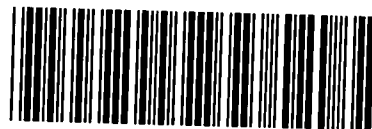


**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

**TRUSTEES' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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31/01/2019  
COMPANIES HOUSE

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

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**CONTENTS**

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	Page
<b>Reference and Administrative Details of the Charity, its Trustees and Advisers</b>	<b>1</b>
<b>Trustees' Report</b>	<b>2 - 14</b>
<b>Independent Auditors' Report</b>	<b>15 - 17</b>
<b>Statement of Financial Activities</b>	<b>18</b>
<b>Balance Sheet</b>	<b>19</b>
<b>Statement of Cash Flows</b>	<b>20</b>
<b>Notes to the Financial Statements</b>	<b>21 - 36</b>

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

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**REFERENCE AND ADMINISTRATIVE DETAILS OF THE COMPANY, ITS TRUSTEES AND ADVISERS  
FOR THE YEAR ENDED 31 MARCH 2018**

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**Trustees**

Mehmet Ergen, Chair  
Jack Shepherd, Trustee  
Lynne McKenzie, Trustee  
Gabriel Gbadamosi, Trustee  
Abdullah Tercanli, Trustee

**Company registered number**

05242988

**Charity registered number**

1108613

**Registered office**

24 Ashwin Street  
London  
E8 3DL

**Company secretary and executive producer**

Leyla Nazli

**Chief executive officer**

Ben Todd

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

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**TRUSTEES' REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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The Trustees (who are also directors of the charity for the purposes of the Companies Act) present their annual report together with the audited financial statements of Arcola Theatre Production Company (the company) for the year ended 31 March 2018. The Trustees confirm that the Annual Report and financial statements of the company comply with the current statutory requirements, the requirements of the company's governing document and the provisions of the Statement of Recommended Practice (SORP), applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

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

**Objectives and Activities**

**a. Policies and objectives**

Charitable objectives

The objects for which the Company is formed are to promote, maintain, improve and advance the education and appreciation of the public in the Arts and Sciences. In pursuing these objects, the trustees have considered the Charity Commission's guidance on public benefit, including that related to fee charging.

Vision

Arcola Theatre's vision is of a genuinely radical theatre constantly reinventing itself to respond to, interpret and have relevance to an ever changing contemporary Britain.

**b. Strategies for achieving objectives**

Mission

Arcola Theatre's mission is to imagine and build a theatre that flourishes within a cultural and scientific centre for its diverse local community. One that builds new audiences, generates its own powerful productions, and creates a home for the very best of UK and international theatre companies to visit; whilst simultaneously developing, demonstrating and deploying technologies for a sustainable future.

**c. Activities for achieving objectives**

In putting the above mission into action we have four major areas of activity (discussed in more detail below), which are professional theatre, talent development, promotion of environmental sustainability and venue operations.

**d. Main activities undertaken to further the charity's purposes for the public benefit**

The main activities undertaken can be described in more detail as follows:

Off West End Professional Theatre

This activity includes the producing and receiving of theatre shows in our 200 and 100 seat studios, with a strong focus on socially and politically relevant works and diversity of voices.

Talent Development

This is an extensive programme that includes working with specific groups such as young people, older people, Turkish speaking, BAME and LBGTQ\* communities, as well as the development of specific skills areas such as new writing, facilitator training and general skills development.

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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Environmental Sustainability

Previously an area of extensive work, it is now one of maintaining the highest standards and disseminating best practice.

Venue Operation

An activity that aims to provide a cultural and scientific centre for the local community as well as rehearsal and performance spaces for a wide variety of professional and community uses.

**Achievements and performance**

**a. Key financial performance indicators**

During the year the trustees reviewed the targeted level of the carrying value of the general fund of the organisation. A new increased level of targeted general fund balances of £250k was agreed reflecting increased liabilities of the company due to increased turnover and increased forward programming. Having started the year with free reserves at 102% of the historic target level of £150k, the year end general fund balance of £110,003 represents 44% of the new £250k target.

Income for the year was £1,349,369 (2017: £1,336,681). This included £896,985 from charitable activities (2017: £838,753) and £88,516 of donations (2017: £116,936). Thus 66% of revenue income was earned from charitable activities (2017: 63%), reflecting our continuing focus on reducing reliance on grants and donations. Arts Council England provided £301,738 (22% of income, similar to the previous year).

Expenditure for the year was £1,513,750 including £121,853 of depreciation funded by allocation to the capital fund. Direct spending on professional theatre amounted £441,639, with a further £421,085 spent on staff and facilities to enable the entire professional programme. Direct spending on Talent Development amounted to £37,635 with a further £18,860 spent on associated staff and facilities.

**b. Review of activities**

In order to streamline management processes, we have adopted the planning and reporting frameworks used for our key funder Arts Council England (ACE). This report is thus in a different format to previous years.

Reporting on activities is structured under the following headings:

- ACE Goal 1 - Excellence is thriving and celebrated in the arts, museums and libraries
- ACE Goal 2 - Everyone has the opportunity to experience and be inspired by the arts
- ACE Goal 5 - Every child & young person has the opportunity to experience the richness of the arts
- Resilience – Company Operations & Development

**Goal 1 - Excellence is thriving and celebrated in the arts, museums and libraries**

Continuing our move to longer-runs and deeper engagement with all shows, we have successfully migrated to delivering the majority of shows via an in-house production or co-production model, ensuring more artistic and financial control over the work on our stages.

An increasing number of shows have been rehearsed in the building; rehearsal space is now included in our standard theatre hire agreement. This has enabled more close working with visiting artists and more efficient production processes in house.

Highlights in Studio 1 included Neil Bartlett's adaptation of Camus' The Plague, which received four and five star

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
(A Company Limited by Guarantee)

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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reviews across the board and was one of the most best-selling shows in the theatre's history; a successful revival of Sergio Blanco's critically-acclaimed Thebes Land, winner of the 2016 Off West End Award for Best Production; and the Arcola debut of OperaUpClose, who brought a sweeping new production of Tchaikovsky's Eugene Onegin; the first opera to play a full run outside of Arcola's Grimeborn festival, the production was a critical and box office success.

Studio 2 continued to welcome the most diverse and exciting visiting companies from across the UK. Transfers from the Edinburgh Festival Fringe included one-woman shows Eggismentialism and Hear Me Raw. Callisto: A Queer Epic returned to play a full run.

**Use of self-evaluation**

As of March 2018 our Quality Management System (QMS) which is being rolled-out across all three Arcola companies has been certified by British Standards Institute to ISO9001:2015. Formally the certified scope includes only Arcola Energy activities, but most of the same processes are used in Theatre and we intend to add Theatre activity to the certified scope in 2019-20. This work has been funded by Arcola Energy and led by our full-time Compliance Manager. A fundamental aspect of this is the Plan-Do-Check-Act cycle which is being formalised across all activities, with Self Evaluation as a key tool. Our QMS is part of an Integrated Management System which covers the entire organisation, with further intensive work underway on Health & Safety Management ISO45001, Risk Management ISO31000, Environmental Management ISO14001 and Information & Data Management ISO27001 & BS10012. Implementation of each Management System follows a structured time-bound plan, demanding intensive Self Evaluation of our current activities – strengths, weaknesses and areas for improvement.

Our MANA (Make Art Not Admin) bespoke IT systems continue to expand, which streamline operational management to ensure self-evaluation and continual improvement is embedded in the day to day operations. In 2018 we conceived and won support from Paul Hamlyn Foundation for an intensive 2 year programme of work to design and implement a comprehensive evaluation process for our Community Programmes, the methodologies & tools developed in this programme will be applied across the organisation as part of MANA.

**Talent development**

Our key Talent Development Activities are:

**ArcolaLAB** - free workshop space, informal mentoring and general support for BAMER artists (see Creative Case section below)

**Studio 2** - supporting new artists, producers and companies to stage high-calibre work. We often take significant financial risk on visiting companies / co-productions to enable those without privileged backgrounds to stage work. We also often act as "manager" for these shows, taking responsibility for contracting, payments and providing ad-hoc support as required.

**Participation** - a huge programme of structured training in particular for target groups (see Goal 5). Our Participation-specific skills development strand Consenting Adults included twenty-one courses providing introduction and intermediate training across: acting, directing, physical theatre, accents and dialects, Viewpoints, Shakespeare and writing for both stage and screen. These courses were heavily subsidised to provide provision for those who might not otherwise be able to access it.

Our new writing **Playwrought** programme supported 14 new writers through workshops, dramaturgical support and a full reading with professional actors and invited industry across a week in Studio 2

Arcola is a founding member of the **STAMP Network** - supporting theatre artists and makers of performance.

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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**The Creative Case for Diversity**

We continued to successfully deliver ArcolaLAB - hosting 23 BAMER-led short residencies ranging from 2-12 days and totalling 26 weeks of free space.

We continued to programme original work from diverse voices for full production runs. Highlights included #Hashtag Lightie, Lynette Linton's play about what it means to be mixed race in Britain today (previously developed with Arcola Lab and in Arcola's Creative/Disruption festival). Each performance was followed by a talkback and discussion directly involving a diverse and local audience. Combustion, Asif Khan's new play about young muslims in Bradford, played a successful full run. Kali Theatre brought Naylah Ahmed's new work Ready Or Not, about media coverage of the 'war on terror'. Forward Arena returned with Hal Coase's Callisto: A Queer Epic, an ambitious full-length play looking at LGBT+ experience across space and time. Alongside new work, hot on the heels of Yellow Earth's Tamburlaine, Tangle (an African Caribbean theatre company from South West England) staged Marlowe's Doctor Faustus.

**International**

Arcola's Grimeborn Festival continued to present some of the leading UK and International opera makers. The 2017 Festival included The Monk and The Lotus, a operatic adaptation of the classic Chinese story Zen Master Yu, as well as a new production of Samson and Delilah directed by Turkish director Aylin Bozok.

These Trees Are Made of Blood shone a light on the 'disappeared' people of Argentina's dirty war; Angel revealed the extraordinary true story of the 'Angel of Kobane', who faced down ISIS fighters in modern-day Syria; The Pulverised, a new play about work across borders and multinational capitalism, premiered in the UK following an explosive premiere at the National Theatre of Strasbourg.

Our production of Richard III, starring Greg Hicks, directed by Mehmet Ergen, toured to Spain's 'Clásicos en Alcalá' festival. Germany's Ruhrfestspiele Recklinghausen and the National Theatre of Luxembourg brought Out In Africa to the UK, a new play by Sowetan playwright Mpumelelo Paul Grootboom.

Our Participation team continued our engagement in EU development networks, attending the annual MitOst Tandem Programme conference and partnering with the Irish Theatre Institute to develop and deliver cross-cultural support for emerging artists.

**Goal 2 - Everyone has the opportunity to experience and be inspired by the arts**

Our Pay What You Can scheme (in operation for over a decade) is one of the last truly open ticket schemes in London. Ticket prices remain highly competitive, ranging from £12 to £26 in 2017-18, with tickets at £12 or less for Arcola Passport holders and extensive concession discounts.

The Passport scheme, unified season launches, cheaper preview prices and strategic marketing communications all contributed to stronger advance sales in 2017-18: the percentage of people booking more than 8 weeks in advance of a show more than doubled.

We cemented long-term partnerships with producers of one-off events (to replicate long term success with events such as The Miniaturists), including new writing nights Mr Thing and On the Night. These events support our broader audience development plans, especially in forging links to younger / emerging artists and sustainable audiences for their work.

**Opportunity to experience and participate**

Arcola is in the second most deprived LA in England. We maximise opportunities to experience our productions by keeping ticket prices low, maintaining cheap ticket options at £12 and £15 throughout runs in Studio 1,

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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offering new £15 seats throughout show runs in Studio 2 and offering extensive concession discounts. No ticket cost more than £26, and most were under £22. Our Pay What You Can scheme continued all year round in both studios, making 20-25% of Tuesday night tickets available to all at any price.

We continued to offer captioning for productions not performed in English, including in our Grimeborn opera festival.

The Participation (formerly Creative Engagement) department continues to enhance our participation offer. Our acclaimed community performance companies grew, with additional groups or projects added for Arcola 50+ and the Queer Collective as well the addition of the Arcola Women's Company, responding to community demand. The programmes culminated in an extended 7 week Creative/Disruption festival, which saw 19 productions and events presented in Studio 2, the majority of which were sold out. These included socially-engaged shows like Rhapsody, and discussion/community participation events such as Global Queer and Global Female Voices.

**Increased number and range of people**

We maintained around 23,000 active bookers in 2017-18, and increased representation of local postcodes N16, N1, E17, N7, N8 and E1.

We continued to develop diverse audiences with a culturally specific and wide-ranging main programme, involving BAMER companies and artists. 68% of those who saw Hashtag Lightie were first-time visitors; many were young people from cultural backgrounds less represented in the overall audience mix.

We increased representation of known under 25s in the audience mix, from 5.5% to 6.6%, aided by the introduction of 'Young Arcola', which offers £10 tickets to this age group. The launch of the scheme was successfully coupled with Consensual, Arcola Academy's production of Evan Placey's play about and with young people.

We also continued to present free work outside the building including a large scale Mental Health project in Gillett Square which was performed for over 500 people. Arcola's four youth theatres continued to be oversubscribed, and we introduced Arcola Academy, a semi-professional company for 16-20 year olds without access to arts provision. Our youth work was supplemented by a summer youth musical (V) focused on BAME and LGBT+ young people.

**Increased engagement with the least engaged**

Representation of Audience Finder's 'Kaleidoscope Creativity' group – defined by 'low levels of cultural engagement', a 'mix of ages, living circumstances, resources and cultural backgrounds' and 'barriers to access' including low incomes and unemployment – grew for the third successive year, to 15%. We also increased engagement with people commuting from further afield, including rural and suburban areas.

Alongside increased and regular relaxed performances, we continued our partnership with local adults' disability service organisation AdvanceUK and our hosting of the Drama For All programme enabled 23 weekly drama workshops hosted at Arcola for adults with mild to severe learning disabilities.

**Depth and quality of experience**

Presenting world-class artists alongside some of the most exciting emerging companies our productions continued to provide a high-quality artistic experience.

Our production of The Plague, 'Albert Camus's dark parable brought devastatingly into the modern age' (Telegraph), won four star reviews from The Guardian, Telegraph, Evening Standard, Independent, Times,

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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Sunday Times and WhatsOnStage.

Once again, Arcola won Most Welcoming Theatre, Best Theatre Bar and Best Foodie Experience in East London at the Off West End awards.

We offered a range of talkbacks and post-show events to deepen participation with our artistic programme, including after every performance of #Hashtag Lightie. Our regular monthly matinee post show programme led by volunteer Jeannie Farr continues to grow and develop its audience, regularly encouraging 30-100 audience members to stay and engage in discussions with creative teams and Arcola staff.

**Audience development**

We significantly expanded our capacity for audience development by recruiting a team of Theatre Promoters and developing local runs inhouse for flyer and poster distribution. This has enabled more independent and responsive workflows, and stronger connections between Arcola and other local companies and organisations (including the Dalston CLR James Library, with whom we now run a weekly ticket scheme). In-house print distribution is now complemented by regular distribution to other London theatres with Impact Marketing.

We maintained our relationship with the local media and community through a regular advertising agreement with the Hackney Citizen. We also hosted a local elections hustling in partnership with the paper.

We continued our all-year-round advertising presence in Dalston Junction station, to cultivate our local audience and to increase awareness and visibility in our community.

The Bar continued to grow its one-off and regular events (community, music, comedy and weekly club nights). Our regular swing dance and music on Fridays attracts people from all over London, and the Afrobeat club night engaged a new, young and diverse crowd from Hackney and beyond. Cross-promotion between the bar and theatre audience, including on arcolatheatre.com, has significantly increased awareness and generated new audiences.

**Digital distribution**

We refined our website design to better engage and retain audiences, better integrating Spektrix & mobile responsiveness in purchase flow. Used analytics and feedback to better structure navigation and decreased load times despite using more visual content. People spent more time on website and visited 30% more pages per session compared to in 2016-17.

We continued to use digital and social media to better engage younger audiences and saw a higher percentage of website visitors aged 18-24 and 25-34 compared with the previous year. Website referrals from social media increased from 9.8% to 13.8%.

Facebook, Twitter and Instagram were used for distribution of original video and audio content, extending the reach of on-stage work and embodying its creative ambition. We also improved consistency and approachability in social media voice. Results are good: reach on Facebook increased from 4.5 to 5.1 million, Facebook page likes increased 16.5K to 19K+. Over 5,000 new Twitter followers and over 4.5 million impressions. Instagram following almost doubled to 4000+ followers.

We maintained data-driven campaign planning and evaluation including via Audience Finder and analytics. The emailing list continued to grow and were better utilised through robust data segmentation and tracking.

**Goal 5 - Every child and young person has the opportunity to experience the richness of the arts**

Our Children and Young People's offer expanded significantly in 2017-18. Additional capacity has allowed us to

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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run bespoke and responsive workshops for an increased number of local secondary schools as well as Local Authority and third sector organisations such as Hackney Pirates, Ministry of Stories and Immediate Theatre. Arcola continues to be a key steering group member for the Dalston Children's Festival, as well as active PAL network members. With increased regular family programming and a summer youth musical project (V), we anticipate continued growth.

Following the successful pilot of the Quality Principles (see below), these will now be rolled out across the department creating an Arcola Participation Board who will collectively inform and advise on the work of the Participation department and the theatre more widely.

**Arts Award**

2017-18 saw a partnership with Hackney Pirates to deliver 20 Discover and Explore Arts Awards. This partnership combines literacy and performance to engage with some of the least engaged young people in Hackney. These are anticipated to be completed by August 2018. We also supported an Arts Award Activist towards completion of a Gold Arts Award via her work with Arcola Academy in 2018.

**Music Education**

During 2017-18 we have continued building our music sector relationships in order to support our summer youth music programmes and Grimeborn Opera Festival. We hope to further grow these relationships in 2018-19 through existing partnerships and our role as a BBC Ten Pieces Champion.

We also strengthened and enhanced our relationships with Hackney Libraries and the Council via our work with the Dalston Children's Festival and our large scale Mental Health project in Gillet Square, supported by a Hackney Council Main Grant.

**Artsmark**

Arcola hosted 2 Artsmark Schools for the annual Primary School work week which saw year 4 students spend a morning at the theatre learning about jobs in the creative industries via hands on workshops.

During our time with the Creative Schools programme (see below), we have continued to attend Artsmark training and submitted new programmes to the brokerage service, including those designed to support East London schools to deliver Artsmark. This work sits alongside our existing bespoke work offer and broader support for local secondary schools.

**Children and young people quality principles**

Following our involvement in the pilot/testing of the Quality Principles, they are embedded in our practice. Thus at the end of each term we conducted a group evaluation, creating space for members to suggest ideas and projects for the next term. This led to seed-commissioning 3 emerging writers (two BAMER) to write new 25 minute plays which were work-shopped with the groups and staged by AYT in July 2017.

From the quality principles, responding to community demand, Arcola Academy was created to provide pathways for older students without access to Arts Provision, particularly those from BAME and working-class backgrounds. This culminated in the company performing *Consensual* by Evan Placey to both public and industry-invited audiences. As a result, 4 company members were signed to Agents and 2 more were cast in large screen projects on the BBC and Netflix.

We seed-commissioned an LGBT writer and composer for our summer youth musical (V), based on workshops with LGBT young people aged 13-25: Shakespeare's *Twelfth Night* was used as springboard to create a new musical around a non-binary lead character, with original score and book, premiered Grimeborn 2017.

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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**Resilience**

**Increasing our resilience**

To ensure financial resilience in these times of austerity we have focused in recent years on reducing our dependence on so called 'contributed' income from grants and trusts. As a result, we typically earn over 65% of our required income from ticket sales. We also aim to limit our dependence on any single source/type of contributed income to a maximum of 25%.

Roll-out in 2017-18 of our ISO9001:2015 certified Quality Management System is a key part of our resilience strategy. This is the heart of a wider Integrated Management System which brings clarity and high-resolution risk management to all of our activities, in particular Health & Safety (ISO45001). These activities are fundamental to reducing dependence on key individuals and improving work-life-balance.

Investment continues in increasing our Earned Income. This had led to greater diversification of our income, with less reliance on major trusts and foundations.

Tickets are priced to maximise revenues without losing access for all. This is achieved through competitive pricing, with a wide range of discounts for target and under-represented groups. More sophisticated tiered pricing structures introduced in 2016-17 have successfully increased average ticket price, whilst maintaining a large number of lowest price tickets. Charges are applied for Participation programme participants with bursaries for those less able to pay.

This is all supported by the MANA project, while our new bespoke financial and operational software allow for greater control and insight into the charity's activities, which are fed directly by the KPI's and business plan.

Staff Development - alongside our self-evaluation and public consultancy mechanisms, a formal programme of Staff Development has been promoted to all staff. Arcola have offered both online and face-to-face training options, both delivered internally and also by outside providers.

**Environmental sustainability**

In 2017-18 we continued working in accordance with our Environmental Policy and Action Plan through the delivery of an ongoing programme of activity, both internal and external.

Green Arcola, whilst not a core programme of activity, is still actively monitored and supported by a new part-time freelance Green Arcola Coordinator, with additional activity devolved across the core staff team (specifically Technical Manager, FOH Managers, Maintenance and Participation Departments).

Some specific activity:

- The building was again heated through winter using donations of waste and scrap wood with a triple positive impact.
- Electricity remains on a 100% renewable contract
- Waste Management remains with a zero-to-landfill contract
- Completion of full LED conversion for House Lights
- Increase in set recycling - a positive consequence of us taking greater control of all shows

We were delighted to receive a Stage Award for our sustainability work over many years. Particularly nice now as we are once-again ramping up activity in Sustainability.

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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**Equality action plan**

Artistic Programme - 11% of productions had a specific focus on artists and stories from BAMER communities. 11% had a specific LGBT+ focus and over 40% addressed socio-economic inequality.

ArcolaLAB continues to be delivered to capacity and work has been done to look at scaling up the impact of this work, especially in upskilling BAMER artists and finding pathways to productions. Funding bids to support these LAB developments, are currently under consideration. Key BAMER commissions including New Nigerians (produced), as well as two new commissions in development for BAMER writers.

Gender equality continues to be a key priority for both commissioning/programming, casting and assembling creative teams. Notable productions with a female writer, director or producers included: The Blue Hour of Natalie Barney (writer, producer), Napoleon Disrobed (director), These Trees Are Made of Blood (writer, director, producer), The Pulverised (writer, director, producer), Eugene Onegin (librettist, director, producer), #Hashtag Lightie (writer), Eggistentialism (writer, director), All The Little Lights (writer, director), Hear Me Raw (writer, director), Hanna (writer), Heretic Voices (producer), Ready Or Not (writer, director), Judith: The Parting From the Body (director), among others. The Grimeborn Festival again featured over 75% of productions with a women in a key creative role, including our headline production of Samson and Delilah (director/producer). Arcola's Executive Producer and Technical Manager also consulted more widely on how to improve gender diversity in other creative roles, specifically sound and lighting design, which have been traditionally underrepresented. This has seen a significant increase in female creatives being contracted for these positions in 2017-18.

Increased and more efficient capture of Equality and Diversity data has also provided a more robust baseline to assess future progress against our Equality and Diversity Action Plan. This policy and action plan was also evaluated and redesigned, in line with new KPI systems brought in as part of our NPO 2018-22 preparation work.

Relaxed performances continue, (introduced Autumn 2016), and the Participation Department continued our relationship hosting and supporting workshops and performance showcases for local company Drama for All (adults with learning disabilities). This is reflective of continued improvement in reach and wider diversity in Participation programmes.

Numbers of bursaries offered specifically to target underrepresented communities in our youth theatres continued to grow, along with other work to widen participation in community programmes (specifically for BAMER men, QPOC, and trans and non-binary participants).

**Financial review**

**a. Going concern**

After making appropriate enquiries, the trustees have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies.

**b. Reserves policy**

The trustees believe the most appropriate level of free reserves required by the charity to sustain it in the event of the charity not receiving grants and other incoming resources is £250,000. This will not allow standard-scale productions to be staged and would require skeleton (cost-neutral) programming. At 31 March 2018, the charity had a general fund surplus of £110,003 representing 44% of the targeted level.

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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**c. Pricing policy**

Tickets are priced to maximise revenues without losing access for all. This was achieved through competitive pricing, with a wide range of discounts for target and under-represented groups. Charges are applied for Creative Engagement programme participants with bursaries for those less able to pay.

**d. Principal funding**

Arcola Theatre is a National Portfolio Organisation of Arts Council England, providing circa 23% of income. There are no other significant funders, with the majority of the balance of funds being earned from charitable activities.

**e. Material investments policy**

The company has no financial investments. Under the Memorandum and Articles of Association, the charity has the power to invest in any way the trustees wish.

**f. Fundraising**

The Trustees have considered the implications of the Charities (protection and social investment) Act 2016 in relation to fundraising activities. The Act aims to protect the public, particularly the vulnerable, from inappropriate fundraising approaches. The primary scope of the Act is "commercial participators" and "professional fundraisers", which refers to commercial organisations engaged by larger charities to engage in direct fundraising from individuals via for example mail, phone and face to face. Since Arcola Theatre does not engage any of these types of organisation there is no direct impact. We have however reviewed our in-house activities in the spirit of Act and concluded that there are no issues which we need to address.

**Structure, governance and management**

**a. Constitution**

The company is registered as a charitable company limited by guarantee and was set up by a Memorandum of Association on 27 September 2004.

The company is constituted under a Memorandum of Association dated 27 September 2004 and is a registered charity number 1108613.

There have been no changes in the objectives since the last annual report.

**b. Method of appointment or election of Trustees**

The management of the company is the responsibility of the Trustees who are elected and co-opted under the terms of the Articles of Association.

**c. Policies adopted for the induction and training of Trustees**

Upon declaration of their interest to be a trustee, a new trustee receives the company's governing documents, most recent Financial Report and Management Accounts. They meet with the Chair and Senior Management Team for briefing on the organisation and the responsibilities of trustees.

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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New trustees are provided with the company's governing documents, minutes of previous meetings and current business plans. They meet with the Chair and senior managers for briefing on the objectives, values, ethos, programme and day-to-day activities of the organisation. New trustees (and existing trustees) are provided with up-to-date information on the responsibilities of trustees and associated best practice, drawing on resources provided by Charity Commission and other professional organisations supporting charities.

**d. Pay policy for senior staff**

Senior staff pay is approved by Trustees. Rates of pay are benchmarked against and generally low compared to peer organisations.

**e. Organisational structure and decision making**

The board of trustees administers the charity. The board normally meets quarterly, addressing all aspects of the company operations including programming, development, quality & safety, finance and audit. An Executive Director is appointed by the trustees to manage the day-to-day operations of the charity. To facilitate effective operations, the Executive Director has delegated authority, within terms of delegation approved by the trustees, for operational matters including finance, employment and artistic performance related activity.

The Executive Director works with the Artistic Director and Executive Producer to lead the company. Company activities are structured in to departments, each having a Manager, working to a Business Plan which includes detailed plans for all business activities. These plans cascade organisational objectives and Key Performance Indicators through departments to individual staff job descriptions. Plans are developed with input from all staff, trustees, artists, participants, volunteers and advisors. Business Plans and associated budgets are reviewed and approved by the board of trustees through regular meetings. Additional advice and oversight is provided via Arts Council England National Portfolio management systems.

**f. Risk management**

The Trustees have assessed the major risks to which the company is exposed, in particular those related to the operations and finances of the company, and are satisfied that systems and procedures are in place to mitigate our exposure to the major risks.

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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**Plans for future periods**

**a. Future developments**

The organisation is in a strong position, with premises secured for the next 20 years and a resilient Business Model which delivers our objectives and, if stressed, is capable of generating a financial surplus.

In the near-term we will continue operating largely as described in this report, but with slightly higher staffing levels in order to mitigate the risk of staff burn-out. We will also continue streamlining and improving our quality assurance systems, under the monika MANA – Make Art not Admin. Fundamental to this work is development of bespoke IT systems which will subsequently be released to other organisations.

The key creative development in forthcoming periods will be the structuring and expansion of our work on diversity. Building on good foundations, Arcola is now looking to form a collaboration with other key partners across the UK sector to identify the barriers to entry and progression and the gaps of opportunity for Black and Minority Ethnic (BAME) artists, producers and directors. We hope to systematically address these issues by training, mentoring and supporting an exceptional cohort of artists to create a critical mass of high quality BAME-led productions. We believe in the Arts Council for England's Creative Case for Diversity and have the vision that this strategic intervention will grow, fund, deliver, sell and sustain high quality inclusive and accessible diverse theatre across the UK.

A longer term development will be a further deepening of Arcola's involvement in Dalston – which is one of Hackney's growth areas. The area action plan says that cultural and third sector industries play a significant role in the area's identity. "The Council has a unique opportunity to embark on a journey to use Council owned sites / buildings around Ashwin Street and Dalston Lane to create Dalston Quarter (Quarter), a collaborative part refurbishment, part development project to strengthen the role and presence of these industries and businesses to create a centrepiece of cultural and creative urban regeneration." Arcola will seek to play an active part within all the various consultative and implementation phases, exploring different options that will help create an even more dynamic Cultural Quarter that will have a sustainable legacy for years to come.

**Trustees' responsibilities statement**

The Trustees (who are also directors of Arcola Theatre Production Company for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year. 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 affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company 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 Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

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**TRUSTEES' REPORT (continued)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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**Disclosure of information to auditors**

Each of the persons who are Trustees at the time when this Trustees' Report is approved has confirmed that:

- so far as that Trustee is aware, there is no relevant audit information of which the charitable company's auditors are unaware, and
- that Trustee has taken all the steps that ought to have been taken as a Trustee in order to be aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

This report was approved by the Trustees, on 31 January 2019 and signed on their behalf by:



.....  
**Mehmet Ergen, Chair**

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARCOLA THEATRE PRODUCTION COMPANY LIMITED**

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**Opinion**

We have audited the financial statements of Arcola Theatre Production Company Limited (the 'charitable company') for the year ended 31 March 2018 set out on pages 18 to 36. 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 charitable company's affairs as at 31 March 2018 and of its incoming resources and application of resources, including its 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 Charities Act 2006.

**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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the 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 other 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 opinion.

**Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to 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 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.

**Other information**

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' Report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARCOLA THEATRE PRODUCTION COMPANY LIMITED**

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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.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Charities (Accounts and Reports) Regulations 2008 requires us to report to you if, in our opinion:

- the information given in the Trustees' Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of trustees**

As explained more fully in the Trustees' Responsibilities Statement, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements 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 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 charitable company or to cease operations, or have no realistic alternative but to do so.

**Auditors' responsibilities for the audit of the financial statements**

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with the Act 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 Auditors' 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 the 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' Report.

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARCOLA THEATRE PRODUCTION COMPANY LIMITED**

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**Use of our report**

This report is made solely to the charitable company's members, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members, as a body, for our audit work, for this report, or for the opinions we have formed.

*MHA MacIntyre Hudson*

John Coverdale BSc FCA (Senior statutory auditor)

for and on behalf of

**MHA MacIntyre Hudson**

Statutory Auditors

New Bridge Street House  
30-34 New Bridge Street  
London  
EC4V 6BJ  
31 January 2019

**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 31 MARCH 2018**

	Note	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
<b>Income from:</b>					
Donations and legacies	2	396,977	24,172	421,149	452,130
Charitable activities	3	896,985	-	896,985	838,753
Other income	4	31,235	-	31,235	45,798
<b>Total income</b>		<b>1,325,197</b>	<b>24,172</b>	<b>1,349,369</b>	<b>1,336,681</b>
<b>Expenditure on:</b>					
Charitable activities	5,8	1,367,725	146,025	1,513,750	1,495,881
<b>Total expenditure</b>	9	<b>1,367,725</b>	<b>146,025</b>	<b>1,513,750</b>	<b>1,495,881</b>
<b>Net expenditure before other recognised gains and losses</b>		<b>(42,528)</b>	<b>(121,853)</b>	<b>(164,381)</b>	<b>(159,200)</b>
<b>Net movement in funds</b>		<b>(42,528)</b>	<b>(121,853)</b>	<b>(164,381)</b>	<b>(159,200)</b>
<b>Reconciliation of funds:</b>					
Total funds brought forward		152,531	2,437,060	2,589,591	2,748,791
<b>Total funds carried forward</b>		<b>110,003</b>	<b>2,315,207</b>	<b>2,425,210</b>	<b>2,589,591</b>

The notes on pages 21 to 36 form part of these financial statements.

**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**  
**REGISTERED NUMBER: 05242988**

**BALANCE SHEET**  
**AS AT 31 MARCH 2018**

	Note	£	2018 £	£	2017 £
<b>Fixed assets</b>					
Tangible assets	15		2,499,558		2,633,862
<b>Current assets</b>					
Debtors	16	196,660		169,467	
Cash at bank and in hand		100,717		21,579	
		<u>297,377</u>		<u>191,046</u>	
<b>Creditors:</b> amounts falling due within one year	17	(267,174)		(156,673)	
<b>Net current assets</b>			<u>30,203</u>		<u>34,373</u>
<b>Total assets less current liabilities</b>			<u>2,529,761</u>		<u>2,668,235</u>
<b>Creditors:</b> amounts falling due after more than one year	18		(104,551)		(78,644)
<b>Net assets</b>			<u><u>2,425,210</u></u>		<u><u>2,589,591</u></u>
<b>Charity Funds</b>					
Restricted funds	20		2,315,207		2,437,060
Unrestricted funds	20		110,003		152,531
<b>Total funds</b>			<u><u>2,425,210</u></u>		<u><u>2,589,591</u></u>

The financial statements were approved and authorised for issue by the Trustees on 31 January 2019 and signed on their behalf, by:

.....  
**Mehmet Ergen, Chair**

The notes on pages 21 to 36 form part of these financial statements.

**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

	Note	2018 £	2017 £
<b>Cash flows from operating activities</b>			
Net cash provided by/(used in) operating activities	22	<u>49,172</u>	<u>(91,847)</u>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment		<u>-</u>	<u>(13,837)</u>
<b>Net cash used in investing activities</b>		<u>-</u>	<u>(13,837)</u>
<b>Cash flows from financing activities:</b>			
Repayments of borrowings		<u>-</u>	<u>(10,619)</u>
Cash inflows from new borrowing		<u>29,966</u>	<u>-</u>
<b>Net cash provided by/(used in) financing activities</b>		<u>29,966</u>	<u>(10,619)</u>
<b>Change in cash and cash equivalents in the year</b>		<u>79,138</u>	<u>(116,303)</u>
Cash and cash equivalents brought forward		<u>21,579</u>	<u>137,882</u>
<b>Cash and cash equivalents carried forward</b>	23	<u><u>100,717</u></u>	<u><u>21,579</u></u>

The notes on pages 21 to 36 form part of these financial statements.

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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**1. Accounting Policies**

**1.1 General information and basis of preparation**

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The financial statements have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair' view. This departure has involved following the Charities SORP (FRS 102) published on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

Arcola Theatre Production Company 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.

**1.2 Company status**

Arcola Theatre Production Company Limited is a charitable company limited by guarantee incorporated in England and Wales within the United Kingdom. The members of the company are the Trustees named on page 1. In the event of the company being wound up, the liability in respect of the guarantee is limited to £1 per member of the company. The registered office is 24 Ashwin Street, London, E8 3DL.

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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**1. Accounting Policies (continued)**

**1.3 Income**

All income is recognised once the company has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

For legacies, entitlement is taken as the earlier of the date on which either: the company is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the Trust that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the company has been notified of the executor's intention to make a distribution. Where legacies have been notified to the company, or the company is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Donated services or facilities are recognised when the company has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use of the company of the item is probable and that economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), the general volunteer time of the Friends is not recognised and refer to the Trustees' Report for more information about their contribution.

On receipt, donated professional services and donated facilities are recognised on the basis of the value of the gift to the company which is the amount the company would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Income tax recoverable in relation to investment income is recognised at the time the investment income is receivable. Theatre tax credits are recognised when received by the charity.

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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**1. Accounting Policies (continued)**

**1.4 Expenditure**

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is classified by activity. The costs of each activity are made up of the total of direct costs and shared costs, including support costs involved in undertaking each activity. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs which contribute to more than one activity and support costs which are not attributable to a single activity are apportioned between those activities on a basis consistent with the use of resources. Central staff costs are allocated on the basis of time spent, and depreciation charges allocated on the portion of the asset's use.

Overheads have been allocated on the basis of % of turnover

Support costs are those costs incurred directly in support of expenditure on the objects of the company and include project management carried out at Headquarters. Governance costs are those incurred in connection with administration of the company and compliance with constitutional and statutory requirements.

Charitable activities and Governance costs are costs incurred on the company's educational operations, including support costs and costs relating to the governance of the company apportioned to charitable activities.

All expenditure is inclusive of irrecoverable VAT.

**1.5 Tangible fixed assets and depreciation**

All assets costing more than £500 are capitalised.

Assets are reviewed on an annual basis for indications of impairment. Where there is such indication of impairment of an asset, a full impairment review is undertaken. Where the carrying amount of the asset is in excess of the assessed recoverable amount an impairment loss is recognised. The recoverable amount is defined as the higher of the asset's fair value less costs to sell and the asset's value in use.

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	-	4% to 20% on cost
Theatre Equipment	-	20% to 50% on cost
Computer equipment	-	20% on cost

**1.6 Interest receivable**

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the company; this is normally upon notification of the interest paid or payable by the Bank.

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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**1. Accounting Policies (continued)**

**1.7 Debtors**

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

**1.8 Cash at Bank and in hand**

Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

**1.9 Liabilities and provisions**

Liabilities are recognised when there is an obligation at the Balance Sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Liabilities are recognised at the amount that the company anticipates it will pay to settle the debt or the amount it has received as advanced payments for the goods or services it must provide. Provisions are measured at the best estimate of the amounts required to settle the obligation. Where the effect of the time value of money is material, the provision is based on the present value of those amounts, discounted at the pre-tax discount rate that reflects the risks specific to the liability. The unwinding of the discount is recognised within interest payable and similar charges.

**1.10 Financial instruments**

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

**1.11 Pensions**

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

**1.12 Fund accounting**

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the company and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the company for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

**1.13 Judgements and key sources of estimation uncertainty**

No significant judgements have been made during the course of preparing these financial statements. There are no sources of estimation uncertainty.

**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**2. Income from donations and legacies**

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Donations	86,401	2,115	88,516	116,936
Grants	310,576	22,057	332,633	335,194
<b>Total donations and legacies</b>	<b>396,977</b>	<b>24,172</b>	<b>421,149</b>	<b>452,130</b>
<i>Total 2017</i>	344,786	107,344	452,130	

**3. Income from charitable activities**

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Professional Theatre	696,738	-	696,738	654,213
Talent Development	67,730	-	67,730	96,894
Environmental Sustainability	1,953	-	1,953	3,689
Venue Operation	130,564	-	130,564	83,957
<b></b>	<b>896,985</b>	<b>-</b>	<b>896,985</b>	<b>838,753</b>
<i>Total 2017</i>	838,753	-	838,753	

**4. Other incoming resources**

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Miscellaneous incoming resources	31,235	-	31,235	45,798
<b></b>	<b>31,235</b>	<b>-</b>	<b>31,235</b>	<b>45,798</b>
<i>Total 2017</i>	45,798	-	45,798	

The miscellaneous incoming resource is a Theatre Tax credit claim for £31,235 (2017 - £45,798).

**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**5. Analysis of expenditure on charitable activities**

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Professional Theatre	1,218,919	118,280	1,337,199	1,305,385
Talent Development	96,303	13,560	109,863	119,890
Environmental Sustainability	34,363	2,000	36,363	3,178
Venue Operation	10,640	12,185	22,825	60,428
	<u>1,360,225</u>	<u>146,025</u>	<u>1,506,250</u>	<u>1,488,881</u>
<i>Total 2017</i>	<u>1,259,683</u>	<u>229,198</u>	<u>1,488,881</u>	

**6. Direct costs**

	Prof'l Theatre £	Talent Devel't £	Environ'l Sust'bility £	Venue Operation £	Total 2018 £	Total 2017 £
Professional Theatre	441,639	-	-	-	441,639	500,078
Talent Development	-	37,635	-	-	37,635	49,497
Environmental Sustainability	-	-	(530)	-	(530)	776
Casual & Seconded Staff	58,933	-	-	-	58,933	55,492
Wages and salaries	381,763	51,763	35,386	-	468,912	454,963
National insurance	26,139	2,205	1,507	-	29,851	18,646
Pension cost	13,790	-	-	-	13,790	11,524
	<u>922,264</u>	<u>91,603</u>	<u>36,363</u>	<u>-</u>	<u>1,050,230</u>	<u>1,090,976</u>
<i>At 31 March 2017</i>	<u>953,128</u>	<u>100,670</u>	<u>776</u>	<u>36,402</u>	<u>1,090,976</u>	

**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**7. Support costs**

	Prof'l Theatre £	Talent Devel't £	Environ'l Sust'bility £	Venue Operation £	Total 2018 £	Total 2017 £
Front of House	85,380	-	-	-	85,380	87,335
Comms & Marketing	77,405	-	-	-	77,405	6,528
Technical Services	64,978	-	-	-	64,978	63,790
Utilities	15,484	1,511	-	1,888	18,883	12,598
Insurance	4,421	431	-	539	5,391	4,917
Telecomms	6,186	603	-	754	7,543	7,621
Professional Fees	686	67	-	84	837	6,687
Bank Interest	3,534	345	-	431	4,310	4,803
Memberships	5,527	539	-	674	6,740	2,708
Office & Admin	13,665	1,333	-	1,666	16,664	17,974
Travel & Subsistence	9,275	905	-	1,131	11,311	14,665
Rent & Rates	18,264	1,782	-	2,227	22,273	34,349
Depreciation	110,130	10,744	-	13,431	134,305	133,930
	<b>414,935</b>	<b>18,260</b>	<b>-</b>	<b>22,825</b>	<b>456,020</b>	<b>397,905</b>
<i>At 31 March 2017</i>	<b>352,257</b>	<b>19,220</b>	<b>2,402</b>	<b>24,026</b>	<b>397,905</b>	

**8. Governance costs**

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Auditors' remuneration	<b>7,500</b>	<b>-</b>	<b>7,500</b>	<b>7,000</b>

**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**9. Analysis of Expenditure by expenditure type**

	<b>Staff costs</b> <b>2018</b> £	<b>Depreciation</b> <b>2018</b> £	<b>Other costs</b> <b>2018</b> £	<b>Total</b> <b>2018</b> £	<b>Total</b> <b>2017</b> £
Professional Theatre	421,692	110,130	805,377	1,337,199	1,305,385
Talent Development	53,968	10,744	45,151	109,863	119,890
Environmental Sustainability	36,893	-	(530)	36,363	3,178
Venue Operation	-	13,431	9,394	22,825	60,428
<b>Charitable activities</b>	<b>512,553</b>	<b>134,305</b>	<b>859,392</b>	<b>1,506,250</b>	<b>1,488,881</b>
<b>Expenditure on governance</b>	<b>-</b>	<b>-</b>	<b>7,500</b>	<b>7,500</b>	<b>7,000</b>
	<b>512,553</b>	<b>134,305</b>	<b>866,892</b>	<b>1,513,750</b>	<b>1,495,881</b>
<i>Total 2017</i>	<i>485,133</i>	<i>133,930</i>	<i>876,818</i>	<i>1,495,881</i>	

**10. Analysis of expenditure by activities**

	<b>Activities undertaken directly</b> <b>2018</b> £	<b>Support costs</b> <b>2018</b> £	<b>Total</b> <b>2018</b> £	<b>Total</b> <b>2017</b> £
Professional Theatre	922,264	414,935	1,337,199	1,305,385
Talent Development	91,603	18,260	109,863	119,890
Environmental Sustainability	36,363	-	36,363	3,178
Venue Operation	-	22,825	22,825	60,428
<b>Total 2018</b>	<b>1,050,230</b>	<b>456,020</b>	<b>1,506,250</b>	<b>1,488,881</b>
<i>Total 2017</i>	<i>1,090,976</i>	<i>397,905</i>	<i>1,488,881</i>	

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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**11. Net expenditure**

This is stated after charging:

	<b>2018</b>	2017
	<b>£</b>	£
Depreciation of tangible fixed assets:		
- owned by the charity	<b>134,304</b>	133,929
Auditors' remuneration	<b>7,500</b>	7,000
	<hr/> <hr/>	<hr/> <hr/>

During the year, no Trustees received any remuneration (2017 - £NIL).

During the year, no Trustees received any benefits in kind (2017 - £NIL).

During the year, no Trustees received any reimbursement of expenses (2017 - £NIL).

**12. Auditors' remuneration**

The Auditor's remuneration amounts to an Audit fee of £7,500 (2017 - £7,000), and additional non-audit services of £6,687 (2017 - £8,969).

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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**13. Staff costs**

Staff costs were as follows:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Wages and salaries	<b>468,912</b>	454,963
Social security costs	<b>29,851</b>	18,646
Other pension costs	<b>13,790</b>	11,524
	<b>512,553</b>	<b>485,133</b>

The average monthly number of employees was: 37 (2017: 35) and the average monthly number of employees during the year expressed as full time equivalents was as follows (including casual and part-time staff):

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Full time staff	<b>12</b>	12
Equivalent full time staff from volunteer pool	<b>25</b>	23
	<b>37</b>	<b>35</b>

No employee received remuneration amounting to more than £60,000 in either year.

The total amount of employee benefits received by key management personnel is £84,394 (2017: £84,401). The Trust considers its key management personnel to be the trustees, the Chief Executive Officer and the Executive Producer.

**14. Taxation**

The Charity is exempt from tax on income and gains falling within sections 466 to 493 of the Corporation Tax Act 2010 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent these are applied to its charitable objects.

**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**15. Tangible fixed assets**

	Leasehold Improv'ts £	Theatre Equipment £	Computer Equipment £	Total £
<b>Cost</b>				
At 1 April 2017 and 31 March 2018	3,395,100	189,512	23,919	3,608,531
<b>Depreciation</b>				
At 1 April 2017	768,991	181,759	23,919	974,669
Charge for the year	131,389	2,915	-	134,304
At 31 March 2018	900,380	184,674	23,919	1,108,973
<b>Net book value</b>				
At 31 March 2018	2,494,720	4,838	-	2,499,558
At 31 March 2017	2,626,109	7,753	-	2,633,862

The leasehold improvements are secured against a charge in favour of The Arts Council of England.

**16. Debtors**

	2018 £	2017 £
Trade debtors	36,625	36,852
Other debtors	160,035	127,829
Prepayments and accrued income	-	4,786
	<u>196,660</u>	<u>169,467</u>

**17. Creditors: Amounts falling due within one year**

	2018 £	2017 £
Bank loans and overdrafts	14,678	10,619
Trade creditors	75,501	32,234
Other taxation and social security	39,552	-
Other creditors	135,443	104,360
Accruals and deferred income	2,000	9,460
	<u>267,174</u>	<u>156,673</u>

**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**17. Creditors: Amounts falling due within one year (continued)**

Deferred income comprises grants where the resources were not applied to charitable purposes until subsequent to the year end and studio hire paid in advance. Movements in deferred income can be analysed as follows:

	£
<b>Deferred income</b>	
Deferred income at 1 April 2017	2,460
Resources deferred during the year	2,000
Amounts released from previous years	(2,460)
	<u>2,000</u>
Deferred income at 31 March 2018	<u>2,000</u>

Security for the bank loan above has been provided as detailed in Note 25.

**18. Creditors: Amounts falling due after more than one year**

	2018 £	2017 £
Bank loans	<u>104,551</u>	<u>78,644</u>

Included within the above are amounts falling due as follows:

	2018 £	2017 £
<b>Between two and five years</b>		
Bank loans	<u>58,713</u>	<u>39,405</u>
<b>Over five years</b>		
Bank loans	<u>45,838</u>	<u>39,239</u>

Creditors include amounts not wholly repayable within 5 years as follows:

	2018 £	2017 £
Repayable by instalments	<u>45,838</u>	<u>39,239</u>

The above bank loan relates to a Term Facility for £120,000 with interest chargeable at the Bank of England base rate plus 3.67% per annum. The loan is repayable in equal monthly instalments over ten years, with repayments comprising both capital and interest.

Security for the bank loan above has been provided as detailed in Note 25.

**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**19. Financial instruments**

	2018 £	2017 £
Financial assets measured at amortised cost	165,360	104,446
Financial liabilities measured at amortised cost	330,173	225,857

Financial assets measured at amortised cost comprise trade and other debtors.

Financial liabilities measured at amortised cost comprise trade and other creditors and a bank loan.

**20. Statement of funds**

**Statement of funds - current year**

	Balance at 1 April 2017 £	Income £	Expenditure £	Balance at 31 March 2018 £
<b>Unrestricted funds</b>				
General Funds	152,531	1,325,197	(1,367,725)	110,003
<b>Restricted funds</b>				
Capital Fund	2,437,060	-	(121,853)	2,315,207
Creative Engagement	-	16,607	(16,607)	-
Artistic Programming	-	5,565	(5,565)	-
Green Arcola	-	2,000	(2,000)	-
	2,437,060	24,172	(146,025)	2,315,207
Total of funds	2,589,591	1,349,369	(1,513,750)	2,425,210

**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**20. Statement of funds (continued)**

**Statement of funds - prior year**

	Balance at 1 April 2016 £	Income £	Expenditure £	Transfers in/out £	Gains/ (Losses) £	Balance at 31 March 2017 £
<b>Designated funds</b>						
Designated Capital Fund	20,000	-	-	(20,000)	-	-
Designated Diversity Fund	20,000	-	-	(20,000)	-	-
	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>(40,000)</u>	<u>-</u>	<u>-</u>
<b>General funds</b>						
General Fund	149,877	1,229,337	(1,266,683)	40,000	-	152,531
	<u>149,877</u>	<u>1,229,337</u>	<u>(1,266,683)</u>	<u>40,000</u>	<u>-</u>	<u>152,531</u>
Total Unrestricted funds	<u>189,877</u>	<u>1,229,337</u>	<u>(1,266,683)</u>	<u>-</u>	<u>-</u>	<u>152,531</u>
<b>Restricted funds</b>						
Capital Fund	2,558,914	-	(121,854)	-	-	2,437,060
Creative Engagement	-	8,523	(8,523)	-	-	-
Artistic Programming	-	98,821	(98,821)	-	-	-
	<u>2,558,914</u>	<u>107,344</u>	<u>(229,198)</u>	<u>-</u>	<u>-</u>	<u>2,437,060</u>
Total of funds	<u>2,748,791</u>	<u>1,336,681</u>	<u>(1,495,881)</u>	<u>-</u>	<u>-</u>	<u>2,589,591</u>

The Capital Fund relates to fixed assets funded from restricted income. Depreciation is offset against the funds as the asset is consumed by the charitable objectives.

The Designated Capital Fund is designated for building improvement works which are envisaged to be implemented during the next financial year.

The Designated Diversity Fund is for Arcola match-funding to support delivery of a step change in our work in Diversity. It is hoped that this will include a major Arts Council-funded programme addressing racial diversity, as well as a programme of smaller activities addressing disability.

The Project Funds (Creative Engagement, Artistic Programming and Green Arcola funds) relate to specific activity where the use of funds has been stipulated by the donor.

**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

**21. Analysis of net assets between funds**

**Analysis of net assets between funds - current year**

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £
Tangible fixed assets	184,351	2,315,207	2,499,558
Current assets	297,377	-	297,377
Creditors due within one year	(267,174)	-	(267,174)
Creditors due in more than one year	(104,551)	-	(104,551)
	<u>110,003</u>	<u>2,315,207</u>	<u>2,425,210</u>

**Analysis of net assets between funds - prior year**

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £
Tangible fixed assets	196,802	2,437,060	2,633,862
Current assets	191,046	-	191,046
Creditors due within one year	(156,673)	-	(156,673)
Creditors due in more than one year	(78,644)	-	(78,644)
	<u>152,531</u>	<u>2,437,060</u>	<u>2,589,591</u>

**22. Reconciliation of net movement in funds to net cash flow from operating activities**

	2018 £	2017 £
Net expenditure for the year (as per Statement of Financial Activities)	(164,381)	(159,200)
<b>Adjustment for:</b>		
Depreciation charges	134,304	133,929
Increase in debtors	(27,193)	(88,598)
Increase in creditors	106,442	22,022
<b>Net cash provided by/(used in) operating activities</b>	<u>49,172</u>	<u>(91,847)</u>

**23. Analysis of cash and cash equivalents**

	2018 £	2017 £
Cash at bank and in hand	100,717	21,579
<b>Total</b>	<u>100,717</u>	<u>21,579</u>

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**ARCOLA THEATRE PRODUCTION COMPANY LIMITED**  
**(A Company Limited by Guarantee)**

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**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2018**

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**24. Pension commitments**

The Charity operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Charity in an independently administered fund. The pension cost charge represents contributions payable by the Charity to the fund and amounted to £13,790 (2017: £11,524).

The defined contribution liability is entirely allocated to the General Fund and is divided between each charitable activity on the basis that staff engaged in each of those activities were accruing benefits under the scheme.

**25. Related party transactions**

Mr M Ergen, an elected trustee and chairperson, is also director and shareholder of the company Arcola Theatre Limited. As such, Arcola Theatre Limited is considered to be a party related to the Charity.

At the balance sheet date, included within other debtors, is an amount of £40,015 (2017: £16,163 included within other creditors payable to Arcola Theatre Limited) owed to the company by Arcola Theatre Limited. During the year the Charity was recharged £65,524 (2017: £65,400) of costs incurred by Arcola Theatre Limited and recharged costs of £30,000 (2017: £30,000) to Arcola Theatre Limited. During the year Arcola Theatre Limited received income of £5,407 (2017: £6,295) and met costs totalling £2,756 (2017: £238) on behalf of the Charity. Net cash transfers of £100,400 (2017: £841) were paid/received by the Charity.

Arcola Theatre Limited also provided security to the Charity in relation to its bank loan (Notes 17 and 18).

Arcola Energy Limited is under the joint control of Dr B Todd and Ms L Nazli, both members of key management personnel of Arcola Theatre Production Company Limited.

At the balance sheet date, included within other creditors, is an amount of £1,813 (2017: £57,729 due to Arcola Energy Limited. During the year the Charity was recharged £nil (2017: £102,049) of costs incurred by Arcola Theatre Limited and recharged costs of £nil (2017: £12,000) to Arcola Energy Limited. During the year Arcola Energy Limited received met costs totalling £nil (2017: £6,180) on behalf of the Charity. Net cash transfers of £nil (2017: £38,500) were made by Arcola Energy Limited.

During the year the Charity was recharged £119,821 (2017: £102,049) of costs incurred by Arcola Energy Limited, including £100,138 of payroll staff costs administered by Arcola Energy on behalf of the Charity.