31 August 2015. The date of transition was 1 September 2014.

There was no significant impact on equity at 01 September 2014, 31 August 2016 or 31 August 2015 or the profit and loss for the periods then ended, as a result of the transition.