



Newcastle Theatre Royal Trust Limited

(a company limited by guarantee)

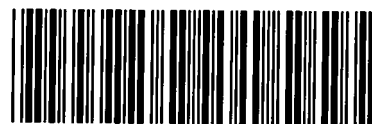
Annual report and financial statements

for the year ended 31 March 2018

Registered Number: 01217427

Charity Number: 504473

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Newcastle Theatre Royal Trust Limited

Contents

Legal and administrative details	1
Trustees' report (including Strategic report) for the year ended 31 March 2018	2
Statement of Trustees' responsibilities	12
Independent auditors' report to the members of Newcastle Theatre Royal Trust Limited	13
Statement of Financial Activities (including income and expenditure account) for the year ended 31 March 2018	16
Balance Sheet as at 31 March 2018	17
Statement of Cash Flows for the year ended 31 March 2018	18
Notes to the financial statements for the year ended 31 March 2018	19

Newcastle Theatre Royal Trust Limited

Legal and administrative details

Registered charity number: 504473

Registered company number: 01217427

Trustees

Bill Midgley OBE (Chairman)
Adam Fenwick (Vice-Chairman)
Julia Blackie
John Carver
Sheila Chapman
John Lee OBE
Joan Louw
Raymond Mills
Howard Tait

Chief Executive

Philip Bernays

Management Team

Pamela Dowds	Director of Finance (to 31 March 2018)
Jo Kirby	Director of Sales, Marketing & Development
Marcia Lant	Director of Finance (from 3 April 2018)
Siobhan Lightfoot	Director of Operations

Company Secretary

Pamela Dowds	to 31 March 2018
Marcia Lant	from 3 April 2018

Bankers

HSBC	
Maingate, Kingsway	The Cooperative Bank
North Team Valley Trading Estate	Grey Street
Gateshead	Newcastle upon Tyne
Tyne and Wear	NE1 6BR
NE11 OBE	

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

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3AZ

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 2018

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 2018.

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 2015).

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 dated 27 September 2013 (amended on 27 March 2015). As stated in the Articles of Association, the Trust shall have up to eleven trustees who shall be appointed at the Annual General Meeting. From September 2013, at each Annual General Meeting, one-third of the members shall retire. The members to retire shall be those longest in office since their last appointment or re-appointment. A retiring member shall be eligible for further re-appointment provided that no one may serve for more than nine years.

During the year the following Trustees were appointed: Mr G Thompson (14 July 2017), Mr R Mills (25 July 2017) and Mrs J Blackie (25 September 2017) and the following Trustees resigned - Mr J Ainslie (29 September 2017) and Mr G Thompson (1 May 2018). With the exception of the changes listed here, all other Trustees served during the year. Details of the 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 sub 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.

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

Newcastle Theatre Royal Trust Limited

Trustees' report for the year ended 31 March 2018 (continued)

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.

More than 200 staff work over various departments including the Chief Executive's office, HR, finance, sales and marketing, learning, and 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 currently assists 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.

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 "bring entertainment and inspiration to Newcastle and the North East by providing a diverse programme of the highest quality live theatre and the performing arts for all the people of Newcastle and 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. The Trust's venues include the 1,247 seat, Grade 1 Listed, Theatre Royal, which has an accompanying community and education programme and 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 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.

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.

On 1st April 2016 Newcastle Theatre Royal Trust Limited took over management of City Hall, a concert venue in the heart of Newcastle. Following the initial learning curve experienced last year, the current year of trading has continued to be challenging from both programming and operational management perspectives due to the extensive refurbishment needs of the building.

Newcastle Theatre Royal Trust Limited

Trustees' report for the year ended 31 March 2018 (continued)

Working practices from the Theatre Royal have now been embedded and relationships have continued to be built with music and comedy producers. The initial investment in the bar refurbishment has been well received but there is still a significant amount of capital investment required to the fabric of the building. Options for this work are currently being explored by the Trust.

In the year to 31 March 2018, the Theatre Royal presented 404 performances to 359,438 people, and achieved an average capacity of 73%, against a target of 71%. It generated £9.6m in Box Office income (excluding booking fees) and the Trust's share of this was 31% (2017: 31%). This was well in excess of our target for the year.

The City Hall presented 82 performances to 111,454 people and achieved an average capacity of 65% against a target of 56%. Box Office income of £2.5m was generated (including booking fees) and the Trust's share of this was 19% (2017: 19%).

During the year a diverse range of good quality performances were presented at the Theatre Royal and City Hall, with many shows exceeding expectations. At the Theatre Royal musicals including, *Mamma Mia* (93% capacity), *Beautiful* (94%), *Funny Girl* (96%) and *Sister Act* (91%) all performed exceptionally well at the Box Office. Unfortunately, two performances of the popular show *Cilla: the Musical* had to be cancelled in March 2018 due to adverse weather conditions.

Ballet and dance continues to be successful with Matthew Bourne's *the Red Shoes* achieving 98% capacity along with the Scottish Ballet's *the Nutcracker* at 93% and Rambert at 76%. The Opera programme also performed well with *Madame Butterfly* achieving 99% capacity and *Trouble in Tahiti* (84%).

In general, as in previous years, drama was not as popular with audiences but there were a number of shows which did attract large numbers, in particular *Art* (39%). The pantomime season continues to perform well and this year's *Peter Pan* (85%), grossed over £2.2m.

At the City Hall, comedy was again extremely popular with Ricky Gervais, Jimmy Carry, Amy McDonald all achieving high attendances. A number of the music acts performed extremely well *Texas* (96%), the Australian *Pink Floyd* (95%), *Banarama* (95%), *Chris Rea* (93%) and the *Bootleg Beatles* (92%).

Financial review

The Trust's day to day charitable activities are self-funding. Income from the Theatre Royal and City Hall productions was £12.9m which is £0.9m lower than 2016/17. The decrease is mainly due to the 2016/17 results including the highly successful *Mary Poppins* and *Chitty Chitty Bang Bang* productions which were not replicated in 2017/18. The 2017/18 income results have also been impacted by the lost revenue arising from the cancellation of two shows of the *Cilla – The Musical* due to adverse weather conditions.

The Trust made an increased contribution payment to Newcastle City Council of £1,912,126 during the year (2017: £418,926). £418,927 of this contribution is included in building costs as shown note 8 to the financial statements and the remaining £1,493,199 has been treated as an advance contribution payment and is included within debtors. This amount will be charged to expenditure over the next four years. Following the decision to increase the contribution amount paid, no further contributions will need to be paid to the Council regarding the restoration work of the auditorium. Although there was a significant upfront cost involved with this advance contribution, the decision will save the Trust circa £164,000 in future interest payments. A transfer of £700,550 has also been made from general funds to restricted funds to cover this advance contribution payment.

A further £220,000 increase in the defined benefit pension scheme obligation following the actuary's annual review has also impacted the results for the year. As a result of the above factors, a net surplus of £722,572 is reported for the year (2017: surplus £624,958).

Newcastle Theatre Royal Trust Limited

Trustees' report for the year ended 31 March 2018 (continued)

The reported surplus includes Heritage Fund income of £653,831 (2017: £595,461) which is received from patrons specifically for the upkeep of the buildings and is designated as restricted income as shown in note 4 to the financial statements. Excluding the Heritage Fund income, the contribution to Newcastle City Council and £4,000 of other restricted income, this gives an adjusted operating surplus of £483,668 (2017: £448,425).

Reserves policy and going concern

The Trust has a policy of maintaining its general reserve at a minimum of 5% of annual trading expenditure. As at 31 March 2018 the general reserve amounted to £211,046 (2% of trading expenditure). In addition, designated funds of £522,205 are held for planned developments, technical upgrades and equipment and learning projects. The restricted reserve is specifically for the restoration and refurbishment of the Theatre Royal and City Hall, for the benefit of all patrons. The advance contribution payment to Newcastle City Council of £1,493,199 has been treated as a prepayment and will be charged against the restricted reserve over the next four years. The balance on the restricted reserve at 31 March 2018 is £1,685,174 (2017: £745,720).

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. The Trustees are satisfied that the Trust has a good cash flow with no borrowings and believe that the Trust has adequate resources in place to continue in operational existence for the foreseeable future and consequently the going concern basis has been adopted in preparing the financial statements.

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

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

The Trust entered into a subsumption agreement with its pension guarantor (Newcastle City Council) on 27 July 2017. This provides additional assurance to the Tyne and Wear Pension Fund and its Actuary that the deferred and pensioner liabilities covered by the agreement will not become "orphan liabilities" and this in turn should help reduce the Trust's pension costs when the next triennial valuation takes place. Although subsumption will not take place until 2020, the Pension Fund has recognised that this subsumption agreement will reduce the Trust's pension risk profile.

The accounting valuation of the pension scheme liability increased to £1,530,000 as at 31 March 2018 (2017: £1,350,000). Further details on this increase are given in note 12. 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 Scheme liabilities is 21 years (as calculated by the actuarial advisors to the Tyne and Wear Pension Fund) and therefore the deficit should be looked at in this context.

Trustees' report for the year ended 31 March 2018 (continued)

In simple terms, the 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.

The Tyne and Wear Pension Fund is a Local Government Pension Scheme administered by South Tyneside Council.

Principal risks and uncertainties

On an on-going basis, the Trustees review the major risks to which the Trust is exposed and systems have been established to manage these risks. A risk register is in operation 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 Trustees consider that the major risks currently facing the charity are:

- (a) **Failure to achieve the strategic plan** – the financial success of the Trust rests on generating sufficient income from box office sales together with maintaining/increasing audience attendance rates. Both the Trustees and Management Team believe there is further scope to increase the number of performances at City Hall although this will involve a significant amount of additional capital expenditure – see also risk (d) below. Staff continue to build relationships with promoters to enable the Trust to better plan and arrange future City Hall bookings. There does however remain uncertainty within the economy in particular around “Brexit” and it is possible that the public's discretionary spending may be impacted by any negative outcomes.
- (b) **Pension scheme liabilities** – the increasing pension scheme employer contribution rate continues to be a financial risk facing the Trust. Although a subsumption agreement was entered into in July 2017 which is expected to reduce the employer contribution rate at the next triennial valuation, the risk of increasing pension liabilities does still exist. The employer contribution rate is also scheduled to increase by 1% each year until the next triennial valuation. The Trustees continue therefore to monitor the performance of the scheme very closely as well as exploring other potential options regarding pension provision.
- (c) **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.
- (d) **City Hall refurbishment** – a significant level of capital investment is required at City Hall in order to modernise the building. Some of this remedial work will be funded from the Heritage Fund contribution levies made however there is still a need to obtain external funding to complete all of the desired work. The Trustees are currently exploring potential refurbishment options along with potential funding sources.
- (e) **Terrorism and physical security** – following the terrorist incidents in major cities across the UK in 2017, increased security arrangements were put in place at both venues in line with national guidelines. On-going vigilance by all members of the staff as well as members of the general public is of paramount importance.

Trustees' report for the year ended 31 March 2018 (continued)

Plans for future years

Achieving our financial goals, in the context of a high quality and diverse programme that provides entertainment and inspiration is a key driver for the organisation, whilst also ensuring that the Trust operates as efficiently and effectively as possible.

However, as the pension scheme subsumption agreement will not come into effect until 2020, the Trust is budgeting to make a loss for the financial year 31 March 2019; every effort will nevertheless be made to generate a surplus over this period. The Trustees also plan to invest in the City Hall over the next few years to address the current maintenance needs.

In terms of the programme, the charity looks forward to hosting a number of excellent productions during 2018/2019. To name a few, the Theatre Royal will host the new musical *The Band, the Jersey Boys, Evita*, an *Officer and a Gentleman* along with Matthew Bourne's *Cinderella*. The pantomime for 2018 is *Goldilocks* starring once again the record-breaking trio of Clive, Danny & Chris. The City Hall will host comedy performances by Kevin Bridges, Dave Gorman and music performances by Bryan Ferry, Shalamar, Elvis Costello, Del Amitri, Cliff Richard, Rick Astley and the Human League amongst others.

For 2019, the Trust has recently announced that *Les Miserables* will be playing at the Theatre Royal for an eight-week period in August and September 2019. This is an extremely exciting opportunity for the Trust as it is the first time in ten years that the show has toured outside of London.

Public benefit

At both the City Hall and the Theatre Royal, the charity's aim is to ensure that everyone feels welcome as the Trust believes in the value of a shared experience of live performance. 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.

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. A new access requirement register has been introduced in order to improve service at both the Theatre Royal and City Hall. This register replaces the previous Cinema Exhibitors Association ("CEA") scheme but the Trust does continue to accept all CEA cards issued before 30 November 2017. 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 at the Theatre Royal and City Hall, whilst ensuring that free companion tickets are provided to people who need to be accompanied.

Assisted performances

Wherever possible, the Trust offers audio described and captioned performances at the Theatre Royal. In 2017/18 the Theatre Royal offered ten audio-described and captioned performances including *Mamma Mia*, *Funny Girl*, *Curious Incident*, *Jayne Eyre*, *Crazy for You*, *Shirley Valentine*, *the Little Mermaid*, *Trouble in Tahiti*, *Peter Pan* and *Madame Butterfly*.

Trustees' report for the year ended 31 March 2018 (continued)

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 two "relaxed" pantomime performances in January 2018. Both events were extremely well attended and positive feedback was received from the audiences. 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 1,227 audience members attended the relaxed events.

Creative Learning

The Trust's Learning Department, based at the Theatre Royal, have had another very successful year with a total of 47,687 engagements during 2017/18.

The future of the Trust's long-term partnership with the Drive Project and the Royal British Legion was confirmed in January 2017 and projects are now scheduled until 2022, delivering Bravo 22 Company theatre work. Kim Hoffmann leads on the work as Creative Producer, with the Theatre Royal providing the mark of "industry excellence" as theatre partner. Phil Hoffmann continues to deliver Project A on a full time basis and has also taken on Artistic Director role of Bravo 22 Company as well as delivering the RSC's Associate School programme.

Project A (an actor training programme) is now in its third year and to date, the Trust has an over 90% success rate of graduates gaining professional representation or working credit within six months of completing the programme.

Bravo 22 Company

In February 2017 staff began working on a project engaging 101 wounded, injured and sick service personnel to create a new piece of theatre based upon their stories and experiences. With participants from all over England, 30 participants were selected to attend a four week residential in Weston Super-Mare, before selecting a theatre cast of 16, a film cast of 13 and providing one with a backstage placement with RSC designer Luke Robson. "*Unspoken*" was performed at a Gala event in the Theatre Royal on Remembrance Sunday, 12th November. Through all engagements, including story gathering, workshops, auditions, development and rehearsals, the Trust had a total of 12,474 contacts with participants and a total audience of 1,854, including workshops and a dress run. As part of the Trust's engagement with the Legion's Remembrance Campaign, the "Everyone Remembered" installation was positioned outside the Theatre for two weeks, attracting thousands of visitors and great media attention. The "*Unspoken*" event was covered on both BBC and ITV News at Ten and deemed of "highest artistic and recovery and wellbeing standard" in independent evaluation. "*Unspoken*" writer Gary Kitching was nominated for The Journal Culture Award's, Writer of the Year Award, for the piece.

The Royal British Legion invested in the project through a grant, with the budget managed by the Trust. Such was the success of the production, that the Royal British Legion provided additional funding reimagining the work as a touring piece. As such we will undertake a UK tour in autumn 2018, to include: one week at the Edinburgh Festival, a performance at the Houses of Commons and a Gala event at Theatre Royal Haymarket in London.

Project A

The Trust has had a number of successes this year, not least one of our fourteen students being selected for the annual Spotlight prize, competing against graduating students from the leading conservatoires. Indeed, the only student from a "non-conventional" actor training provider. The student was quickly signed by international agency, the Narrow Road, and has now worked consistently since leaving the Theatre Royal in July.

Trustees' report for the year ended 31 March 2018 (continued)

Another student was signed by another international agent, Shepherd Management, following a casting whilst still with us. Only one student did not gain an agent following their final showcase performance. The RSC have also confirmed their intention to continue to provide auditions/castings to each cohort and we look to further this provision. The total number of applicants to the course fell to just 112, though it was noted that the quality of applicant was more consistently high. 47 students attended one of our two auditions days, resulting in 141 engagements.

The cohort's production of Jim Cartwright's, *Road*, was very successful with 4 star reviews and a sell-out run in the Studio theatre. Owing to restrictions with space, only four public performances of the production were scheduled, with a fifth invited audience viewing. 360 audience members in total attended our 72 seat studio space.

The Sunday for Sammy Trust continued their support and engagement with project A through the provision of three full fee bursaries to eligible students. Total engagements with the cohort amounted to 6,948, an increase upon the previous year due to the development in our visiting practitioner team and attendance at cultural engagements and events.

Weekly Workshops

The Trust's weekly workshops continue to be heavily subscribed and we continue to develop new working partnerships and relationships. Including show back performances. There were 12,716 total engagements across our 30-week programme.

Community Engagement

Discussions with Twisting Ducks Theatre Company began and a new partnership and programme of work will begin in summer 2018, engaging with young learning disabled performers. Summer School was very popular and well received again, though again, owing to the requirement of space from a visiting company, we were more limited than we could have been in our provision. As such, total engagement was very similar to the previous year (when *Mary Poppins* was with us) 1,348, though our income increased to £19,400.

Further events included facilitating a development and audition day with young performers for Stagebox Musical Theatre School, delivery of two full day sessions for National Citizen Service and delivering a workshop and backstage experience for Page2Stage Performing Arts School. This helped create an additional 2,184 community led engagements.

LPN & Associate Schools Programme

The LPN project which the Trust delivered with the RSC ended, after three years, in July 2017. It was extremely successful and paved the way for the Associate Schools Programme ("ASP") to take over where that ended. The Trust now delivers the ASP with a group of eleven schools from the Durham area and has so far successfully delivered one small festival and a RSC young people's tour. Total engagements were very high as a result of the two performance events/tours with a total engagement (including audiences and participation) of 2,304.

Tours

The Theatre Royal's private and public tours continue to be very popular and we regularly receive very positive feedback. Public tours are now delivered monthly, on a Saturday morning and we aim to meet all requests for private group tours. Fifty one building tours were delivered over the year to 903 individuals.

Newcastle Theatre Royal Trust Limited

Trustees' report for the year ended 31 March 2018 (continued)

Newcastle College

Newcastle College has continued to engage with the Trust on a weekly basis, visiting on 30 separate occasions throughout the year. A total of 1,540 engagements with 51 SEN students were created, ranging from theatre tours to show backs in the studio theatre for invited audiences.

Opera North

The Trust has continued to work with Opera North delivering the Children's Chorus. Three terms of 8-10 sessions were delivered to a total of 61 young people who have engaged with six members of the Opera North team, creating a total of 1,261 engagements, including a performance at a festival in Leeds.

Work Experience

On average the Trust receives one application and two enquiries about work experience per week. The Trust's carousel placement scheme provided opportunities for two individuals who each undertook ½ day sessions facilitated by each department within the Theatre Royal. The total resulting engagements equated to 33, including interviewing shortlisted candidates from the 53 applicants.

Limelight

The Trust's theatre lovers' group has continued to run on a weekly basis for 40 weeks of the year, with between two and three weekly sessions being delivered, including our "Day in the Life..." events with members of visiting companies. The Trust had a total of 1,242 engagements with the group.

Educating Settings

The Trust's engagements with schools outside of its RSC engagement and tour programme fell slightly this year because we could not facilitate all of the demand to host sessions within the building during the autumn term. With the return of *the Curious Incident of the Dog* in the night-time, we re-established our relationship with the National Theatre's education programme and provided a page-2-stage session to young people with special educational needs, delivered at Newcastle College. In total we had 987 engagements.

Fixed assets

Movements in tangible fixed assets are set out in note 14 to the financial statements.

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 £1,375 (2017: £1,345).

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.

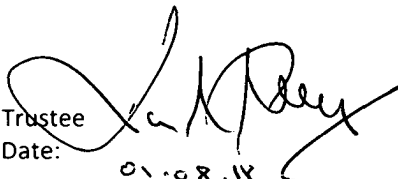
Newcastle Theatre Royal Trust Limited

Trustees' report for the year ended 31 March 2018 (continued)

Independent Auditors

PricewaterhouseCoopers LLP has indicated its willingness to continue in office.

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

Trustee 
Date: 01.08.18

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:

Bill Midgley
Chairman

Date:

01.08.18

Newcastle Theatre Royal Trust Limited

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

Report on the audit of the financial statements

Opinion

In our opinion, Newcastle Theatre Royal Trust Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2018 and of its incoming resources and application of resources, including its income and expenditure, and cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 March 2018; statement of financial activities, and the statement of cash flows for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the charitable company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

Reporting on 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. the trustees' use of the going concern basis of accounting in the preparation of the financial 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 based on these responsibilities.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

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

In addition, in light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Responsibilities for the financial statements and the audit

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Trustees' responsibilities set out on page 12, the trustees are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Newcastle Theatre Royal Trust Limited

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

Use of this report

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

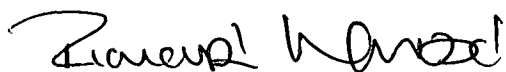
Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



Richard Lingwood (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Newcastle

1 August 2018

Newcastle Theatre Royal Trust Limited

Statement of Financial Activities

for the year ended 31 March 2018

	Note	Unrestricted General funds £	Unrestricted Designated Funds £	Restricted funds £	Total 2018 £	Total 2017 £
Income from						
Donations and legacies	3	56,184	2,134	4,000	62,318	161,022
Charitable activities:						
<i>Operation of Theatre & City Hall</i>	4	14,260,927	-	653,831	14,914,758	15,699,624
Other	5	101,529	-	-	101,529	102,730
Investments	6	27,486	-	-	27,486	35,101
Misc. income	7	19,630	-	-	19,630	13,226
Total income		14,465,756	2,134	657,831	15,125,721	16,011,703
Expenditure						
Expenditure on charitable activities:						
<i>Operation of Theatre & City Hall</i>	8	(13,906,760)	(77,462)	(418,927)	(14,403,149)	(15,386,745)
Total expenditure	8	(13,906,760)	(77,462)	(414,927)	(14,403,149)	(15,386,745)
Net income/(expenditure)		558,996	(75,328)	238,904	722,572	624,958
Actuarial gains/(losses) on defined benefit pension schemes	12 (g)	40,000	-	-	40,000	(650,000)
Transfer to designated funds		(6,992)	6,992	-	-	-
Transfer to restricted funds		(700,550)	-	700,550	-	-
Net movement in funds		(108,546)	(68,336)	939,454	762,572	(25,042)
Reconciliation of funds:						
Total funds brought forward	21	319,592	590,541	745,720	1,655,853	1,680,895
Total funds carried forward	21	211,046	522,205	1,685,174	2,418,425	1,655,853

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

Newcastle Theatre Royal Trust Limited

Balance Sheet

as at 31 March 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	14	824,367	245,853
Investments in subsidiaries	15	1	-
		<u>824,368</u>	<u>245,853</u>
Current assets			
Stocks	16	16,505	17,837
Debtors	17	9,855,571	9,083,431
Cash at bank and in hand		871,112	1,041,554
		<u>10,743,188</u>	<u>10,142,822</u>
Creditors:			
Amounts falling due within one year	19	(7,619,131)	(7,382,822)
Net current assets		<u>3,124,057</u>	<u>2,760,000</u>
Total assets less current liabilities		3,948,425	3,005,853
Creditors falling due after more than one year			
Defined benefit pension liability	12 (e)	(1,530,000)	(1,350,000)
Net assets		<u><u>2,418,425</u></u>	<u><u>1,655,853</u></u>
The funds of the charity:			
Restricted funds	21	1,685,174	745,720
Unrestricted funds			
Revenue funds	21	1,741,046	1,669,592
Pension reserve	21	(1,530,000)	(1,350,000)
General		<u>211,046</u>	<u>319,592</u>
Designated funds	21	522,205	590,541
Total funds		<u><u>2,418,425</u></u>	<u><u>1,655,853</u></u>

The financial statements on pages 16 to 35 were approved for issue by the Board on 21st 8-14 2018 and were signed on its behalf by:

Bill Midgley
Chairman

Date: 01.08.18

Registered number: 01217427

Newcastle Theatre Royal Trust Limited

Statement of Cash Flows

for the year ended 31 March 2018

	Note	2018 £	2017 £ restated
Net cash (used in)/generated from operating activities	23 (a)	(180,726)	1,449,013
Cash flows from investing activities			
Interest received (investment income)		27,486	35,101
Interest paid		(41,887)	-
Purchase of tangible fixed assets		(681,647)	(184,634)
Net cash used in investing activities		(696,048)	(149,533)
 (Decrease)/increase in cash and cash equivalents	23 (b)	 (876,774)	1,299,480
Cash and cash equivalents at the beginning of the year		9,358,243	8,058,763
Cash and cash equivalents at the end of the year	23 (c)	8,481,469	9,358,243

The reconciliation of net cash flow to movement in funds is shown in note 23(a).

Notes to the financial statements for the year ended 31 March 2018

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.

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

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 judgement 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. None of the judgements 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.

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.

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

c) Income recognition (continued)

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. 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 of the Theatre Royal and the City Hall.

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	5 years
Buildings - Royal House	depreciated over asset life
Buildings – City Hall leasehold improvements	over period of the lease of 25 years

Notes to the financial statements for the year ended 31 March 2018 (continued)

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.

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.

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

l) Pension costs (continued)

An actuarial review on 31 March 2018 valued the Newcastle Theatre Royal Trust Limited's share of the schemes shortfall to be a net pension deficit of £1,530,000 (2017: £1,350,000) which is held as a liability on the balance sheet in accordance with the requirements of Financial Reporting Standard FRS 102.

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.

3 Income from donations and legacies

	Unrestricted General £	Unrestricted Designated £	Restricted £	2018 £	2017 £
Monies from Advantage memberships	7,173	-	-	7,173	5,025
Individual Giving Scheme	-	2,134	-	2,134	2,693
Other donations	49,011	-	4,000	53,011	153,304
	56,184	2,134	4,000	62,318	161,022

In 2016/17 other donations included £100,000 from the Catherine Cookson Foundation.

4 Income from charitable activities

	2018			2017		
	Turnover £	Cost of sales £	Net income £	Turnover £	Cost of sales £	Net income £
Unrestricted funds						
Box office (incl. booking fee)	12,916,613	(8,153,822)	4,762,791	13,820,266	(9,267,422)	4,552,844
Ancillary	406,650	(166,977)	239,673	509,686	(201,614)	308,072
Catering & bar	443,943	(84,226)	359,717	302,959	(55,694)	247,265
Friends memberships	143,526	-	143,526	140,241	-	140,241
Learning	192,763	(132,714)	60,049	131,825	(91,557)	40,268
Miscellaneous	157,432	(16,329)	141,103	199,186	(18,261)	180,925
	14,260,927	(8,554,068)	5,706,859	15,104,163	(9,634,548)	5,469,615
Restricted funds						
Heritage Income	653,831	-	653,831	595,461	-	595,461
	653,831	-	653,831	595,461	-	595,461
Total	14,914,758	(8,554,068)	6,360,690	15,699,624	(9,634,548)	6,065,076

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

5 Other

	2018 £	2017 £
Sponsorship	40,500	53,500
Corporate Membership	61,029	49,230
	101,529	102,730

6 Investments

	2018 £	2017 £
Interest receivable	27,486	35,101

Interest receivable is mainly interest earned on the funds held with Newcastle City Council.

7 Misc. income

	2018 £	2017 £
Misc. income	19,630	13,226

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

8 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	2018	2017
	£	£	£	£	£
Cost of charitable activities:					
Cost of sales (see note 4)	8,554,068	-	-	8,554,068	9,634,548
Marketing	936,608	-	-	936,608	909,301
Box office	452,243	-	-	452,243	532,106
Front of house management	1,003,496	-	-	1,003,496	754,570
Building costs	656,379	-	418,927	1,075,306	1,407,451
Development	74,342	-	-	74,342	71,854
Technical	956,825	-	-	956,825	945,332
Learning	113,020	-	-	113,020	106,097
Depreciation	25,671	77,462	-	103,133	96,523
Support costs (see note 9)	1,115,188	-	-	1,115,188	910,463
Governance costs (see note 9)	18,920	-	-	18,920	18,500
Total cost of charitable activities	13,906,760	77,462	418,927	14,403,149	15,386,745

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

8 Analysis of expenditure on charitable activities (continued)

During the year an amount of £1,912,126 was paid to Newcastle City Council as a final contribution towards the refurbishment of their theatre building (2017: £418,926). £418,927 of this amount is included within building costs and the remaining £1,493,199 has been treated as a prepaid contribution payment. This amount will be charged to expenditure over the next four years. No further contributions are payable in respect of this work. The contribution amount expensed in the year has been charged against restricted funds.

9 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 8)	Governance (Note 8)	2018	2017
	£	£	£	£
Central Office, Admin & HR	409,835	-	409,835	469,688
Finance Office	471,532	-	471,532	269,554
Information Technology	145,766	-	145,766	171,221
City Hall	88,055	-	88,055	-
Internal Audit	-	4,500	4,500	4,500
External Audit	-	14,420	14,420	14,000
Total	1,115,188	18,920	1,134,108	928,963

10 Net (expenditure)/income

Net (expenditure)/income is stated after charging:

	2018	2017
	£	£
Depreciation of tangible fixed assets	103,133	96,526
Operating lease rentals – minimum lease rentals	997	997
Staff costs	3,107,246	3,386,321
Auditors' remuneration		
- Audit fee	14,420	14,000
- Other advisory services	4,000	-
Directors' and officers' liability insurance	1,375	1,345
Cost of stock recognised as an expense – stock write off	5,692	7,605

11 Employee information

a) Average number of employees

The average monthly number of employees, including temporary staff, employed during the year was 233 (2017: 297) split between Theatre Royal and City Hall operations 221 (2017: 285) and management and administration 12 (2017: 12).

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

11 Employee information (continued)

b) The costs incurred in respect of employees were:

	Cost of sales £	Support staff £	2018 £	2017 £
Wages and salaries	1,903,896	519,574	2,423,470	2,386,685
Social security costs	149,482	24,867	174,349	193,709
Other pension costs	438,637	70,790	509,427	530,707
Redundancy costs	-	-	-	115,673
Redundancy pension strain on the fund costs	-	-	-	159,547
	2,492,015	615,231	3,107,246	3,386,321

Other pension costs totalling £509,427 (2017: £530,707) represent the pension contributions payable for the year. Further details regarding the pension scheme are given in Note 12. No employees took voluntary redundancy during the year (2017: seven employees at a cost of £115,673).

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

	2018 Number	2017 Number
£60,001 - £70,000	2	1
£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 and Director of Sales & Marketing whose aggregate remuneration in the year, excluding pension contributions, was £314,632 (2017: £292,337).

	2018 Number	2017 Number
£50,000 - £60,000	1	2
£60,001 - £70,000	2	1
£130,001 - £140,000	1	1

d) Trustees' emoluments

None of the Trustees received any remuneration or expenses during the year ended 31 March 2018 for services rendered to the Trust (2017: £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 performances attended by directors totalled £3,948 (2017: £1,090).

In the year, Newcastle Theatre Royal Trust Limited paid an employer's contribution of £545,399 (2017: £530,707) into the Tyne and Wear Pension Fund in respect of employees' pension costs (with an employer's contribution rate 24.7% of pensionable pay) of this amount £nil (2017: £61,000) relates to a deficiency payment to the fund. Employee contributions vary according to their annual pay.

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

12 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.

The last actuarial valuation was at 31 March 2016 and the contributions to be paid until 31 March 2020 resulting from that valuation are set out in the Fund's Rates and Adjustment Certificate. The Fund 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 2018. As a result of this review, the Newcastle Theatre Royal Trust Limited'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 £1.35m to £1.53m as at 31 March 2018. The increase in this liability has been recognised on the balance sheet in. The present value of the accordance with the requirements of Financial Reporting Standard FRS 102.

In the year, Newcastle Theatre Royal Trust Limited paid an employer's contribution of £545,399 (2017: £530,707) into the Tyne and Wear Pension Fund in respect of employees' pension costs, of this amount £nil (2017: £61,000) relates to a deficiency payment to the fund.

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) Contributions for the accounting year ending 31 March 2019

The Employer's regular contributions to the Fund for the year to 31 March 2019 are estimated to be £696,000. Employer contributions for the Trust have been set at 25.7% of pensionable pay for 2018/2019.

The actuarial review provides an estimate of the charges to the income and expenditure account in future periods based on the assumptions as at 31 March 2018.

Analysis of amounts charged to profit and loss	Period ending 31 March 2019
	£m
Current service cost	0.78
Net interest on net defined benefit liability	0.03
Total estimated pension expense	£0.81m

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

12 Pensions (continued)

(c) Changes to the Pension Liability

Reconciliation of pension liability	£
Opening pension liability at 1 April 2017	(1,350,000)
Current service cost	(750,000)
Past service cost	-
Interest on net defined benefit liability	(20,000)
Contributions by the employer	550,000
Actuarial gains/(losses)	40,000
Closing pension liability at 31 March 2018	(1,530,000)

(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 2018 %	31 March 2017 %	31 March 2016 %
RPI Inflation	3.10%	3.10%	2.9%
CPI Inflation	2.00%	2.00%	1.8%
Salary increases	3.50%	3.50%	3.3%
Pension accounts revaluation rate	2.00%	2.00%	1.8%
Pension increases	2.00%	2.00%	1.8%
Discount rate	2.60%	2.60%	3.5%

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements. Sample life expectancies at age 65 resulting from these mortality assumptions are shown below:

Mortality assumptions	31 March 2018 Years	31 March 2017 Years
Males		
Member aged 65 at accounting date	22.9	22.8
Member aged 45 at accounting date	25.1	25.0
Females		
Member aged 65 at accounting date	26.4	26.3
Member aged 45 at accounting date	28.7	28.6

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

12 Pensions (continued)

(d) Principal assumptions (continued)

Asset allocation	Value at 31 March 2018	Value at 31 March 2017
Equities	67.0%	66.9%
Property	8.5%	9.2%
Government bonds	4.0%	3.9%
Corporate bonds	11.7%	11.5%
Cash	3.7%	2.6%
Other	5.1%	5.9%
Total	100.0%	100.0%

(e) Reconciliation of funded status to Balance Sheet

	Value as at 31 March 2018 £	Value as at 31 March 2017 £
Fair value of assets	8,770,000	8,130,000
Present value of funded defined benefit obligation	(10,300,000)	(9,480,000)
Funded status- liability recognised on the balance sheet	(1,530,000)	(1,350,000)

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

Active members	54%
Deferred pensioners	28%
Pensioners	18%

(f) Amounts recognised in income statement

	Year ending 31 March 2018 £	Year ending 31 March 2017 £
Operating cost		
Current service cost	750,000	510,000
Past service cost	-	170,000
Curtailment cost	-	-
Settlement cost	-	-
Financing cost		
Interest on net defined benefit liability	20,000	20,000
Pension expense recognised in profit and loss	770,000	700,000

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

12 Pensions (continued)

(g) Amounts recognised in other comprehensive income

	Year ending 31 March 2018 £	Year ending 31 March 2017 £
Asset gains arising during the year	90,000	1,880,000
Liability losses arising during the year	(50,000)	(2,530,000)
Total amount recognised in other comprehensive income	40,000	(650,000)

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

	Year ending 31 March 2018 £	Year ending 31 March 2017 £
Opening defined benefit obligation	9,480,000	6,240,000
Current service cost	750,000	510,000
Interest expense on defined benefit obligation	240,000	220,000
Contributions by participants	140,000	140,000
Actuarial (gains)/losses on liabilities	50,000	2,530,000
Net benefits paid out	(360,000)	(330,000)
Past service cost	-	170,000
Closing present value of liabilities	10,300,000	9,480,000

(i) Changes to the fair value of assets

	Year ending 31 March 2018 £	Year ending 31 March 2017 £
Opening fair value of assets	8,130,000	5,570,000
Interest income on assets	220,000	200,000
Re-measurement gains/(losses) on assets	90,000	1,880,000
Contributions by the employer	550,000	670,000
Contributions by participants	140,000	140,000
Net benefits paid out	(360,000)	(330,000)
Closing fair value of assets	8,770,000	8,130,000

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

12 Pensions (continued)

(j) Actual return on assets

	Year ending 31 March 2018 £	Year ending 31 March 2017 £
Interest income on assets	220,000	200,000
Gain/(loss) on assets	90,000	1,880,000
Actual return on assets	310,000	2,080,000

13 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.

14 Tangible assets

	Buildings (incl. leasehold improvements) £	Other Equipment £	Computer Equipment £	Box Office System £	Total £
Cost					
At 1 April 2017	730,792	298,271	94,050	170,051	1,293,164
Additions during the year	646,126	-	-	35,521	681,647
Disposals	-	-	(11,958)	-	(11,958)
At 31 March 2018	1,376,918	298,271	82,092	205,572	1,962,853
Accumulated depreciation					
At 1 April 2017	592,852	217,690	81,997	154,772	1,047,311
Charge for the year	64,068	20,145	12,053	6,867	103,133
Disposals	-	-	(11,958)	-	(11,958)
At 31 March 2018	656,920	237,835	82,092	161,639	1,138,486
Net book value					
At 31 March 2018	719,998	60,436	-	43,933	824,367
At 31 March 2017	137,940	80,581	12,053	15,279	245,853

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

14 Tangible assets (continued)

The main Theatre Royal premises is leased from Newcastle City Council which owns the property. A new lease commenced on 1st April 2016 and the current rental is set at £1. 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 with Fusion Lifestyle to operate Newcastle City Hall. The leasehold is for 125 years.

Box Office additions for 2017/18 includes £23,375 in relation to a system upgrade which is due to go live in May 2018. Depreciation will be charged on this asset once the upgrade has been put live.

15 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.

16 Stock

	2018 £	2017 £
Goods for resale	<u>16,505</u>	<u>17,837</u>

17 Debtors

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	110,869	215,453
Subsumption security monies held by Newcastle City Council – note 18	311,300	311,300
Cash on deposit with Newcastle City Council – note 18	7,610,357	8,316,689
Other debtors	151,890	102,337
Prepayments and accrued income	177,956	137,652
Advance contribution payment to Newcastle City Council – note 8	1,493,199	-
	<u>9,855,571</u>	<u>9,083,431</u>

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

18 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 £7,610,357 as at 31 March 2018 (2017: £8,316,689) forms part of the Newcastle City Council's overall balance with its bankers and thus represents an amount due from Newcastle City Council. However it has been included as a cash equivalent in the cash flow statement (see note 23).

£311,300 is also held by Newcastle City Council as security for the Council agreeing to the pension scheme subsumption agreement (2017: £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.

No additional monies as security were required by Newcastle City Council in 2017-18, 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. This is most likely to be when the triennial valuation of the pension fund takes place which is due in 2019.

19 Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	825,376	842,026
Taxation and social security	96,973	65,082
Other creditors	101,032	100,706
Accruals	299,814	219,445
Deferred income (note 20)	6,295,936	6,155,563
	7,619,131	7,382,822

20 Deferred income

Deferred income comprises advance ticket sales, booking fees and heritage fund income for performances after 31 March 2018.

	£
Balance as at 1 April 2017	6,155,563
Amount released to income earned from charitable activities	(6,153,457)
Amount deferred in year	6,293,830
Balance as at 31 March 2018	6,295,936

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

21 Funds

	Unrestricted				Restricted		
	Revenue funds £	Pension reserve £	Sub-total £	Designated funds £	Unrestricted Funds £	Restricted Funds £	Total £
At 1 April 2017	1,669,592	(1,350,000)	319,592	590,541	910,133	745,720	1,655,853
Net incoming/ (outgoing) resources for the year	778,996	(220,000)	558,996	(75,328)	483,668	238,904	722,572
Actuarial gain	-	40,000	40,000	-	40,000	-	40,000
Transfer to designated	(6,992)	-	(6,992)	6,992	-	-	-
Transfer to restricted	(700,550)	-	(700,550)	-	(700,550)	700,550	-
At 31 March 2018	1,741,046	(1,530,000)	211,046	522,205	733,251	1,685,174	2,418,425

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. A transfer of £700,550 was made in the year from unrestricted funds to restricted reserves to cover the advance contribution payment made to Newcastle City Council.

Restricted funds

Restricted funds comprise a sum of £1,685,174 (2017: £745,720). During the financial year 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 has been charged against restricted funds in the year. Heritage Fund income generated in the year amounted to £653,831 (2017 – £595,461) and £4,000 was received in the year from the Friends of the Theatre Royal towards the cost of new chairs.

Pension reserve

Note 12 provides information on the Trust's pension reserve balance.

22 Analysis of net assets between funds

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Tangible fixed assets	824,368	-	824,368	245,853
Current assets	9,058,014	1,685,174	10,743,188	10,142,822
Current liabilities	(7,619,131)	-	(7,619,131)	(7,382,822)
Pension liability	(1,530,000)	-	(1,530,000)	(1,350,000)
Total net assets as at 31 March	733,251	1,685,174	2,418,425	1,655,853

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

23 Notes to the cash flow statement

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

	2018 £	2017 £ restated
Net outgoing resources	762,572	(25,042)
Depreciation	103,133	96,526
Pension adjustment	180,000	680,000
Interest receivable	(27,486)	(35,101)
Interest payable	41,887	-
Decrease/(increase) in stocks and working in progress	1,332	(10,025)
Increase in debtors	(1,478,472)	(408,758)
Increase/(decrease) in creditors	236,308	1,151,413
Net cash (used in)/generated from operating activities	(180,726)	1,449,013

As set out in Note 18 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. It has therefore been excluded when calculating the annual increase or decrease in debtors. The prior year comparative has been adjusted to show the subsumption security monies of £311,300 as a debtor as opposed to part of the net cash balance.

(b) Analysis of changes in net cash

	At 1 April 2017 £	Change in year £	At 31 March 2018 £
Cash at bank and in hand	1,041,554	(170,442)	871,112
Cash held with Newcastle City Council	8,316,689	(706,332)	7,610,357
Net cash	9,358,243	(876,774)	8,481,469

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

	£
Decrease in cash in the year	(876,774)
Net cash at 1 April 2017	9,358,243
Net cash at 31 March 2018	8,481,469

24 Related party transactions

Newcastle City Council holds most of the Trust's cash balances and has a cash balance owed to the Trust of £7,610,357 (2017: £8,316,689) together with the subsumption security monies of £311,300 (2017: £311,300).

Newcastle Theatre Royal Trust Limited

Notes to the financial statements for the year ended 31 March 2018 (continued)

25 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 2018	At 31 March 2017
	£	£
	Office equipment	Office equipment
Not later than 1 year	997	997
Later than 1 year and not later than 5 years	2,069	3,066
	<u>3,066</u>	<u>4,063</u>

(b) Other financial commitments

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

26 Ultimate controlling party

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