



Newcastle Theatre Royal Trust Limited

(a company limited by guarantee)

Annual report and financial statements

for the year ended 31 March 2020

Registered Number: 01217427

Charity Number: 504473



Newcastle Theatre Royal Trust Limited

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Newcastle Theatre Royal Trust Limited

Legal and administrative details

Registered charity number: 504473

Registered company number: 01217427

Current Trustees

Nicholas Swales (Chairman)
John Carver (Vice-Chairman)
Julia Blackie
Sheila Chapman (resigned 10 December 2020)
Lorna Edwards
Ben Fletcher-Watson
Scott Holland
Joan Louw
Raymond Mills

Chief Executive

Philip Bernays

Management Team

Jo Kirby	Director of IT, Sales, Marketing & Development
Marcia Lant	Director of Finance
Siobhan Lightfoot	Director of Operations

Company Secretary

Marcia Lant

Bankers

HSBC UK Bank plc
3rd Floor
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3AZ

The Cooperative Bank
Grey Street
Newcastle upon Tyne
NE1 6BR

Funds are also held on behalf of the Trust by Newcastle City Council

Independent Auditors

MHA TaitWalker
Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3LS

Principal address and registered office

Newcastle Theatre Royal Trust Limited
100 Grey Street
Newcastle upon Tyne
NE1 6BR

Newcastle Theatre Royal Trust Limited

Trustees' report for the year ended 31 March 2020

The Trustees (who are also the directors for the purpose of company law) have pleasure in submitting their report including the Strategic Report and the audited financial statements of the Newcastle Theatre Royal Trust Limited ("the Trust") for the year ended 31 March 2020.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association and have been drawn up in accordance with the Statement of Recommended Practice (SORP) applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2019).

Structure, governance and management

The Trust is a charitable company limited by guarantee and is a registered charity. The members have no shareholdings but in the event of a winding up they have each undertaken to contribute to the payment of liabilities, such amount as may be required, not exceeding a total of £1.

The Trust is governed by its Memorandum and Articles of Association (last amended by special resolution on 13 December 2019). As stated in the Articles of Association, the Trust shall have up to eleven trustees who shall be appointed at the Annual General Meeting. In December 2019 an administrative change was approved to enable trustees to be appointed for a three-year term of service, with reappointment being permitted provided that the maximum period of service is 3 x three-year terms. This replaced the previous requirement for one-third of members to retire at each Annual General Meeting with further re-appointment being permitted provided that no one served for more than nine years.

During the year the following trustees were appointed: Ms L Edwards (11 October 2019). Mr S Holland (13 December 2019) and Dr B Fletcher-Watson (24 January 2020). In addition, Mr H Tait resigned as a trustee on 11 October 2019. At the Annual General Meeting held on 11 October 2019, Mrs J Blackie and Mr R Mills were reappointed as Trustees. With the exception of the changes listed here, all other Trustees served during the year. Details of the current Trustees can be found on page one.

The Board of Trustees meets five times per year and all major decisions are put forward for consideration at Board Meetings. There is a Finance & General Purposes Committee, with a membership of up to five Board Members, which meets five times per year and is from time to time given delegated authority for certain matters. The Management Team are responsible for the day-to-day running of the charity.

Where there is a vacancy for the role of Chair, Vice Chair or Trustee, the Board will appoint a nominations committee of three of its members, to receive nominations and undertake interviews, and to make a recommendation to the Board. Nominations for Chair and Vice Chair shall be from within the membership of the Trust, nominations for trustees may be sought by a combination of public advertisement and nominations from Trustees and the Trust's management.

New Trustees meet with the Chair and Chief Executive and a briefing is given on the organisation and its practices and procedures, as well as the responsibilities of Trustees. An introduction to the operational aspects of the Trust is given together with a tour of the Theatre Royal and all new Trustees receive a comprehensive induction pack. Specific training for all Trustees is also arranged as required.

The Trustees set the salary and remuneration package for the Chief Executive taking into account industry norms and the need to attract high quality candidates. The salaries of the Trust's key management personnel are set by the Chief Executive in conjunction with the Finance & General Purposes Committee. Both are benchmarked against salaries of comparable positions in the industry. Subsequently any increase is generally in line with the pay award made to all staff.

Newcastle Theatre Royal Trust Limited

Trustees' report for the year ended 31 March 2020 (continued)

All Trustees give their time freely and no remuneration or expenses were paid in the year.

The Trustees are responsible for maintaining a sound system of internal control in order to safeguard the assets of the charity. Internal audit services are contracted from Newcastle City Council to provide assurance to the Trustees on the effectiveness of internal controls.

The Management Team reports to the Board of Trustees and runs the charity on a daily basis in conjunction with the managers in each department. An annual budget is presented and approved by the Board in March each year, having been reviewed in advance by the Finance & General Purposes Committee. Management accounts in which actual results are compared against budgeted results are prepared monthly.

During the year around 200 staff worked over various departments including the Chief Executive's office, HR, finance, sales and marketing, learning, theatre operations and maintenance. Staff are employed on a permanent full or part-time basis together with a large number of casual staff employed to meet the differing requirements of touring productions and varying selling and audience patterns.

One volunteer also assisted the Trust as an archivist, working circa one day per month in this role. The Trustees and Management Team are very grateful for the contributions made by our volunteer. The subsequent impact of the coronavirus on the Theatre's staffing levels are covered on page 7.

Objectives and activities

The Trust's primary charitable objectives are to promote, maintain, improve and advance education, particularly by the production of educational plays and encouragement of the arts, including the arts of drama, mime, dance, singing and music.

The Trust's mission is to: to engage, to entertain, to inspire – on and off the stage, a theatre of ambition and excellence for the North East.

This is achieved by the presentation of a wide ranging and broadly populist programme of drama, dance, musicals, opera, ballet, pantomime, live music and comedy performed in the 1,247 seat, Grade 1 Listed, Theatre Royal, which has an accompanying community and education programme. Until 1 May 2019 a limited programme was presented at the 2,135 seat, City Hall.

The performance programme is a careful balance of creative endeavour, commercial appeal and financial prudence, in order to ensure that the Trust's primary source of income, ticket sales, covers the cost of operating and maintaining the Theatre Royal and City Hall (to 1 May 2019) buildings.

The Trustees have complied with the duty in the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission. In delivering its objectives, the Trust achieves its charitable purposes for the benefit of the public.

Trustees' report for the year ended 31 March 2020 (continued)

Strategic Report

Achievements and performance

The strategies adopted by the Trust to enable it to continue to fulfil its objectives and protect its financial position are set out below.

The Board decided in 2018 that the long term future of City Hall would best be secured by its transfer to a specialist concert operator; a larger operator with established promoter relationships would be better placed to increase the number of concerts at the venue whilst at the same time having the resources to continue with the extensive refurbishment work needed to City Hall. On 1 May 2019 the Trust's lease of City Hall was ended with its landlord, Fusion Lifestyle, and a new operator, the Academy Music Group Ltd ("AMG"), entered into a new lease with Fusion Lifestyle. AMG also took over responsibility for all future City Hall concerts arranged by the Trust - with all tickets sold by the Trust remaining valid. The ticket income received for these advance sales by the Trust was paid across to AMG.

During its three years of operating at City Hall, the Trust made significant improvements to the operation of City Hall and had invested over £0.75m in the building, in particular in the bar areas. Income generated from the shows at City Hall had been used to fund this work. Whilst the Trust had, as a result of this change, to write down the value of its leasehold improvements made to City Hall, the improvements made will continue to benefit future audiences at City Hall.

Having provided a much needed springboard for the venue, handing over the reins has enabled the Trust to focus its resources and fundraising on its own continued evolution as the region's flagship venue for the presentation of high quality theatre and educational outreach.

During the course of the financial year the Board developed its strategy for the Theatre for the next 3-5 years in pursuance of the Trust's mission as set out on page 3. The strategic objectives agreed are summarised below:

- *Artistic* – to deliver a diverse programme of ambition and excellence, on stage and off
- *Learning and Participation* – to deepen and expand engagement across our learning and participation programme
- *Audiences* – to retain, to grow and to diversify our audiences
- *Theatre Royal* – to realise the potential of our building to welcome, to earn and to be sustainable
- *Finance* – to be financially sustainable, generating surpluses and supporting the ongoing development of our operation and programme
- *Organisation* – to work with our staff team so that we are always our best
- *Environment* – to work towards the highest levels of environmental awareness and sustainability
- *Stakeholders* – to continually strengthen our reputation and relationships with all our stakeholders.

In addition, a series of action plans have been developed to enable the Trust to meet these strategic objectives which are in the course of being implemented. Progress has however been impacted by the onset of the coronavirus pandemic and the impact on the Theatre of the virus is set out on page 6.

In the year to 31 March 2020, the Theatre Royal presented 394 performances to 373,391 people, and achieved an average capacity of 76%. It generated £12.3m in Box Office income (excluding booking fees) and the Trust's share of this was 30% (2019: 35%).

Up until 1 May 2019 the City Hall presented only 4 performances to 7,352 people and achieved an average capacity of 92% for these shows. Box Office income of £174k was generated (excluding booking fees) and the Trust's share of this was 20%.

Newcastle Theatre Royal Trust Limited

Trustees' report for the year ended 31 March 2020 (continued)

During the year a diverse range of good quality performances were presented at the Theatre Royal with many shows exceeding expectations. At the Theatre Royal musicals including, *We Will Rock You* (97%), *Les Miserables* (92%), *Mamma Mia* (88%), *Priscilla Queen of the Desert* (84%), *The Bodyguard* (84%) and *Joseph* (83%), all performed exceptionally well at the Box Office.

Ballet and dance continue to be successful with Matthew Bourne's *Swan Lake* and *Romeo & Juliet* achieving 80% and 94% capacity respectively along with the Scottish Ballet's *the Snow Queen* at 86% and *Here Come The Boys* at 88%. The opera programme also performed well with *The Marriage of Figaro* achieving 94% capacity. One night comedy shows were again popular with *Julian Clary*, *Henning Wehn*, *Frank Skinner* and *Al Murray*, all achieving high attendances and drama productions in the year also included the popular *An Inspector Calls* which achieved 96.4% capacity.

The pantomime season continues to perform well and this year's *Beauty and the Beast* (82% capacity), grossed over £2m.

The Theatre was extremely proud to be chosen by Sir Ian McKellen as a venue to host his 80th birthday on stage tour in August 2019. The Trustees are extremely grateful to Sir Ian for donating the net proceeds from the shows to support the Trust's learning activities.

Unfortunately, due to the coronavirus, shows scheduled from 16 March had to be cancelled and the lost income from these productions has also impacted this year's results. The impact of the coronavirus is discussed in more detail on pages 6 and 7.

Financial review

The Trust's day to day charitable activities are self-funding. Income for the year from productions (excluding booking fees) was £12.5m which is £0.3m lower than 2018/19. The decrease reflects the transfer of City Hall although this has been offset by increased ticket income at the Theatre, particularly from *Les Miserables* which ran for over 8 weeks. In addition, March saw the cancellation of 13 shows due to the coronavirus. £433k of show income was budgeted for this period however only £102k was actually generated. Overall net income for the year before exceptional items was £380,543 (2019: £450,583). The impact of the virus on the Theatre's financial position is set out on pages 6 and 7.

A further 1% increase in the Trust's employer pension scheme contribution rate took effect from 1 April 2019. A subsumption agreement was put in place in July 2017 between Newcastle City Council, the Tyne & Wear Pension Fund and the Trust to allow for a reduced contribution rate at the 31 March 2019 actuarial valuation. Following the results of this valuation in December 2019, the Trust was required to enter into a new subsumption which provides for a reduced employer contribution rate from 1 April 2020 to March 2023.

The increase in national minimum wage from 1 April 2019 was implemented and impacts a large proportion of the Trust's staff due to level of casual staff employed across the year. No general staff pay award was made in the year due to the uncertainties surrounding "Brexit" and also due to the increase in the employer pension contribution rate.

An actuarial loss of £1,280,000 on the LGPS funded benefits and £30,000 on unfunded benefits arose in year (2019: £580,000 gain) which reflects the movement on the net defined benefit pension scheme obligations following the actuary's annual review for accounting purposes of this liability. Due to the uncertainties regarding coronavirus, significant volatility has occurred in the market place which has impacted scheme asset values (-£820k) and is one of the factors contributing to the actuarial loss reported as at 31 March 2020. As a result of this actuarial loss, the overall net movement in funds for the year is a decrease of £929,457 (2019: increase of £346,604).

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Trustees' report for the year ended 31 March 2020 (continued)

Reserves policy and going concern

The Trust aims to generate sufficient funds to invest in cultural/artistic activities in furtherance of its charitable objectives (education through the arts). Its aim is to hold sufficient reserves to cover the operating costs of the business for a 2-3 month period in order to manage an orderly wind up of the business (if ever required) plus sufficient cash funds to repay any deferred income balances held in relation to advance ticket sales.

Designated funds of £111,385 are held for technical upgrades and equipment and learning projects (2019: £139,368). The restricted reserve is specifically for the restoration and refurbishment of the Theatre Royal for the benefit of all patrons along with any funds received for specific purposes. The advance contribution payment to Newcastle City Council of £1,493,199 in 2017/18 was treated as a prepayment and is being charged against the restricted reserve over four years with a charge of £418,927 being made in 2019/20. The balance on the restricted reserve at 31 March 2020 is £1,689,695 (2019: £1,525,326). Net unrestricted funds amounted to £34,492 at 31 March 2020 (2019: £1,100,335). The net unrestricted funds balance of £34,492 is made up of an unrestricted revenue funds balance of £2,844,492 (2019: £2,340,335) offset by a negative pension reserve balance of -£2,810,000 (2019: -£1,240,000). The decrease in net unrestricted funds is mainly due to the recognition of a £1,310,000 actuarial loss arising on pension scheme liabilities at the year end and increase in the overall pension scheme liability.

Total funds held at 31 March 2020 amounted to £1,835,572 (2019: £2,765,029).

The Trustees appreciate the careful balance required in continuing investment in building maintenance and improvements, whilst protecting against fluctuations in audience demand and the flow of appropriate productions alongside the challenge of offering a varied artistic programme.

Impact of the coronavirus (COVID19)

The Theatre closed on 16 March 2020 following government advice that the public should not attend theatres and currently remains closed without a known date for re-opening. Although the Trust is a charity, it operates in a commercial environment. This means 2m social distancing is not financially viable for the Theatre as it reduces audiences to about 20% capacity and the income generated from such audience levels would mean that the Theatre and the production would both have to run at a loss, which neither can afford to do. So re-opening can only happen when mass gatherings are permitted and both the Trust and the producers of shows have confidence that the public will buy enough tickets to make productions financially viable.

Although the Trust is a charity, it receives no external funding and relies entirely on ticket sales and related income. Since closure on 16 March 2020, the Trust has earned no income and has had to refund a significant amount of advance ticket sales for shows that have been cancelled or have been rescheduled to later dates. As a result of this the Trust has taken action to reduce its expenditure over the closure period as existing reserves are being used to cover costs during this period. Building, service contracts and development work have been put on hold or cancelled where feasible to reduce overheads as far as possible.

The Coronavirus Job Retention Scheme launched by the Government in March 2020 enabled the Trust to continue employment for all staff until 31 July 2020. However, the Trust still needed to take further steps to reduce staffing costs and it was with deep regret that consultation over a redundancy programme had to take place and 42 staff were given notice of redundancy on 1 August 2020. In addition, from 31 July 2020 casual staff were no longer furloughed.

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Trustees' report for the year ended 31 March 2020 (continued)

At the end of October 2020, the Coronavirus Job Retention Scheme was extended and the planned move of 29 staff to retainers has been deferred until this extended scheme ends or employer contributions to furlough pay are required.

In August 2020 the Trust applied for a grant of £3m from the Culture Recovery Fund to help support the financial position of the Theatre and the Trustees are pleased to report this application was successfully confirmed in October 2020. The £3m grant awarded is to cover operating costs from 1 October 2020 to 31 March 2021 as well as providing a top up to the Trust's unrestricted reserves. The Trust had forecasted an operating deficit for the 2020/21 financial year of circa £2.5m with unrestricted revenue reserves amounting to £2.8m at 31 March 2020.

In light of the Trustees' prudent management and steps taken above, the Trustees are confident that the Trust is a going concern and the going concern basis has been adopted in the preparation of the financial statements.

The Trustees are expecting mass gatherings to be permitted at some stage in 2021 and current planning envisages a re-opening of the Theatre in early/late Summer 2021. The Trust are anticipating reduced audience levels initially as it will take a while for audiences to feel confident to return to the Theatre in their pre COVID19 numbers and this will have a negative impact on the financial results for 2021/22.

There are some positive indicators to reinforce our optimism that operational activities will start to resume in 2021 - progress is being made in terms of vaccine development and mass testing regimes are being put in place which should allow mass gatherings to take place. The Trustees have also been encouraged by the number of customers who have been prepared to leave their bookings with the Theatre where shows have been rescheduled to 2021 or 2022 and are extremely grateful for all donations which have been made. The Trustees look forward to welcoming audiences back as there is a strong programme in place for the autumn of 2021.

The Trustees consider there are sufficient reserves and cash to enable the Theatre to continue in operation for the foreseeable future and the financial position of the Trust continues to be closely monitored.

Investment powers policy and performance

The Trustees have the power, as detailed in the Trust's governing document, to invest the funds of the Trust as they see fit. The investment policy is to hold the funds needed for the day-to-day operations as cash. Should surplus funds arise they are invested with a view to maximise income return, whilst maintaining the liquidity requirements of the Trust. During the year, excess funds have been placed with Newcastle City Council and HSBC.

NTRT Trading Ltd (Non-trading)

On 27 October 2017 NTRT Trading Ltd was incorporated. This company is a wholly owned subsidiary of the Trust which has yet to commence trading. The company is limited by guarantee and the Trust, as the parent charity, guarantees to pay up to one pound towards the costs of dissolution and the debts and liabilities of the company.

Pension scheme

For the year ended 31 March 2020, the Trust's employer contribution rate to the Tyne and Wear Pension Fund was 26.7% of pensionable pay. The Tyne and Wear Pension Fund is a Local Government Pension Scheme administered by South Tyneside Council.

Newcastle Theatre Royal Trust Limited

Trustees' report for the year ended 31 March 2020 (continued)

Following the triennial actuarial valuation at 31 March 2019, and by the entering into a new subsumption agreement with Newcastle City Council and the Tyne & Wear Pension Fund, the Trust's employer contribution rate has significantly reduced for the 3 year period commencing 1 April 2020.

The accounting valuation of the balance sheet pension scheme liability for LGPS funded benefits increased to £2,720,000 as at 31 March 2020 (2019: £1,170,000) and for LGPS unfunded benefits made on a discretionary basis upon early retirement to £90,000 (2019: £70,000). The accounting valuation reflects the volatility in the stock markets around the year end date as a result of the emerging coronavirus pandemic with a fall in asset values. Further details on this increase are given in note 14.

The pension liability represents a snapshot of the pension deficit at the year end, however, it should be noted that the average duration for the LGPS funded scheme liability is 23.8 years (as calculated by the actuarial advisors to the Tyne and Wear Pension Fund) and therefore the deficit for this scheme of £2,720,000 should be looked at in this context.

In simple terms, the LGPS funded deficit is likely to be addressed over this period of time and is not an immediate cost to the Trust. The accounting adjustment has no bearing on the amounts that the Trust actually pays into the Fund, this being determined with reference to the on-going funding position with contributions being reviewed every three years as part of the Pension Fund's triennial valuation.

A guarantee is in place between Newcastle City Council and South Tyneside Council (as Administering Authority for the Tyne and Wear Pension Fund) in relation to the Trust's admission to the Fund and covers any amounts due or payable by the Trust to the Fund in the event of default by the Trust in paying or reimbursing the Authority excluding any enhanced service awards.

Principal risks and uncertainties

The Trust has established systems and procedures for identifying and reviewing the key risks facing the day to day operations of the business. However, no one could have predicted the onset of the coronavirus pandemic in March 2020 and the significant impact this has had and continues to have on the Theatre and the whole arts and culture sector of the UK economy. The principal risk currently facing the Theatre is its long term survival and this has already been covered on page 6 of this report. Established procedures include, the Trustees reviewing the major risks to which the Trust is exposed on an on-going basis with systems established to manage these risks. A risk register is maintained which is reviewed at least every six months by the Finance & General Purposes Committee and then annually by the Board of Trustees. The register details the significant risks to which the Trust is exposed and the steps taken to mitigate those risks. The risks are reviewed by management throughout the year.

The other major risks which the charity faces are:

- (a) **Economic recovery risk** - the financial success of the Trust rests on generating sufficient income from box office sales together with maintaining/increasing audience attendance rates. Once the Theatre re-opens it will take time for both the economy as well as the performing arts sector to recover. The threat of increased levels of unemployment, reduced consumer confidence combined with the uncertainties surrounding the UK's exit from the European Union means it is likely that consumer discretionary spend will be impacted. This in turn could then result in budgeted ticket sales not being achieved as audience numbers are not guaranteed.

Ticket sales are closely monitored by management and the achievement of financial targets are regularly reported to both the Finance & General Purposes Committee and Board. In addition, the Trust operates in a very competitive market place and it is therefore important that the balance of artistic

Trustees' report for the year ended 31 March 2020 (continued)

programming against financial considerations is carefully made whilst the Trust's charitable objectives are being achieved. The Board therefore receives regular updates on the status of both the current and future programme.

- (b) **Pension scheme risk** – as the Trust participates in the Tyne & Wear Pension Fund, which is a defined benefit local government pension scheme, the Trust is exposed to increases in the required employer contribution rate. Following the 2019 actuarial valuation and, by the entering of a new subsumption agreement with Newcastle City Council and the Tyne and Wear Pension Fund, the Trust's employer contribution rate has been set at 14% for the next three years. Whilst this is a significant reduction compared to the rates over the last three years, the exposure to future rate increases remains.
- (c) **Impact of National Living wage increases** – as a result of increases to the National Living wage levels, the differentials between pay grades continue to be squeezed. The Board is very aware of the need to maintain the affordability of tickets whilst at the same time ensuring the level of staffing is appropriate to meet the needs of the business. The Finance & General Purposes Committee scrutinises the annual budget in detail before it is approved by the Board and close attention is given to the level of pay awards made.
- (d) **IT resilience and cyber security** – the charity relies heavily on its computerised booking systems and other supporting IT systems. The risk of criminal cyber activity continues to increase e.g. the possibility of denial of service attacks, system hacking, viruses, on-line fraud etc. and these are all potential threats to the day-to-day operations of the charity. The Trust engages specialist IT providers to provide on-site support and security services and has payment card industry compliance certification. All staff receive IT security training however this remains an area when on-going vigilance is required throughout the organisation and by all levels of staff at all times.
- (e) **Terrorism and physical security** – following the terrorist incidents in major cities across the UK in 2017, the risk of potential attacks continues to be a threat across the country. The Trust continues to undertake checks on entry to its performances however the on-going vigilance by all members of the staff as well as members of the general public continues to be of paramount importance.

Plans for future years

Future plans are very much dependent on the Theatre being able to reopen and operating on a financially viable basis. It is expected that it will take several years for the audience levels to fully recover to those pre-coronavirus. Financial stability will therefore be a key objective going forwards as well as continuing to provide a high quality and diverse programme that provides entertainment and inspiration.

The Trust will also be seeking to develop its educational outreach. Following successful fundraising, the Trust is continuing to offer its nationally renowned actor training programme, "Project A", for the academic year 20/21.

In terms of the programme, The Trust is also looking forward to hosting a number of excellent productions during 2021/22 including *Bednobs & Broomsticks*, *the Book of Mormon*, *The Drifters' Girl*, and *Six!*. The pantomime for 2021 will be *Humpty Dumpty* starring once again the record-breaking trio of Clive, Danny & Chris along with Joe McEldery which has been rescheduled from 2020.

Trustees' report for the year ended 31 March 2020 (continued)

Public benefit

The charity's aim is to ensure that everyone feels welcome at all productions as the Trust believes in the value of a shared experience of live performance and to offer a diverse range of productions. The Trustees aim to keep ticket prices affordable and to encourage current and new audiences to further engage with the Trust's programme through creative learning opportunities such as projects, workshops, tours and school educational programmes.

Every year the Theatre films the pantomime which is broadcast freely in all NHS hospitals reaching an audience of over 160,000 patients nationwide over the Christmas period.

Access

The charity wants to ensure that it meets the needs of all members of its audience, whether it is looking after an assistance dog, providing sound enhancement for the hard of hearing or a free ticket to enable someone who could not come on their own to attend a performance with a companion. An access requirement register has been established in order to improve this service. In doing this, the Trust is ensuring that it meets its legal duty to make reasonable adjustment to enable individuals with physical and/or mental disabilities (as defined by the Equality Act of 2010) to be able to access performances, whilst ensuring that free companion tickets are provided to people who need to be accompanied. During the year ended 31 March 2020, the Theatre provided 5,478 free companion tickets.

Assisted performances

Wherever possible, the Trust offers audio described and captioned performances at the Theatre Royal. In 2019/20 the Theatre Royal offered nine audio-described and captioned performances including *The Girl on the Train*, *Motown the Musical*, *Tom Gates*, *Les Miserables*, *We Will Rock You*, *La boheme*, *Beauty and the Beast*, *Mamma Mia!* and *As You Like It*.

Relaxed Performance

Relaxed performances are designed to welcome people with an autistic spectrum condition, learning disability or sensory and communication disorders to give those who otherwise might feel excluded the chance to experience live theatre. This year the Trust presented a "relaxed" pantomime performance of *Beauty & the Beast* in January 2020. The visual story delivered to patrons prior to their attendance, pre-production visits, chill out room and sensory room all helped to create autism friendly environments. In total 741 audience members attended the relaxed event, which made for an almost full house owing to the adaptations made within the auditorium to accommodate our access patrons.

Creative Learning

The Trust's Learning Department, based at the Theatre Royal, has had another very successful year with a total of 34,762 engagements during 2019/20.

Project A

The volume of applications for Project A (the Trust's one year actor training programme) for 2019/20 was slightly lower than last year at 372 compared to 381. Fifteen young people were awarded a place on the full time course. In terms of success, the graduates of 2019 have been the most successful year to date, with three students awarded places at Drama Schools and the remaining fifteen gaining an agent and /or going straight into professional employment.

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Trustees' report for the year ended 31 March 2020 (continued)

The exchange and share of practise with Skara Solsken (a very similar provision based in Sweden) has continued. A group of fifteen Swedish students and four members of staff visited in April 2019 and undertook four days of joint study and work with our Project A students.

In July 2019 Project A's 2018/19 cohort performed their final major production over five nights, following three performances in their first term, which were attended by a total of 611 audience members in the studio theatre.

Children's Theatre Partnership

The Learning department successfully bid to work on a three year resilience project with three other theatres (the Blackpool Grand, the Marlowe and Norwich Theatre Royal). The project began in January 2020, with work delivered across the region (and those regions of our respective theatre partners) using the stimulus of the Children's Theatre Partnership's production of *Holes*. Following the completion of a Story Led Resilience course delivered by Brighton University, the Department delivered 91 workshops to schools in Newcastle, Gateshead, Durham, Darlington and Hartlepool and undertook a more intensive 8 week project with Ponteland Middle School. The Department delivered a *Holes* themed weekly workshop term across all of the Theatre's young people's classes and took 52 young people from the 8-11s class to watch the production. The project's evaluation is ongoing, with the first set of results to be available later in 2020.

Weekly Workshops

The Trust continues to deliver a successful weekly workshop programme, with an increase in adult classes. 250 workshops were planned to have been delivered as part of the weekly programme, with 470 individuals attending on a weekly, 3 term basis. However, owing to the Theatre having to close in March following government guidance, the final 26 sessions of the spring term could not be delivered. There had been 11 show back performances across the classes for young people until the date of closure, with 494 audience members. The young people finished their term by helping to create a short reflective film based upon the resilience term they had been working on.

Community Engagement

The Twisting Ducks Theatre Company continued their permanent residency with the Theatre with a programme of twice-weekly workshop sessions for young learning-disabled performers. The classes have grown and developed with a number of new regular members and Twisting Ducks have secured funding to provide bursary places to other new members. The group also performed in two devised, daytime performances to an invited audience totalling 85.

Summer School was well received again despite have a greatly reduced capacity in terms of space due to the arrival of *Les Miserables*. 212 young people attended for a week over the six week school holidays, and 360 audience members attended sharing of work over that period. The department also had a group visit to watch *Les Miserables* and the Musical Theatre group created their own, scaled, performance of the production.

Tours

The Theatre Royal's private and public tours continue to be very popular and we regularly receive very positive feedback. Unfortunately due to unforeseen staff absence, our tour programme was reduced this year - 104 people attended the Theatre's public tour programme, 40 people attended as part of the Heritage Open Day and 287 people attended with a private group.

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Trustees' report for the year ended 31 March 2020 (continued)

Newcastle College

The Department has begun working once again with Newcastle College delivering a social skills and confidence class to 20 young learners with additional needs. The classes are delivered weekly during term time and form a core part of the young people's study and learning.

Opera North

The Trust continues to work with the Children's Chorus having completed three more successful terms this year and has also worked on piloting a class for elderly people. All classes were extremely successful and will continue to run throughout 2020/21.

Limelight

The Trust is in the process of rebranding and developing its weekly provision for those over the age of 55, although it does continue to deliver two or three sessions per week to the theatre lovers' group. The Trust is looking forward to re-invigorating this provision.

Fundraising

Income generated from the Trust's core charitable activities is used to fund its day to day operations. Donation and legacy income therefore represents only a small percentage of the Trust's overall income, most of which is generated from on-line ticket sales where customers are able to make an optional donation to the Trust if they so wish.

In April 2020, due to the continuing impact of the coronavirus, the Trust launched an on-line "Acts of Kindness" campaign asking the public to consider making a donation, or to name a seat or to buy tickets for future events to help the Theatre through these difficult times. Customers, where shows had been cancelled, have also been asked to consider donating part of their refund to support the Trust.

The Trust does not engage any professional fundraisers or commercial participators to carry out its fundraising activities. Due to the limited nature of its activities, the Trust has not formally subscribed to any fundraising schemes or codes although reference is made to the Fundraising Regulator's Fundraising Code of Practice. In the future, when developing its fundraising activities the Trust would look to formally subscribe to such schemes or codes.

The Trust seeks to protect all members of the public (including vulnerable people) in all of its fundraising activities. The Trust's "Data Promise", which is available on the Theatre's website, outlines how the Trust treats the personal data of its customers.

The Trust did not receive any complaints about its fundraising activities during the year.

The Board regularly receives information on the level of donations received and sponsorship income generated and any activities being carried out which enables them to monitor fundraising activities.

Fixed assets

Movements in tangible fixed assets are set out in note 16 to the financial statements.

Newcastle Theatre Royal Trust Limited

Trustees' report for the year ended 31 March 2020 (continued)

Directors' and officers' liability insurance

The Newcastle Theatre Royal Trust Limited holds liability insurance on behalf of the directors and officers at a cost of £1,616 (2019: £1,469).

Statement as to disclosure of information to auditors

The Trustees who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Trustees has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

Independent Auditors

MHA Tait Walker were appointed as auditors in March 2020 following a re-tender of the audit, replacing PricewaterhouseCoopers LLP as the Trust's auditors.

The Trustees' Report including the Strategic Report has been approved by the Board and is signed on its behalf of by:



Mr Nicholas R Swales
Chairman

Date: 14/12/ 2020

Newcastle Theatre Royal Trust Limited

Statement of Trustees' responsibilities

The Trustees (who are also directors of Newcastle Theatre Royal Trust Limited for the purposes of company law) are responsible for preparing the Trustees' Report (including the Strategic Report) and the financial statements in accordance with applicable law and regulations.

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 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 estimates that are reasonable and prudent;
- state whether FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" has 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 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.

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.

Approved and signed on behalf of the Board by:



Mr Nicholas R Swales
Chairman

Date: 14/12/2020

Newcastle Theatre Royal Trust Limited

Independent auditors' report to the members of Newcastle Theatre Royal Trust Limited

Opinion

We have audited the financial statements of Newcastle Theatre Royal Trust Limited (the 'Charity') for the year ended 31 March 2020, which comprise the Statement of Financial Activities, Balance Sheet, Statement of Cashflows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is United Kingdom Accounting Standards, comprising Charities SORP - FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and applicable law (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 March 2020 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 Companies 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC'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 Charity'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 auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Newcastle Theatre Royal Trust Limited

Independent auditors' report to the members of Newcastle Theatre Royal Trust Limited (continued)

Other information (continued)

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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Trustees' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 14, the Trustees 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 Charity'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 Charity or to cease operations, or have no realistic alternative but to do so.

Newcastle Theatre Royal Trust Limited

Independent auditors' report to the members of Newcastle Theatre Royal Trust Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charitable company's Trustees, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Charity's Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its Trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Simon Brown BA ACA DChA (Senior Statutory Auditor)
For and on behalf of MHA Tait Walker
Chartered Accountants
Statutory Auditor
Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3LS

Date: 17-12-2020

MHA Tait Walker is a trading name of Tait Walker LLP.

Newcastle Theatre Royal Trust Limited

Statement of Financial Activities

for the year ended 31 March 2020

	Note	Unrestricted General funds £	Unrestricted Designated Funds £	Restricted funds £	Total 2020 £	Total 2019 £
Income from						
Donations and legacies	4	104,921	4,591	71,230	180,742	58,518
Charitable activities:						
Operation of Theatre & City Hall	5	14,796,461	-	573,461	15,369,922	15,119,164
Other	6	66,554	-	-	66,564	45,200
Investments	7	52,362	-	-	52,362	34,591
Misc. income	8	-	-	-	-	10,392
Total income		15,020,298	4,591	644,691	15,669,580	15,267,865
Expenditure						
Expenditure on charitable activities:						
Operation of Theatre & City Hall	9	(14,776,142)	(32,573)	(480,322)	(15,289,037)	(14,817,282)
Total expenditure before exceptional items		(14,776,142)	(32,573)	(480,322)	(15,289,037)	(14,817,282)
Exceptional items	9,10	-	-	-	-	(683,979)
Total expenditure after exceptional items	9	(14,776,142)	(32,573)	(480,322)	(15,289,037)	(15,501,261)
Net income/(expenditure) before exceptional items		244,156	(27,982)	164,369	380,543	450,583
Net income/(expenditure) after exceptional items		244,156	(27,982)	164,369	380,543	(233,396)
Actuarial gains/(losses) on defined benefit pension schemes	14 (h) & (l)	(1,310,000)	-	-	(1,310,000)	580,000
Transfer to designated funds		-	-	-	-	-
Transfer to restricted funds		-	-	-	-	-
Net movement in funds		(1,065,844)	(27,982)	164,369	(929,457)	346,604

Newcastle Theatre Royal Trust Limited

Statement of Financial Activities (continued)

for the year ended 31 March 2020

	Note	Unrestricted General funds £	Unrestricted Designated Funds £	Restricted funds £	Total 2020 £	Total 2019 £
Net movement in funds		(1,065,844)	(27,982)	164,369	(929,457)	346,604
Reconciliation of funds:						
Total funds brought forward	23	1,100,335	139,368	1,525,326	2,765,029	2,418,425
Total funds carried forward	23	34,492	111,385	1,689,695	1,835,572	2,765,029

The statement of financial activities includes all gains and losses recognised in the year. Income and expenditure for the year covers activities at both the Theatre Royal and City Hall (until date of transfer).

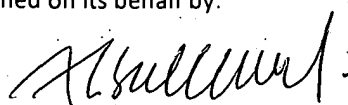
Newcastle Theatre Royal Trust Limited

Balance Sheet

as at 31 March 2020

	Note	2020 £	Restated 2019 £
Fixed assets			
Tangible assets	16	578,092	111,365
Investments in subsidiaries	17	1	1
		<u>578,093</u>	<u>111,366</u>
Long term debtors (non-liquid)	19 (a)	655,345	1,074,272
Current assets			
Stocks	18	6,463	15,991
Debtors	19 (b)	641,490	860,382
Cash	25	9,450,569	11,975,003
		<u>10,098,522</u>	<u>12,851,376</u>
Creditors:			
Amounts falling due within one year	21	(6,686,388)	(10,031,985)
Net current assets		<u>3,412,134</u>	<u>2,819,391</u>
Total assets less current liabilities		4,645,572	4,005,029
Creditors falling due after more than one year			
Defined benefit pension liability	14 (c), (l)	(2,810,000)	(1,240,000)
Net assets		<u>1,835,572</u>	<u>2,765,029</u>
The funds of the charity:			
Restricted funds	23	1,689,695	1,525,326
Unrestricted funds			
Revenue funds	23	2,844,492	2,340,335
Pension reserve	23	(2,810,000)	(1,240,000)
General		<u>34,492</u>	<u>1,100,335</u>
Designated funds	23	111,385	139,368
Total funds		<u>1,835,572</u>	<u>2,765,029</u>

The financial statements on pages 18 to 44 were approved for issue by the Board on 10 December 2020 and were signed on its behalf by:



Mr Nicholas R Swales
Chairman

Date: 14/12/2020 December 2020

Registered number: 01217427

Newcastle Theatre Royal Trust Limited

Statement of Cash Flows

for the year ended 31 March 2020

	Note	2019/20 £	2018/19 £
Net cash used in /generated operating activities	25 (a)	(2,026,578)	3,503,790
Cash flows from investing activities			
Interest received (investment income)		47,711	34,591
Interest paid		-	-
Purchase of tangible fixed assets		(552,318)	(44,847)
Disposal of tangible fixed assets		6,751	-
Net cash used in investing activities		(497,856)	(10,256)
(Decrease)/increase in cash and cash equivalents	25 (b)	(2,524,434)	3,493,534
Cash and cash equivalents at the beginning of the year		11,975,003	8,481,469
Cash and cash equivalents at the end of the year	25 (c)	9,450,569	11,975,003

The reconciliation of net cash flow to movement in funds is shown in note 25(a).

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2020

1 Principal Accounting Policies

a) 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 financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) – (Charities SORP FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Newcastle Theatre Royal Trust 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 stated in the relevant accounting policy note(s).

The future operations of the Trust are dependent on sufficient net income generation. The Trust is constantly looking at ways to maintain high levels of ticket sales and increase revenue streams in order to create financial security. The majority of show programming is put in place at least 12 months in advance and is monitored very carefully against targets when it goes on sale.

The Trust's forecasts and projections for the next twelve months show that the Trust should be able to continue in operational existence for that period, taking into account reasonable possible changes in trading performance and the potential impact on the Trust of possible future scenarios arising from the impact of COVID-19. This also considers the effectiveness of available measures to assist in mitigating the impact including the award of £3m of Coronavirus Relief Funding. The Trust has strong positive cash balances and is forecasting for this to continue to be the case. The Trustees have stress tested their forecasts, taking into account various scenarios, and remain confident that the uncertainties do not cast significant doubt on the company's ability to continue as a going concern.

The Trustees have considered the reserves and financial plans for the Trust and are of the view that, at the date of approval of the financial statements, the Trust has sufficient reserves to continue to operate for the foreseeable future. The Trustees consider the charitable company to be a going concern and the financial statements have been prepared on that basis.

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are setting out in the following notes.

b) Areas of judgement and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenditure. These are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an on-going basis.

Specific areas of estimation include depreciation and useful economic lives of assets, provisions and impairment. The nature of the estimation means that actual outcomes could differ from those estimates. With the exception of the prior year exceptional item as detailed in note 10, none of the judgements or estimates have a significant effect on the financial statements.

c) Income recognition

Income from government and other grants, whether 'capital' or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met and it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

c) Income recognition (continued)

Income from charitable activities, Heritage Fund income and sponsorship and business membership income is recognised as it is earned and is deferred when it is received in advance of the performance or period to which it relates. Ticket sales income comprises of gross income receivable. No Value Added Tax ('VAT') is due on it because the activity falls within VAT exemption for cultural services.

Gift vouchers, credit notes and tickets sold in advance are included in creditors as deferred income and are recognised as income when the performance is held or when the expiry date is reached.

Interest on funds held on deposit is recognised when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank or Newcastle City Council.

d) Resources expended & irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following headings:

- Charitable activities include expenditure associated with performances and educational activities and include both direct costs and support costs relating to these activities.
- Support costs include expenses incurred for the management and administration of the Trust. These costs have been allocated to the charitable activities on the basis of time spent on activities.
- Governance costs comprise expenses relating to governance of the company and are primarily associated with constitutional and statutory requirements.
- All resources expended are classified under activity headings that aggregate all costs related to the category. Where applicable irrecoverable VAT is apportioned to expenditure based on the total department spend.

e) Fund accounting

Unrestricted funds

Unrestricted funds are available to spend on activities that further any of the purposes of charity. They may be designated or undesignated.

Designated funds

The designated funds include funds set aside by the Trustees to cover the repair and renewal of equipment, a contribution towards learning projects, potential technical upgrades and minor one off projects.

Restricted funds

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for a particular purpose. The Heritage Fund contributions are to be used specifically for the restoration and upkeep of the Theatre Royal and the City Hall (up until date of transfer).

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

f) Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses. Assets with a value of below £10,000 are not capitalised. Depreciation of fixed assets is charged by equal annual instalments commencing with the period of acquisition at rates estimated to write off their cost less any residual value over the expected useful lives, which are as follows:

Computer hardware and software	3 years
Box office system	5 years
Other equipment	5 years
Buildings - fixtures & fittings	between 5 years and 10 years
Buildings - Royal House	depreciated over asset life
Buildings - City Hall leasehold improvements	over period of the lease of 25 years (until transfer agreed)

g) Stock

Stock of goods for resale have been included at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less further costs expected to be incurred to disposal.

h) Debtors

Trade and other debtors which are receivable within one year are initially recognised at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

i) Cash at bank and in hand

Cash at bank and cash 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.

j) Trade creditors & other liabilities

Trade creditors and other liabilities are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Trade creditors and other liabilities are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amount settled.

k) Financial instruments

The Trust 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.

l) Pension costs

Employees are entitled to join the Tyne and Wear Pension Fund which operates a Local Government Pension Scheme (LGPS). The LGPS is one of the largest public sector pension schemes in the UK. It is a nationwide pension scheme for people working in local government or working for other types of employer participating in the Scheme. Newcastle Theatre Royal Trust Limited has admitted body status in the scheme. Contributions are paid by the Trust and by its employees.

Notes to the financial statements for the year ended 31 March 2020 (continued)

l) Pension costs (continued)

The LGPS is a defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Members of the LGPS may also contribute towards added years or join the Additional Voluntary Contribution Scheme, each of which is funded by the employee alone. Members also have the flexibility to join the 50/50 part of the scheme whereby they will pay half of the normal contribution but their benefits will also be reduced.

Benefits in the LGPS built up before 1 April 2014 are based on the final pay of the member when they leave the Scheme. New employees are automatically enrolled into the LGPS scheme unless they have exercised their right to opt out of scheme membership.

All benefits built up in the LGPS for membership after 31 March 2014 are worked out under the rules of the new career average scheme. Pension is built up at a rate of 1/49th of the amount of pensionable pay received in that Scheme year, or at a rate of 1/98th if in the 50/50 section of the Scheme.

An actuarial review on 31 March 2020 valued the Newcastle Theatre Royal Trust Limited's share of the scheme's shortfall to be a net pension deficit of £2,720,000 (2019: £1,170,000) in relation to funded benefits which is held as a liability on the balance sheet in accordance with the requirements of Financial Reporting Standard FRS 102. Further information is given in note 14.

2 Legal status of the Trust

The Trust is a charitable company limited by guarantee, incorporated in England. The members have no shareholdings but in the event of a winding up they have each undertaken to contribute to the payment of liabilities, such amount as may be required, not exceeding a total of £1.

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

3 Comparative Information – Prior Year Statement of Financial Activities

	Unrestricted General funds	Unrestricted Designated funds	Restricted funds	Total
	2019 £	2019 £	2019 £	2019 £
Income from				
Donations and legacies	44,828	3,690	10,000	58,518
<i>Operation of Theatre & City Hall</i>	14,487,068	-	632,096	15,119,164
Other	45,200	-	-	45,200
Investments	34,591	-	-	34,591
Misc. income	10,392	-	-	10,392
Total income	14,622,079	3,690	642,096	15,267,865
Expenditure				
Expenditure on charitable activities:				
<i>Operation of Theatre & City Hall</i>	(14,291,921)	(55,204)	(470,157)	(14,817,282)
Total expenditure before exceptional items	(14,291,921)	(55,204)	(470,147)	(14,817,282)
Exceptional items	(20,869)	(331,323)	(331,787)	(683,979)
Total expenditure after exceptional items	(14,312,790)	(386,527)	(801,944)	(15,501,261)
Net income/(expenditure) before exceptional items	330,158	(51,514)	171,939	450,583
Net income/(expenditure) after exceptional items	309,289	(382,837)	(159,848)	(233,396)
Actuarial gains/(losses) on defined benefit pension schemes	580,000	-	-	580,000
Transfer to designated funds	-	-	-	-
Transfer to restricted funds	-	-	-	-
Net movement in funds	889,289	(382,837)	(159,848)	346,604

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

4 Income from donations and legacies

	Unrestricted General £	Unrestricted Designated £	Restricted £	2020 £	2019 £
Individual Giving Scheme	-	4,591	-	4,591	3,690
Other donations	104,921	-	71,230	176,151	54,828
	104,921	4,591	71,230	180,742	58,518

Restricted donations include the net proceeds donated by Sir Ian McKellan, from his 80th birthday on stage tour in August 2019, to support the Trust's learning activities.

5 Income from charitable activities

	Turnover £	2020 Cost of sales £	Net income £	Turnover £	2019 Cost of sales £	Net income £
Unrestricted funds						
Box office (incl. booking fee)	13,479,351	(8,834,520)	4,644,831	12,842,374	(7,957,169)	4,885,205
Ancillary	474,353	(177,542)	296,811	408,937	(154,449)	254,488
Catering & bar	184,315	(6,133)	178,182	530,071	(110,257)	419,814
Memberships	241,756	-	241,756	185,499	-	185,499
Learning	109,574	(45,379)	64,195	286,655	(223,742)	62,913
Miscellaneous	307,112	-	307,112	233,532	-	233,532
	14,796,461	(9,063,574)	5,732,887	14,487,068	(8,445,617)	6,041,451
Restricted funds						
Heritage Income	573,461	-	573,461	632,096	-	632,036
	573,461	-	573,461	632,096	-	632,036
Total	15,369,922	(9,063,574)	6,306,348	15,119,164	(8,445,617)	6,673,547

Miscellaneous income includes postage income relating to ticket sales and member events as well as funds arising from the cancellation of expired historic gift vouchers and credit notes.

The lease of City Hall was transferred to the Academy Music Group on 1 May 2019. Income relating to City Hall amounted to £347k in 2019/20 (2018/19 £3.32m) and includes restricted income of £29k (2018/19: £159k).

6 Other

	2020 £	2019 £
Sponsorship	49,229	45,200
Government grant (Coronavirus Job Retention Scheme)	17,325	-
	66,554	45,200

All of this Other income relates to unrestricted funds.

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

7 Investments

	2020 £	2019 £
Interest receivable	52,362	34,591

Interest receivable is mainly interest earned on the funds held with Newcastle City Council. All investment income relates to unrestricted funds.

8 Misc. income

	2020 £	2019 £
Misc. income	-	10,392

This income relates to retrospective refunds of VAT from HM Revenue and Customs ("HMRC"). All miscellaneous income relates to unrestricted funds.

9 Analysis of expenditure on charitable activities

The Trust undertakes direct charitable activities only and does not make grant payments.

	Unrestricted General funds	Unrestricted Designated funds	Restricted funds	2020	2019
	£	£	£	£	£
Cost of charitable activities:					
Cost of sales (see note 5)	9,063,574	-	-	9,063,574	8,445,617
Marketing	927,951	-	-	927,951	944,843
Box office	501,324	-	-	501,324	613,142
Front of house management	821,944	-	-	821,944	847,473
Building costs	712,963	-	453,532	1,166,495	1,252,487
Development	101,225	-	-	101,225	96,182
Technical	1,112,204	-	-	1,112,204	1,023,564
Learning	156,647	-	-	156,647	135,024
Depreciation	20,845	31,206	26,790	78,841	82,403
Support costs (see note 11)	1,331,423	1,367	-	1,332,790	1,356,640
Governance costs (see note 11)	26,042	-	-	26,042	19,907
Total cost of charitable activities before exceptional items	14,776,142	32,573	480,322	15,289,037	14,817,282
Exceptional items (see note 10)	-	-	-	-	683,979
Total cost of charitable activities after exceptional items	14,776,142	32,573	480,322	15,289,037	15,501,261

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

9 Analysis of expenditure on charitable activities (continued)

In 2017/18 £1,912,126 was paid to Newcastle City Council as a final contribution towards the refurbishment of their theatre building. £418,927 of this amount was included within building costs in 2017/18 and the remaining £1,493,199 at 31 March 2018 was treated as a prepaid contribution payment. This prepaid amount is being charged to expenditure over a four year period. Consequently £418,927 has been charged to the income & expenditure statement in the year within building costs. At 31 March 2020 the remaining balance of £655,345 is included within long term debtors (2019: £1,074,272). The contribution amount expensed in the year has been charged against restricted funds.

10 Exceptional items

On 1 May 2019 the Trust's lease of City Hall from Fusion Lifestyle ended following agreement for a new operator, the Academy Music Group, to enter into a new lease to operate City Hall from this date. As this change impacted the carrying value of the leasehold improvements made to City Hall by the Trust as at 31 March 2019, an impairment loss of £683,979 was recognised in the 2018/19 accounts – see note 16. No exceptional items have arisen in 2019/20.

11 Analysis of support and governance costs

The Trust allocates its support costs as shown in the table below. Support costs are allocated on a basis consistent with the use of resources.

	Support costs (Note 9)	Governance (Note 9)	2020	2019
	£	£	£	£
Central Office, Admin & HR	478,728	-	478,728	500,558
Finance Office	603,259	-	603,259	650,680
Information Technology	258,959	-	258,959	139,836
City Hall	(8,156)	-	(8,156)	65,566
Internal Audit	-	6,250	6,250	4,715
External Audit	-	19,792	19,792	15,192
Total	1,332,790	26,042	1,358,832	1,376,547

12 Net (expenditure)/income

Net (expenditure)/income is stated after charging:

	2020	2019
	£	£
Depreciation of tangible fixed assets	78,841	82,403
Impairment loss	-	683,979
Operating lease rentals – plant & equipment	8,251	5,430
Auditors' remuneration		
- Audit fee	10,000	14,500
- Other advisory services	-	-
Directors' and officers' liability insurance	1,616	1,469
Cost of stock recognised as an expense – stock write off	3,126	2,282

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

13 Employee information

a) Average number of employees

The average monthly number of employees, including temporary staff, employed during the year was 192 (2019: 206) split between Theatre Royal operations 178 (2019: 195) and management and administration 15 (2019: 11).

b) The costs incurred in respect of employees were:

	2020 £	2019 £
Wages and salaries	2,548,164	2,555,333
Social security costs	210,061	222,202
Pension charges	912,120	908,528
	3,670,345	3,686,063

Pension charges for the year include employer contributions of £643,162 (2019: £618,528) into the Tyne and Wear Pension Fund in respect of employees' pension costs (with an employer's contribution rate 26.7% of pensionable pay (2019: 25.7%). Employee contributions vary according to their annual pay. In relation to LGPS scheme benefits, pension charges also include £260,000 in respect of the current and past service charges and net interest costs for the year (2019: £220,000). In relation to unfunded LGPS benefits, the Trust paid £8,957 to the Fund during the year (2019: £8,746). Further details regarding on these charges and the pension scheme are given in Note 14.

At the year end £66,118 (2019: £65,683) was accrued in respect of employer and employee contributions due to the scheme which were paid across in April 2020.

The number of employees earning over £60,000, excluding pension contributions, is as follows:

	2020 Number	2019 Number
£60,001 - £70,000	3	3
£130,001 - £140,000	1	1

c) Key Management Personnel

For the purpose of this disclosure Key Management Personnel are defined as the Trustees, Chief Executive, Director of Finance, Director of Operations, Director of Operations (maternity cover) and Director of Sales & Marketing whose aggregate remuneration in the year, excluding employer pension and national insurance contributions, was £353,541 (2019: £324,795). Aggregate remuneration including employer pension and national insurance contributions was £497,861 (2019: £448,279):

	2020 Number	2019 Number
£40,001 - £50,000	1	-
£80,001 - £90,000	3	3
£190,001 - £200,000	1	1

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

13 Employee information (continued)

d) Trustees' emoluments

None of the Trustees received any remuneration or expenses during the year ended 31 March 2020 for services rendered to the Trust (2019: £nil). Directors attend a number of performances each year in order to monitor the quality of productions and maintain a Board presence at the Theatre. During the year the value of tickets for such performances attended by directors totalled £3,242 (2019: £4,250).

14 Pensions

The disclosures (below) relate to the funded liabilities within the Tyne and Wear Pension Fund (the "Fund") which is part of the Local Government Pension Scheme (the "LGPS").

The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a Career Average Revalued Earnings scheme. Details of the benefits earned over the period covered by this disclosure are set out in "The Local Government Pension Scheme Regulations 2013" and The Local Government Pension Scheme (Transition Provisions, Savings and Amendment) Regulations 2014.

(a) Funding / Governance Arrangements of the LGPS

The funded nature of the LGPS requires participating employers and its employees to pay contributions into the Fund, calculated at the level intended to balance the pension liabilities with investment assets. Information on the framework for calculating contributions to be paid is set out in LGPS Regulations 2013 and the Fund's Funding Strategy Statement.

An actuarial valuation was carried out as at 31 March 2019 and the contributions to be paid from 1 April 2020 until 31 March 2023 resulting from this valuation are set out in the Fund's Rates and Adjustment Certificate. Employer contributions for this period have been set at 14% of pensionable pay. This compares to an employer contribution rate of 26.7% for the year ended 31 March 2020. The Fund's Administering Authority, South Tyneside Council, is responsible for the governance of the Fund.

An actuarial review for accounting purposes, using the roll-forward method, was undertaken to review the funded status of the Scheme as at 31 March 2020. As a result of this review, the Trust's share of the difference between the fair value of the Scheme's assets and the present value of funded defined benefit obligations has increased from £1.17m as at 31 March 2019 to £2.72m as at 31 March 2020. Asset returns over the accounting period have been lower than expected due to the emerging Covid-19 pandemic which has led to a loss on assets over this period and a worsening in the balance sheet position before allowance for the 2019 actuarial valuation. The increase in this obligation has been recognised on the balance sheet.

In accordance with the requirements of FRS 102, disclosure of certain information concerning assets, liabilities, income and expenditure relating to the pension scheme is required and is set out below.

(b) Estimated pension expense for the accounting year ending 31 March 2021

The actuarial review for accounting purposes provides an estimate of the charges to the income and expenditure account in future periods based on the assumptions as at 31 March 2020.

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

14 Pensions (continued)

(b) Estimated pension expense for the accounting year ending 31 March 2021 (continued)

Analysis of amounts charged to profit and loss	Period ending 31 March 2021
	£m
Current service cost	0.83
Net interest on net defined benefit liability	0.06
Total estimated pension expense	0.89

An allowance for administrative expenses of £0.01m is included in the current service cost. The estimated expense and is based on an estimated pensionable payroll over the period of £2.45m.

(c) Changes to the Pension Liability

Reconciliation of pension liability	£
Opening pension liability at 1 April 2019	(1,170,000)
Current service cost	(800,000)
Past service cost	(80,000)
Interest on net defined benefit liability	(20,000)
Contributions by the employer	630,000
Actuarial gains/(losses)	(1,280,000)
Closing pension liability at 31 March 2020	(2,720,000)

(d) Principal assumptions

The principal assumptions used by the actuary in updating the latest valuation of the Fund for FRS 102 purposes were:

Assumptions	31 March 2020 %	31 March 2019 %	31 March 2018 %
CPI Inflation	1.90%	2.10%	2.00%
Salary increases	3.40%	3.60%	3.50%
Pension accounts revaluation rate	1.90%	2.10%	2.00%
Pension increases	1.90%	2.10%	2.00%
Discount rate	2.30%	2.50%	2.60%

The mortality assumptions are based on the actual mortality experience of members within the Fund based on analysis carried out as part of the 2019 Actuarial Valuation and allow for expected future mortality improvements. Sample life expectancies at age 65 resulting from these mortality assumptions are shown below:

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

14 Pensions (continued)

(e) Principal assumptions (continued)

Mortality assumptions	31 March 2020 Years	31 March 2019 Years
Males		
Pension member aged 65 at accounting date	21.8	22.2
Active member aged 45 at accounting date	23.5	23.9
Females		
Pensioner member aged 65 at accounting date	25.0	25.3
Active member aged 45 at accounting date	26.8	27.2

Asset allocation	Value at 31 March 2020	Value at 31 March 2018
Equities	54.8%	65.0%
Property	9.0%	8.8%
Government bonds	4.1%	4.1%
Corporate bonds	15.3%	11.7%
Cash	2.3%	2.7%
Other	14.5%	7.7%
Total	100.0%	100.0%

(f) Reconciliation of funded status to Balance Sheet

	Value as at 31 March 2020 £	Value as at 31 March 2019 £
Fair value of assets	11,230,000	11,280,000
Present value of funded defined benefit obligation	(13,950,000)	(12,450,000)
Funded status - liability recognised on the balance sheet	(2,720,000)	(1,170,000)

The split of the liabilities at the last valuation between the various categories of members is as follows:

Active members	50%
Deferred pensioners	19%
Pensioners	31%

(g) Amounts recognised in income statement

	Year ending 31 March 2020 £	Year ending 31 March 2019 £
Operating cost		
Current service cost	800,000	810,000
Past service cost	80,000	-
Curtailment cost	-	-
Settlement cost	-	-
Financing cost		
Interest on net defined benefit liability	20,000	40,000
Pension expense recognised in profit and loss	900,000	850,000

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

14 Pensions (continued)

(h) Amounts recognised in other comprehensive income

	Year ending 31 March 2020 £	Year ending 31 March 2019 £
Asset (losses)/gains arising during the year	(820,000)	1,770,000
Liability losses arising during the year	(460,000)	(1,190,000)
Total amount recognised in other comprehensive income	(1,280,000)	580,000

(i) Changes to the present value of the defined benefit obligation

	Year ending 31 March 2020 £	Year ending 31 March 2019 £
Opening defined benefit obligation	12,450,000	10,300,000
Current service cost	800,000	810,000
Interest expense on defined benefit obligation	310,000	270,000
Contributions by participants	150,000	160,000
Actuarial (gains)/losses on liabilities	460,000	1,190,000
Net benefits paid out	(300,000)	(280,000)
Past service cost	80,000	-
Closing present value of liabilities	13,950,000	12,450,000

(j) Changes to the fair value of assets

	Year ending 31 March 2020 £	Year ending 31 March 2019 £
Opening fair value of assets	11,280,000	8,770,000
Interest income on assets	290,000	230,000
Re-measurement gains/(losses) on assets	(820,000)	1,770,000
Contributions by the employer	630,000	630,000
Contributions by participants	150,000	160,000
Net benefits paid out	(300,000)	(280,000)
Closing fair value of assets	11,230,000	11,280,000

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

14 Pensions (continued)

(k) Actual return on assets

	Year ending 31 March 2020 £	Year ending 31 March 2019 £
Interest income on assets	290,000	230,000
Gain/(loss) on assets	(820,000)	1,770,000
Actual return on assets	(530,000)	2,000,000

(l) Unfunded benefits

The liability recognised in respect of the unfunded LGPS benefits is £90,000 (2019: £70,000). These benefits are termination benefits made on a discretionary basis upon early retirement in respect of members of the LGPS. No pension fund exists to meet these benefits. This amount forms part of the pension liability recognised on the balance sheet. An actuarial loss of £30,000 has been recognised in the period in respect of these liabilities.

(m) Contingent liabilities

The McCloud judgement

The Government was unsuccessful in its attempt to overturn the Court of Appeal's decision in the McCloud case relating to transitional protection arrangements when the firefighter and judges pension schemes were reformed. Although the judgement did not relate directly to the LGPS, the Government has confirmed that the implications of the judgement will extend to all public service schemes as they had comparable provisions which were deemed to amount to age discrimination. The actuarial valuation undertaken as at 31 March 2019 includes an allowance for the possible additional liabilities arising from the McCloud case although there are not, as yet, any confirmed details of any benefit changes for the LGPS. The Fund has stated that it does not intend to revisit employer contribution rates as a result of McCloud and the funding position and contribution rates of individual employers will be reassessed at the next local fund valuation (currently expected to commence in 2022).

Guaranteed Minimum Pension (GMP) equalisation

In March 2016 the Government made the LGPS responsible for paying the full increases on GMPs for individuals reaching State Pension Age (SPA) from 5 April 2016 through to 6 December 2018 as an "interim solution". In January 2018 this interim solution was extended to individuals reaching SPA before 5 April 2021 - passing further cost on to the LGPS.

The 31 March 2019 actuarial valuation allowed for the extension of the interim solution to those reaching State Pension Age by 5 April 2021 as already required under legislation. However, the valuation did not allow for the impact of potentially extending this interim solution indefinitely, providing full pension increases on GMP for members reaching State Pension Age after 5 April 2021. Based on approximate calculations, at a whole fund level, the Scheme's actuary has indicated that the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the Fund as a whole.

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

15 Taxation

The Trust is a charity established under the Charities Act 1993 (now Charities Act 2011). It is therefore exempt from taxation in respect of income and capital gains received within categories covered by section 505 Income and Corporation Taxes Act 1988 and section 256 Taxation of Chargeable Gains Act 1992, to the extent that such income and gains are applied to charitable purposes only.

16 Tangible assets

	Buildings (incl. leasehold improvements)	Other Equipment	Computer Equipment	Box Office & HR systems	Total
	£	£	£	£	£
Cost					
At 1 April 2019	1,393,989	309,727	82,092	230,425	2,016,233
Additions during the year	551,674	644	-	-	552,318
Disposals	(747,103)	-	-	(6,750)	(753,853)
At 31 March 2020	1,198,560	310,371	82,092	223,675	1,814,698
Accumulated depreciation					
At 1 April 2019	1,383,802	259,127	82,092	179,847	1,904,868
Charge for the year	36,977	22,630	-	19,234	78,841
Disposals	(747,103)	-	-	-	(747,103)
At 31 March 2020	673,676	281,757	82,092	199,081	1,236,606
Net book value					
At 31 March 2020	524,884	28,614	-	24,594	578,092
At 31 March 2019	10,187	50,600	-	50,578	111,365

The main Theatre Royal premises is leased from Newcastle City Council which owns the property. A new 125 year lease commenced on 1st April 2016 at a peppercorn rent. The Trustees consider the nature of the Theatre Royal's business to be such that realistic quantification of the true value of this gift in kind is impossible with any accuracy, and hence no value has been attributed to it within the financial statements.

The Trust purchased the Royal House lease in full on 1 April 2009 for £310,000. On 1 April 2016 the Trust entered into a long leasehold agreement (125 years) with Fusion Lifestyle to operate Newcastle City Hall. On 1 May 2019 the Trust's lease of City Hall was ended following agreement for a new operator, the Academy Music Group, to enter into a new lease to operate City Hall from this date. An impairment loss of £683,979 was recognised as an exceptional item in the 2018/19 accounts in relation to the carrying value of the leasehold improvements made to City Hall - see note 10. These assets are now shown as a disposal in the 2019/20 accounts.

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

16 Tangible assets (continued)

Prior year note

	Buildings (incl. leasehold improvements) £	Other Equipment £	Computer Equipment £	Box Office & HR systems £	Total £
Cost					
At 1 April 2018	1,376,918	298,271	82,092	205,572	1,962,853
Additions during the year	17,071	11,456	-	24,853	53,380
Disposals	-	-	-	-	-
At 31 March 2019	1,393,989	309,727	82,092	230,425	2,016,233
Accumulated depreciation					
At 1 April 2018	656,920	237,835	82,092	161,639	1,138,486
Charge for the year	42,904	21,292	-	18,208	82,403
Impairment	683,979	-	-	-	683,979
Disposals	-	-	-	-	-
At 31 March 2019	1,383,802	259,127	82,092	179,847	1,904,868
Net book value					
At 31 March 2019	10,187	50,600	-	50,578	111,365
At 31 March 2018	719,998	60,436	-	43,933	824,367

17 Investments in subsidiaries

On 27 October 2017 NTRT Trading Ltd was incorporated. This company is a wholly owned subsidiary of the Trust and has yet to commence trading. The company is limited by guarantee and the Trust, as the parent charity, guarantees to pay up to one pound towards the costs of dissolution and the debts and liabilities of the company. NTRT Trading Ltd is incorporated in England, registration number 11036273 and its registered office is 100 Grey Street, Newcastle upon Tyne, NE1 6BR.

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

18 Stock

	2020	2019
	£	£
Goods for resale	<u>6,463</u>	<u>15,991</u>

19 Debtors

	2020	Restated 2019
	£	£
(a) Long term debtors (non-liquid)		
Advance contribution payment to Newcastle City Council	<u>655,345</u>	<u>1,074,272</u>

£418,927 of this balance will be charged to restricted funds in 2020/21 with the remaining balance of £236,418 being charged in 2021/22. See note 9 for further information.

	2020	Restated 2019
	£	£
(b) Debtors		
Trade debtors	90,954	93,829
Subsumption security monies held by Newcastle City Council – note 20	380,000	311,300
Other debtors	76,725	291,037
Prepayments and accrued income	<u>93,811</u>	<u>164,216</u>
	<u>641,490</u>	<u>860,382</u>

Cash held on deposit with Newcastle City Council of £5,189,909 (2019: £6,835,951) is included as part of the overall cash balance held in 2020. In 2019 this balance was included within debtors and the prior year comparative has been restated to reflect this change in disclosure.

20 Amounts owed by related parties

Amounts owed by related parties are the cash balances and pension bond held by Newcastle City Council. The cash balance of £9,450,569 at 31 March 2020 includes £5,189,909 (2019: £6,835,951) which is held on deposit with Newcastle City Council.

£380,000 is also held by Newcastle City Council as security for the Council agreeing to the pension scheme subsumption agreement (2019: £311,300). When the Trust arranges for a pension bond to be put in place to cover the potential risk of increased liabilities on cessation to the Council, then the monies held as security will be returned to the Trust.

In March 2020, following the results of 2019 valuation, additional monies of £68,700 as security were required by Newcastle City Council. The agreements in place allow for the Council to request further security to be provided in the future either via monies held or via an appropriate pension bond.

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

21 Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	2,256,683	1,031,064
Taxation and social security	138,637	103,486
Other creditors	72,827	151,026
Accruals	345,035	299,456
Deferred income (note 22)	3,873,206	8,446,953
	6,686,388	10,031,985

Trade creditors include refund amounts due to customers as a result of show cancellations arising from the coronavirus.

22 Deferred income

Deferred income comprises advance ticket sales, booking fees and heritage fund income for performances after 31 March 2020.

	£
Balance as at 1 April 2019	8,446,953
Amount transferred to The Academy Music Group	(854,818)
Amount released to income earned from charitable activities	(7,427,389)
Amount deferred in year	4,236,266
Reclassified to trade/other creditors re cancelled shows/events	(527,806)
Balance as at 31 March 2020	3,873,206
	£
Balance as at 1 April 2018	6,295,936
Amount released to income earned from charitable activities	(6,295,936)
Amount deferred in year	8,445,953
Balance as at 31 March 2019	8,446,953

Where a show or event was expected to be cancelled as a result of the coronavirus, the deferred income balance has been reclassified to other creditors. Due to the on-going uncertainty regarding a re-opening date, further shows are expected either to be cancelled or rescheduled to a later date.

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

23 Funds

	Unrestricted			Restricted			
	Revenue funds	Pension reserve	Sub-total	Designated funds	Unrestricted Funds	Restricted Funds	Total
	£	£	£	£	£	£	£
At 1 April 2019	2,340,335	(1,240,000)	1,100,335	139,368	1,239,703	1,525,326	2,765,029
Net incoming/ (outgoing) resources for the year before exceptional item	504,157	(260,000)	244,156	(27,982)	216,174	164,369	380,543
Actuarial loss	-	(1,310,000)	(1,310,000)	-	(1,310,000)	-	(1,310,000)
At 31 March 2020	2,844,492	(2,810,000)	34,492	111,385	145,877	1,689,695	1,835,572

Previous year	Unrestricted			Restricted			
	Revenue funds	Pension reserve	Sub-total	Designated funds	Unrestricted Funds	Restricted Funds	Total
	£	£	£	£	£	£	£
At 1 April 2018	1,741,046	(1,530,000)	211,046	522,205	733,251	1,685,174	2,418,425
Net incoming/ (outgoing) resources for the year	620,158	(290,000)	330,158	(51,514)	278,644	171,939	450,583
Exceptional item	(20,869)	-	(20,869)	(331,323)	(352,192)	(331,787)	(683,979)
Actuarial gain	-	580,000	580,000	-	580,000	-	580,000
At 31 March 2019	2,340,335	(1,240,000)	1,100,335	139,368	1,239,703	1,525,326	2,765,029

Unrestricted funds

Designated funds include funds set aside by the Trustees to cover the repair and renewal of equipment, a contribution towards learning projects, potential technical upgrades and minor one off projects. In 2017/18 a transfer of £700,550 was made from unrestricted funds to restricted reserves to cover the advance contribution payment made to Newcastle City Council.

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

23 Funds (continued)

Restricted funds

Restricted funds comprise a sum of £1,689,695 (2019: £1,525,326). During 2017/18 a final contribution to Newcastle City Council in respect of the restoration work to the Theatre Royal of £1,912,126 was made. £418,927 of this contribution was charged against restricted funds in 2017/18 with the balance being charged to the income & expenditure account over a four year period. The charge for 2019/20 was £418,927. Heritage Fund income generated in the year amounted to £573,461 (2019 – £632,096) and £71,230 was received from Sir Ian McKellan to develop the Trust's learning activities.

Pension reserve

Note 14 provides information on the Trust's pension reserve balance.

Exceptional item

No exceptional items arose in 2019/20.

In 2018/19 an impairment loss of £683,979 was recorded as an exceptional item which was charged against funds as follows - £331,787 against restricted heritage income funds generated from City Hall operations for the repairs and maintenance of the buildings, £331,323 against designated funds following a review of unused funds and the remaining £20,869 was charged directly to unrestricted funds.

24 Analysis of net assets between funds

	Unrestricted funds	Designated funds	Restricted funds	Total 2020
	£	£	£	£
Tangible fixed assets	33,228	31,838	513,027	578,093
Current assets	9,337,964	79,547	1,293,734	10,753,867
Current liabilities	(6,526,700)	-	(159,689)	(6,686,388)
Pension liability	(2,810,000)	-	-	(2,810,000)
Total net assets as at 31 March 2020	34,492	111,385	1,689,695	1,835,572

Previous year	Unrestricted funds	Designated funds	Restricted funds	Total 2019
	£	£	£	£
Tangible fixed assets	53,947	57,419	-	111,366
Current assets	12,318,573	81,749	1,525,326	13,925,648
Current liabilities	(10,031,985)	-	-	(10,031,985)
Pension liability	(1,240,000)	-	-	(1,240,000)
Total net assets as at 31 March 2019	1,100,335	139,368	1,525,326	2,765,029

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

25 Notes to the cash flow statement

(a) Reconciliation of net incoming/(outgoing) resources to net cash (used in)/generated from operating activities

	2020	Restated 2019
	£	£
Net (outgoing)/incoming resources	(929,457)	346,604
Depreciation	78,841	82,403
Impairment charge	-	683,979
Increase/(decrease) in pension liability	1,570,000	(290,000)
Interest receivable	(52,362)	(34,591)
Interest payable	-	-
Decrease in stocks and work in progress	9,528	514
Decrease in advance contribution payment to Newcastle City Council	418,927	418,927
Decrease/(increase) in debtors	223,542	(108,367)
(Decrease)/increase in creditors	(3,345,597)	2,404,321
Net cash (used in)/generated from operating activities	(2,026,578)	3,503,790

As set out in Note 20 and shown below, the cash held with Newcastle City Council (excluding the subsumption security monies) has been shown as cash in the cash flow statement.

(b) Analysis of changes in net cash & net debt

	At 1 April 2019	Change in year	At 31 March 2020
	£	£	£
Cash at bank and in hand	3,939,052	(1,478,392)	2,460,660
Money market deposits	1,200,000	600,000	1,800,000
Cash held with Newcastle City Council	6,835,951	(1,646,042)	5,189,909
Net cash	11,975,003	(2,524,434)	9,450,569

(c) Reconciliation of net cash flow to movement in net cash

	£
Decrease in cash in the year	(2,524,434)
Net cash at 1 April 2019	11,975,003
Net cash at 31 March 2020	9,450,569

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2020 (continued)

26 Related party transactions

Newcastle City Council holds a significant proportion of the Trust's cash balances and has a cash balance owed to the Trust of £5,189,909 (2019: £6,835,951) together with the subsumption security monies of £380,000 (2019: £311,300).

The Chief Executive of Newcastle Theatre Royal Trust Ltd, Mr P A F Johnston, who works under the name of Philip Bernays, is a director of the Dance Consortium Ltd and the Children's Theatre Partnership Ltd. During the year *Pepperland* (produced by the Dance Consortium Ltd) and *Holes* (produced by the Children's Theatre Partnership Ltd) were presented at the Theatre Royal as part of the Trust's artistic programme for the year. A payment of £52,283 was made to the Dance Consortium Ltd and £52,795 to the Children's Theatre Partnership Ltd in respect of each company's production. These payments represent the visiting company's agreed share of box office receipts, royalties and programme sales. All payments to visiting companies are made in accordance with agreed contracts.

UNW LLP were engaged to provide assistance with the preparation of the Trust's 2018/19 corporation tax return for a fee of £1,500. The spouse of the Director of Finance is a partner at this firm but has no involvement with the firm's work in relation to the Trust. The work was carried out on a normal commercial basis.

27 Lease and other financial commitments

(a) Operating leases

Total future minimum lease payments under operating leases are given in the table below:

	At 31 March 2020			At 31 March 2019		
	£ Other equipment	£ Office equipment	£ Total	£ Other equipment	£ Office equipment	£ Total
Not later than 1 year	1,941	2,062	4,003	3,287	997	4,284
Later than 1 year and not later than 5 years	1,822	7,492	9,314	3,626	1,072	4,698
	<u>3,763</u>	<u>9,554</u>	<u>13,317</u>	<u>6,913</u>	<u>2,069</u>	<u>8,982</u>

(b) Other financial commitments

Following the Trust's contribution in 2017/18 of £1,912,126 to Newcastle City Council in respect of refurbishment costs relating to the Theatre Royal building, no further payments are required.

The Trust entered into a three year agreement in June 2018 with Tevalis Ltd for the supply and licence of software used on the Theatre Royal's EPOS till system at a quarterly cost of £370 plus VAT. The Trust has also committed to purchase additional till hardware at a cost excluding VAT of £14,301 together with additional monthly support costs of £195.

28 Ultimate controlling party

The company is limited by guarantee and there is no ultimate controlling party.

Notes to the financial statements for the year ended 31 March 2020 (continued)

29 Events after the balance sheet date

The spread of the coronavirus and government guidance on social distancing has continued to impact the Theatre and its operations after the balance sheet date. The Theatre continues to be unable to present productions on a financially viable basis due to existing social distance guidelines which the Government are planning to review in November 2020. Productions continue to be rescheduled to later dates or cancelled with customers being offered refunds. A redundancy programme was agreed post year end along with reduced working hours and pay for other staff. Further details are provided on pages 6 and 7 of the Trustees' report. No adjustments have been made to the accounts in respect of these events arising after the balance sheet date.