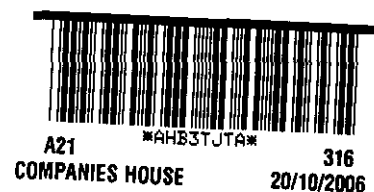


The Southampton Nuffield Trust Limited
(A Registered Charity and Company Limited by Guarantee)

Trustees Report and Financial Statements
For the Year Ended 31 March 2006

Charity number 286876
Company number 01711502



21

The Southampton Nuffield Trust Limited
(A Registered Charity and Company Limited by Guarantee)

Trustees Report and Financial Statements
For the year ended 31 March 2006

Contents	Page
Trustees report	3
Independent auditors report	12
Statement of financial activities	13
Balance sheet	14
Notes forming part of the financial statements	15

The Southampton Nuffield Trust Limited

Trustees report for the year ended 31 March 2006

The Board Members have pleasure in presenting their annual report and the financial statements for the year ended 31st March 2006.

1. Reference and administrative information

Charity name	The Southampton Nuffield Trust Limited
Charity registration number	286876
Company registration number	01711502
Registered & principal office	The Nuffield Theatre, University Road Southampton SO17 1TR

Board Members / Trustees / Directors

The Board Members constitute directors for the purposes of the Companies Act 1985 and trustees for the purposes of charity law. The Board Members at the date of this report & those who served during the year were:

Ex-officio Board Members

Sue Allbright (Cllr)	Resigned 6 May 2005	HCC
Jo Doyle		UoS
Peter Edgar (Cllr)	Appointed 15 June 2005	HCC
Dennis Harryman (Cllr)		SCC
Terry Holden-Brown (Cllr)		SCC

Elected Board Members

Hemi Bhatt	Appointed 29 June 2006
Stephen Boyce - Chair	
Richard Cutler	
Alex Darbyshire	
Fiona Dorman-Jackson	
Christopher Gordon	
Duncan Hanner	
Lynne Lockyer - Vice Chair	
Jenny Palmer	
Pam Robertson - Vice Chair	
Nicholas Vaughan	

Executive Directors delegated with day to day management

Kate Anderson	Administrative Director / Company Secretary
Patrick Sandford	Artistic Director

Bankers, solicitors & auditors

Bankers	National Westminster Bank, Woollen Hall, Castle Way, Southampton SO14 2DE
Solicitors	Paris Smith and Randall, No. 1 London Road, Southampton SO15 2AE
Auditors	Fiander Tovell LLP, 63/64 The Avenue, Southampton SO17 1XS

The Southampton Nuffield Trust Limited

Trustees report (continued)

2. Structure, Governance and Management

a. Constitution & governing document

The Trust is constituted as a company limited by guarantee and is a registered charity. It is governed by its Memorandum and Articles of Association, which date from 1982.

b. The organisational structure of the charity and how decisions are made

The members of the company appoint from their number a Board to manage the affairs of the charity. The Board meets at least four times each year.

The Board currently comprises eleven Elected Board Members and four Ex-officio Board Members. All Board Members have the same voting rights.

The Ex-officio Members are appointed by the University of Southampton, Southampton City Council (which has two Ex-officio Board Members) and Hampshire County Council.

The Board also operates two sub-committees, the Marketing, Fundraising & Customer Care committee and the Finance, Funding, Strategy & Personnel committee. The sub-committees meet quarterly and report to the full Board.

An Artistic Director and Administrative Director are appointed by the Board to manage the day to day activities of the charity.

c. Recruitment and appointment of new Board Members

Under the requirements of the Articles of Association, at the Annual General Meeting one third of the elected Board Members retire annually in rotation. Retiring Board Members are eligible to be re-elected for a period of three years. At the expiry of this first period of three years Board Members are eligible to stand for election for a second period of three years. On expiry of this second period the Board Member will not be eligible for re-election for two years.

The Board Members monitor the skills and experience requirements of their number. When additional Board Members are required or a Board Member permanently retires the Board identify possible new Board Members and may at any time appoint new Board Members who are then eligible for re-election at the Annual General Meeting.

The University and the County Council each have the power to appoint one Ex-officio Board Member, and the City Council has the power to appoint two Ex-officio Board Members.

d. Induction and training of Board Members

New Board Members receive a detailed induction pack and have an induction meeting with the Artistic and Administrative Directors. Additionally, new and existing Board Members are invited to periodical Awaydays and are regularly briefed at Sub-committee meetings and at some Board meetings about professional theatre practice and other relevant topical issues.

The Southampton Nuffield Trust Limited

Trustees report (continued)

e. Related parties

The related parties of the charity include all the Board Members together with the University of Southampton, Southampton City Council and Hampshire County Council who nominate the appointed Board Members.

University of Southampton

The relationship with the University of Southampton is complex. The Southampton Nuffield Trust Limited raises approximately £1 million of public subsidy and brings the professional expertise to run the Nuffield Theatre building which is owned by the University and leased to The Southampton Nuffield Trust Limited at a peppercorn rent.

Details of the transactions with the University are included in note 3 to the financial statements.

Trading subsidiary

The charity has a wholly owned subsidiary company, Southampton Nuffield Theatre Trading Company Limited. Up to 31 March 2006 the subsidiary operated for the purposes of bar and catering trading at the theatre. On that date these activities were transferred to the charity itself and the subsidiary became dormant.

f. Risk management

The major risks to which the charity is exposed, and the action being taken to manage these risks, are monitored by Board Members at Board and Sub-committee meetings. Both the risks register and systems to manage risks are also formally reviewed by the Board Members annually.

3. Objectives and activities

a. Memorandum objects

The objects of the charity, as set out in the Memorandum of Association, are "the encouragement of the Arts, the promotion and advancement of education and the cultivation and improvement of public education in drama, mime, opera, singing, music, dance, painting and sculpture, cinema, literature and the other arts."

b. Artistic policy

Our vision is to produce theatre that is intelligent, emotionally perceptive, light on its feet, contemporary in style, and as enlivening as possible for a wide audience. We will encourage artists and other people to develop so they may express and/or enjoy this vision.

c. How we put the artistic policy into practice

- Our Programme

Nuffield Productions

The Company produces and presents work for adults and children, on varying scales, in the main house, in the studio and on tour to theatres, schools and other non theatre spaces.

- **Play Choice.**
The repertoire is wide including new writing and classics from Britain and abroad with themes that are universal and relevant to contemporary audiences. Quality of writing, richness of content and theatricality are paramount.
- **Production Style.**
Clarity and accessibility are all important, in acting, direction and design. The emphasis on emotional complexity and intelligence mean that design tends to be striking and simple rather than lavish.

The Southampton Nuffield Trust Limited

Trustees report (continued)

Participation

We are interested in activities that develop participants' emotional literacy, self-confidence, social deftness, and creativity as much as their specific theatrical skills.

Development activity

The Nuffield Writers' Group, which has been in existence for over ten years, spearheads a wide range of research and development work, which also includes traineeships in all departments, platform performances, play readings and activity with a Southampton Artists Network.

Visiting Companies for adults and children

We seek to choose companies from Britain and abroad who while serving our vision may complement it with significantly different production styles.

- Audiences/participants

The Nuffield creates theatre in Southampton, for people living in the city and the southern region. We recognise that a wide range of people enjoy and are stimulated by our work and we actively seek to attract people from all sectors of our community. On occasion, elements of our programme are created with certain sectors in mind, for example for children and young people. We respond to the shifts in the cultural diversity of our region. We are committed to ensuring that all barriers to attendance or full enjoyment of our activities are minimised.

- Our Marketing

The Company's marketing is one of the principal ways in which its vision is publicised. Publicity materials are a visual reflection of the vision. We aim to create images, design and copy that are contemporary, fresh, clear, and sophisticated and above all honest. We market our shows to a wide audience, and engage with members of the community who may be under represented in the current audience base.

- Our Front of House facilities

We also recognise that the theatre's front of house areas and facilities need to reflect its vision. In developing the physical aspects of the building, and through our catering, and customer service, we aim to create an atmosphere that is modern, welcoming, bright, and enlivening. A stimulating environment and multi use of the front of house areas assist the Company in delivering its vision to as wide an audience as possible.

d. Activities

The regular charitable activities of the charity include:

- Production and presentation of live theatre
 - Main house productions – usually four to six per year
 - Studio productions
 - Visiting companies
 - Alternative nights
 - Tours performing at schools and artistic venues
 - Youth theatres & drama clubs
 - Saturday morning kids' theatre
 - Adult theatre skills workshops
 - Use of the theatre by local amateur & community groups
- Bar and catering services to audiences
- Research & development activity

The Southampton Nuffield Trust Limited

Trustees report (continued)

4. Achievements and Performance

a. Charitable activities

A full review of the artistic achievements of the year is being published and is available on request from the theatre.

A selection of our key achievements this year is set out below:

- Production and presentation of live theatre

Main house productions

- o School for Wives – by Derek Mahon, from Moliere
- o Romeo & Juliet – co-production with Arundel Festival which also toured to Barbados
- o Nelson – new play by Pam Gems plus a Creative Partnerships education and community project
- o Wizard of Oz – family Christmas show
- o Holes – the UK theatre premiere of Louis Sachar's cult hit.

Visiting companies & alternative nights

- o 2 full seasons
- o Visits from The National Theatre, Shared Experience, Out of Joint, Eclipse Theatre, Peter Brook's company Theatre des Bouffes du Nord, Theatrebabel, Shtanhaus, Devero from St Petersburg, Zip Antics, Gravity and Levity, Jade, Anna Korwin, Sody, Punt and Denis, Keith Barrett, Edinburgh and Beyond, John Sargeant, Rob Newman and Mark Thomas, Shirley Williams, Jo Brand, and George Galloway.

Tours performing at schools and artistic venues

- o Autumn: Shoah – a new play by Helen Newell and Dark & Stormy Night adapted for young children by Russ Tunney
- o Spring: Wizzil adapted by Russ Tunney

Youth theatres, drama clubs & Saturday morning children's theatre

- o Three age specific youth theatres
- o Saturday drama club group
- o Hampshire Youth Theatre 2005 – The Rover
- o 2 full seasons of Saturday morning children's theatre (up to 40 performances)

Use of the theatre by local amateur & community groups

- o Facilities & services provided for 58 performances by 16 different groups

- Research & development

- o Writers Group – high profile successes for 4 graduates
- o Education & audience development projects including Nelson funded by Creative Partnerships, and a programme of Asian work
- o Open Day – Summer 2005
- o Script Executive services run by John Burgess

- Bar and catering services to audiences

- o Improvement of bar stock & procedures
- o New catering service with professional chef

b. Fundraising activities

Ongoing revenue fundraising activities have continued, including

- o Significant one-off sponsorship / in-kind donations from local businesses including Thornton Communications Ltd (telephone system) and OC Office Interiors Ltd (refurbishment of Studio 2)
- o Private donors' support of Hampshire Youth Theatre
- o Continuing Friends membership scheme

The Southampton Nuffield Trust Limited

Trustees report (continued)

Our capital fundraising project, The Nuffield Appeal, is working to raise £1/4 million towards the second phase of a major refurbishment programme of the entrance and front of house areas. The refurbishment will raise the standard of the building to match the high standards expected of a 21st century world-class theatre.

We have already secured a third of the funding for The Nuffield Appeal from Arts Council England and our audience members. During the year a telephone fundraising campaign was undertaken which generated one-off donations to the fund and will also result in future income as a result of commitments to regular giving. Towards the end of the year we were delighted to announce that Richard Briers CBE has agreed to become Patron of The Nuffield Appeal.

c. Other matters

Southampton New Arts Complex and the new Performing Arts Organisation.

As plans for the new arts complex and performing arts organisation (PAO) continue to formulate, the imperative to establish our potential relationship with this organisation increases. This is now a considerable part of our ongoing planning for the Nuffield. Naturally, as the PAO is at a comparatively early stage of its formation, the timescale for our own development (where it relates to the new organisation) is strongly influenced by the timescale of the development of the PAO.

Hampshire County Council funding

This year HCC made a small cut to the funding of Hampshire Youth Theatre, which we run on their behalf. In 2006/07 pressure on Hampshire's budget due to its settlement from central government resulted in a further cut of £5,000 to the Nuffield's regular grants. Therefore in 2006/07 the Nuffield received a grant of only £40,000 from HCC despite the fact that 46% of our audience comes from Hampshire. The Nuffield is continuing to discuss this position with the County Council.

5. Financial review

a. Financial position

This year we achieved a net surplus of £22,000 in our unrestricted undesignated reserves.

This third consecutive year of operational surpluses, together with the Arts Council England debt-mitigation grant of £87,000 last year, completes an extraordinary shift in the Nuffield's financial position from an accumulated deficit of £155,000 in 2002/03 to a surplus of £2,900 at 31 March 2006.

Technically the Nuffield does not have any free reserves and our existing reserves policy remains in operation.

b. Reserves policy

The trustees believe that the charity should hold financial reserves because:

1. it is dependent for income upon grant funding from year to year, which is inevitably subject to fluctuation, and
2. it requires protection against and the ability to continue operating despite loss making shows.

The board members believe that the minimum level of the reserves should be the equivalent of six months net operating costs calculated and reviewed annually and believe that the reserves should be built up to the desired level in stages consistent with the charity's overall financial position and its need to maintain and develop its charitable activities.

The Southampton Nuffield Trust Limited

Trustees report (continued)

c. Principal funding sources

Major grants from Arts Council England, the University of Southampton, Southampton City Council and Hampshire County Council fund the main part of our core work. Front of house trading activities, sponsorship and other public, trust and private fundraising income make up the balance of our funding.

Specific ongoing projects and new initiatives are funded by specific additional grants or donations.

d. Investment policy

Any bank balances not required for current financial commitments are transferred to a high interest deposit account which is regularly reviewed to maximise the interest earned.

6. Plans for future periods

A new vision describing the Company's artistic and educational ethos and sensibilities was written in 2004. Last year we completed a three year strategic plan responding to this vision and to changes in audience tastes and behaviour.

The main points of the strategic plan are as follows:

Aim 1: The delivery and exploitation of our work

Over the last two years we have experimented with the length of runs, the mix of small and mid-scale work, co-production relationships, touring patterns, different age ranges for our participation work and touring schools shows, and presenting theatre in different spaces. We recognise that the manner in which we deliver our work has a profound effect on its ability to attract audiences. Similarly, our shows could be exploited to considerable effect.

Our key objectives for aim 1 for the next three years are to:

- o Increase our investment in developing future creative projects and artistic partnerships
- o Develop practical ways to regularly exploit our work
- o Continue to develop our programme to provide an increase in the number and diversity of productions to enhance the offer for audiences
- o Maximise the percentage of the audience capacity at main house shows
- o Identify a new programme of activities for the late spring and early summer
- o Develop work that can cross fertilise between main house and schools touring
- o Develop our touring work for secondary schools
- o Work with Creative Partnerships to develop special projects with key schools
- o Consolidate our youth theatre activities
- o Clarify our developmental work including business training, apprenticeships, the Writers Group, development of local artists, and teachers INSET
- o Respond to the creative impetus to present work in non-theatre settings such as site-specific or promenade performances
- o Continue to develop the 'Platform performance' programme of activities
- o Develop a symbiotic relationship with the University of Southampton and closer links with other training establishments such as the Southampton Institute, The University of Winchester, Nottingham Trent Polytechnic, Bristol Old Vic, and other drama schools.

Aim 2: Building and developing our audience

Through a range of different approaches we wish to increase the number of people attending Nuffield productions and work presented at the theatre and to continue to increase the diversity of our audience.

Our key objectives for aim 2 for the next three years are to:

- o Adopt the Audience Builder scheme
- o Continue our Asian audience development programme
- o Continue the Front of House refurbishment to provide a better experience for audiences and participants and to reflect the quality of the theatrical experience

The Southampton Nuffield Trust Limited

Trustees report (continued)

- Develop the atmosphere of the theatre as a hub of theatrical activity and a vibrant and enjoyable social centre for different groups of people
- Build on our success at relationship marketing with different groups in our community
- Respond to the audience desire for different strands of the programme delivered at different scales and in interesting ways and venues
- Continue to develop our brand to represent the company's vision, also focusing on how and why we create our artistic work, not simply the play choices

Aim 3: Increasing our profile

The Nuffield has sometimes been too quiet about its successes. We wish to build our local, regional, national and international profile to assist in developing audiences, attracting high quality creative teams and artistic collaborators, exploiting our work, and increasing our resources.

Our key objectives for aim 3 for the next three years are to:

- Build our local and regional profile with audiences groups, with educational establishments (in particular secondary schools and teachers), with stakeholders including Southampton City and Hampshire County Councillors and Officers, and with the business community
- Build our profile within the University of Southampton
- Build our national profile within the theatre community including actors, casting directors and creative teams.
- Develop our national and international standing with other theatre producers, potential collaborators and touring companies, tour bookers, potential touring venues and international festivals
- Develop a deeper relationship with the Arts Council and British Council to open up further opportunities to exploit the company's work

Aim 4: Increasing our resources

The Nuffield needs to raise additional income in order to meet its expenditure and particularly in order to achieve the developments of this plan. We are planning to do more artistic work, to exploit our shows, to increase our investment in developing future artistic projects and collaborations, to undertake new marketing initiatives, to invest time in relationship marketing and to build our profile in a range of different contexts. In addition to additional income, we need to review our human resources and equipment

Our key objectives for aim 4 for the next three years are to:

- Revisit our staffing structure and training needs to support our increased artistic work, future artistic developments, exploitation of our shows, and fundraising requirements.
- Develop the advocacy skills of our Board
- Raise additional income, in particular through Trusts and Foundations and private fundraising
- Replace the outdated telephone system and ensure that our technical equipment is satisfactory for the theatre's needs

The Southampton Nuffield Trust Limited

Trustees report (continued)

Statement of Trustees' Responsibilities in relation to the Financial Statements

Law applicable to incorporated charities in England and Wales requires the board members, who are also directors of the company, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the group at the end of the year and of its financial activities during the year then ended. In preparing those financial statements, the board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The board members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and which enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

In accordance with company law, as the company's directors we certify that:

- so far as we are aware, there is no relevant audit information of which the company's auditors are unaware; and
- as the directors of the company we have taken all the steps that we ought to have taken to establish that the charity's auditors are aware of that information.

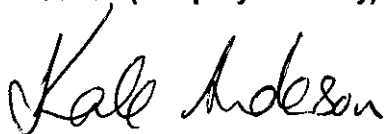
Auditors

Fiander Tovell LLP were re-appointed as the charitable company's auditors during the year and have expressed their willingness to continue in that capacity.

This report has been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (issued in March 2005) and in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small entities.

Approved by the Board and signed on its behalf by:

K Anderson (Company Secretary)



Date

12/ October 2006.

The Southampton Nuffield Trust Limited

Independent auditors report to the trustees for the year ended 31 March 2006

We have audited the financial statements of The Southampton Nuffield Theatre Trust Limited for the year ended 31st March 2006 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members as a body, in accordance with the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As described in the Statement of Trustees' Responsibilities, the trustees, who are also the directors for the purposes of the company law, are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the financial statement give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and other transactions is not disclosed.

We read other information contained in the Trustees' Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

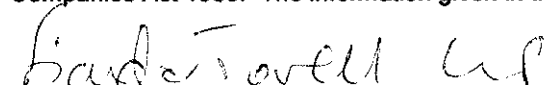
Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Board. An audit includes examination, on a test basis, of evidence relevant to the amount and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming an opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to small entities, of the charitable company's and group's state of affairs as at 31st March 2006 and of the group's incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985. The information given in the Trustees' Report is consistent with the financial statements.



Fiander Tovell LLP (Chartered Accountants and Registered Auditors)

Date: 12/10/06

The Southampton Nuffield Theatre Trust Limited
Consolidated statement of financial activities (including income & expenditure account)
for the year ending 31st March 2006

		Unrestricted		Restricted	Total funds 2006	Total funds 2005
	Note	Undesignated £	Designated £	£	£	£
Incoming resources						
Incoming resources from charitable activities:						
Operation of producing theatre	5	1,597,238	-	74,252	1,671,490	1,668,761
Incoming resources from generated funds:						
Voluntary income	9	29,173	-	12,007	41,180	16,588
Activities for generating funds	10	21,244	-	2,000	23,244	41,771
Investment income	11	7,241	-	-	7,241	86
		57,658	-	14,007	71,665	58,445
Total incoming resources		1,654,896	-	88,259	1,743,155	1,727,206
Resources expended						
Charitable activities:						
Operation of producing theatre	12	1,614,613	-	76,452	1,691,065	1,615,468
Costs of generating funds:						
Costs of generating voluntary income	13	11,050	-	15,327	26,377	26,385
Fundraising trading: cost of goods sold and other costs	13	32,274	-	-	32,274	36,198
		43,324	-	15,327	58,651	62,583
Governance costs	13	35,534	-	-	35,534	37,901
Total resources expended		1,693,471	-	91,779	1,785,250	1,715,952
Net outgoing resources before transfers		(38,575)	-	(3,520)	(42,095)	11,254
Gross transfers between funds		60,575	19,250	(79,825)	-	-
Net income (expenditure) for the year		22,000	19,250	(83,345)	(42,095)	11,254
Reconciliation of funds						
Total funds brought forward		(19,100)	9,000	827,937	817,837	806,583
Total funds carried forward		2,900	28,250	744,592	775,742	817,837

The statement of financial activities includes all gains and losses recognised in the year.
All incoming resources and resources expended derive from continuing activities

The Southampton Nuffield Theatre Trust Limited
Consolidated balance sheet as at 31st March 2006

	Note	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Fixed assets					
Tangible assets	18	832,016	906,100	832,016	906,100
Investments	19	-	-	2	2
		<u>832,016</u>	<u>906,100</u>	<u>832,018</u>	<u>906,102</u>
Current assets					
Stock	20	3,604	2,952	3,604	-
Debtors	21	91,275	114,363	91,275	142,065
Cash at bank and in hand		219,844	100,053	219,844	75,301
		<u>314,723</u>	<u>217,368</u>	<u>314,723</u>	<u>217,366</u>
Liabilities					
Creditors amounts falling due within one year	22	370,997	305,631	370,999	305,631
Net current assets		<u>(56,274)</u>	<u>(88,263)</u>	<u>(56,276)</u>	<u>(88,265)</u>
Net assets		<u>775,742</u>	<u>817,837</u>	<u>775,742</u>	<u>817,837</u>
The funds of the charity					
Restricted income funds	23	744,592	827,937	744,592	827,937
Unrestricted income funds:					
Designated		28,250	9,000	28,250	9,000
General		2,900	(19,100)	2,900	(19,100)
Total unrestricted income funds	24	<u>31,150</u>	<u>(10,100)</u>	<u>31,150</u>	<u>(10,100)</u>
Total charity funds		<u>775,742</u>	<u>817,837</u>	<u>775,742</u>	<u>817,837</u>

These financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small entities, and the Financial Reporting Standard for Smaller Entities (effective January 2005).

These financial statements were approved by the Board on: 12 Oct 06
and were signed on its behalf by:



Board Member
Stephen Boyce
12 October 2006


Board Member
Lynne Lockyer

12 Oct 06

Notes on the accounts

1 Accounting policies

a) Basis of preparation

The financial statements have been prepared under the historic cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice - Accounting and Reporting by Charities (SORP 2005) issued in March 2005, applicable UK Accounting Standards and the Companies Act 1985. The principal accounting policies adopted in the preparation of the financial statements are set out below.

As the company is a charity, the wording of the statutory formats required by the Companies Act 1985 have been appropriately amended in order to give a true and fair view.

The financial statements have also been prepared on a going concern basis, which assumes that the group will continue to operate. The validity of this assumption is dependent upon the continued support of the funding bodies of the group. If the group were unable to continue to trade, adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities that might arise, and to reclassify fixed assets to current assets. There is no indication that the support of the funding bodies will not continue for the foreseeable future.

b) Group financial statements

These financial statements consolidate the results of the charity and its wholly owned subsidiary on a line by line basis. A separate statement of financial activities and income and expenditure account are not presented for the charity itself following the exemptions afforded by section 230 of the Companies Act 1985 and paragraph 397 of the SORP.

c) Funds structure

Funds held by the charity are either:

Unrestricted general funds - these are funds which can be used in accordance with the objects at the discretion of the trustees.

Designated funds - these are funds set aside by the trustees out of unrestricted general funds for specific future purposes or projects.

Restricted funds - these are funds that can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Further explanation of the nature and purpose of each fund is included in the notes below.

d) Incoming resources

Income from charitable activities includes income received under contract or where entitlement to grant funding is subject to specific performance conditions is recognised as earned (as the related goods or services are provided). Grant income included in this category provides funding to support performance activities and is recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability.

Income is deferred when:

- Admission fees or performance related grants are received in advance of the performances or event to which they relate.

Voluntary income including donations, gifts and legacies and grants that provide core funding or are of general nature are recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability. Such income is only deferred when:

- The donor specifies that the grant or donation must only be used in future accounting periods; or
- The donor has imposed conditions which must be met before the charity has unconditional entitlement.

Income from commercial trading activities is recognised as earned (as the related goods and services are provided).

Investment income is recognised on a receivable basis.

1 Accounting policies (continued)

e) Unrestricted / Core grants

The regular annual grant funding received from Arts Council England, University of Southampton, Southampton City Council & Hampshire County Council is considered to be the core funding for the charity, and therefore treated as unrestricted income. Any additional grants received from these bodies are usually for specific projects or activities and therefore will usually be restricted income.

f) Donated services and facilities

Where services are provided to the charity as a donation that would normally be purchased from our suppliers, this contribution is included in the financial statements at an estimate based on the value of the contribution to the charity.

g) Resources expended

Expenditure is recognised when a liability is incurred. Contractual arrangements and performance related grants are recognised as goods or services are supplied. Other grant payments are recognised when a constructive obligation arises that result in the payment being unavoidable.

- Costs of generating funds are those costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.
- Charitable activities include expenditure associated with the production and presentation of theatrical productions and educational programmes, at the theatre and other venues, and include both the direct costs and support costs relating to these activities.
- Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.
- Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, as detailed in notes 12 & 13.

h) Operating leases

Where the group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future installments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to resources expended and the capital element which reduces the outstanding obligation for future installments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to resources expended on a straight line basis over the life of the lease.

i) Tangible fixed assets

Individual fixed assets costing £1,000 or more are capitalised at cost.

Tangible fixed assets are depreciated on a straight line basis over their estimated useful lives as follows:

<u>Asset category</u>	<u>Useful life</u>
Motor vehicles	4 - 8 years
Office & catering equipment	3 - 12 years
Theatre equipment	3 - 20 years
Leasehold improvements	9 - 20 years

j) Stock.

Stock is included at the lower of cost or net realisable value.

k) Pensions

The charity makes a stakeholder pension scheme available to all staff.

In addition, under agreements with Equity and BECTU, the charity makes contributions to the pension schemes of staff who participate in the group personal pension schemes operated by these unions.

Two employees are also members of a defined benefit pension scheme underwritten by the University of Southampton, and the charity makes contributions to the scheme as set out in note 16.

Pension contributions are charged to the Accounts in the period in which they fall due.

2 Legal status of the charity

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £100.

3 Related party transactions

a) Executive directors

From time to time the charity makes small loans available to core members of staff.

At the balance sheet date a loan balance of £ nil (2005: £nil) was due from P Sandford, the artistic director, and £nil (2005: £491) from K Anderson, the administrative director. The maximum amounts outstanding during the year were £nil and £491 respectively. These loans are interest free and repayable on demand.

b) Board members

During the year the charity incurred legal fees of £1,440 (2005: £93) with its solicitors, Paris, Smith and Randall, of which N Vaughan, a board member of the charity, is a partner.

No other board member received any emolument or payment for professional or other services during the year or was paid or reimbursed expenses.

c) University of Southampton

A summary of the main financial transactions with the University is set out below:

	2006 £	2005 £
Incoming resources		
Core grant	141,200	134,750
Resources expended - Core costs: Premises & equipment		
Sinking fund	18,088	18,088
Utilities & cleaning	48,329	42,008
Insurance	4,250	3,982
	<u>70,667</u>	<u>64,078</u>

No charge is made for the use of the main theatre building which are provided at a peppercorn rent.

This donation in kind is excluded from the financial statements as due to the unique nature of the building and relationship between the Theatre and the University it is not possible to quantify its value.

More information about the relationship with the University is given in the trustees report.

4 Financial activities of the charity

The financial activities shown in the consolidated statement includes those of the charity's wholly owned subsidiary.

A summary of the financial activities undertaken by the charity is set out below:

	2006 £	2005 £
Gross incoming resources	1,616,280	1,625,451
Total expenditure on charitable activities	(1,574,835)	(1,513,771)
Costs of generating funds	(58,651)	(62,583)
Governance costs	(35,534)	(37,901)
Amount gift aided from subsidiary	10,645	58
	<u>(42,095)</u>	<u>11,254</u>
Net incoming resources	817,837	806,583
Total funds brought forward		
	<u>775,742</u>	<u>817,837</u>
Represented by:		
Restricted income funds	744,592	827,937
Unrestricted income funds	31,150	(10,100)
	<u>775,742</u>	<u>817,837</u>

5 Income from operation of producing theatre

		Unrestricted	Restricted	Total	Total
		£	£	2006	2005
				£	£
Tickets, programmes & touring	6	486,908	-	486,908	431,338
Other project income		4,785	-	4,785	7,142
Artistic hires		36,106	-	36,106	45,089
Audience trading	7	116,054	-	116,054	87,836
Grants	8	953,385	74,252	1,027,637	1,097,356
		1,597,238	74,252	1,671,490	1,668,761

6 Tickets, programmes & touring

		Unrestricted	Restricted	Total	Total
		£	£	2006	2005
				£	£
Nuffield productions					
Main house		252,175	-	252,175	233,543
Studio		6,296	-	6,296	10,370
Touring		54,544	-	54,544	51,886
		313,015	-	313,015	295,799
Other					
Adult visiting companies		91,107	-	91,107	71,124
Alternative nights		33,301	-	33,301	27,506
Kids' Saturday theatre		9,986	-	9,986	11,548
Youth theatres, Drama clubs & Workshops		39,499	-	39,499	25,361
		486,908	-	486,908	431,338

7 Audience & general public trading / Subsidiary undertaking

a) Audience & general public trading

The charity provides a range of food and drink to audiences. This is part of the core operation of the theatre and the income is therefore included as incoming resources from charitable activities.

The charity also sells food and drink to the general public at other times. This income is included as incoming resources from generated funds.

	Unrestricted	Restricted	Total	Total
	£	£	2006	2005
			£	£
Audience trading				
Bar	64,943	-	64,943	51,033
Ices and confectionery	33,625	-	33,625	28,710
Audience food	11,864	-	11,864	4,937
Merchandise	5,472	-	5,472	2,753
Other income	150	-	150	403
	116,054	-	116,054	87,836
General public trading				
General public food	10,093	-	10,093	13,670
	10,093	-	10,093	13,670

7 Audience & general public trading / Subsidiary undertaking (continued)

b) Subsidiary undertaking

Up to 31 March 2006 all the above activities were carried out by the charity's wholly owned trading subsidiary, Southampton Nuffield Theatre Trading Company Limited.

On 31 March 2006 the business and assets of the subsidiary were transferred to the charity which from that date has continued to carry on the trade directly.

A summary of the trading results of Southampton Nuffield Theatre Trading Company Limited, which is incorporated in the United Kingdom, is as follows:

	2006 £	2005 £
Turnover	126,875	101,755
Cost of sales & administration costs	(116,229)	(101,697)
Net profit	10,645	58
Amount gift aided to the charity	(10,645)	(58)
Retained in subsidiary	-	-
The assets and liabilities of the subsidiary were:		
Current assets	2	27,706
Current liabilities	-	(27,704)
Total net assets	2	2
Aggregate share capital and reserves	2	2

8 Grants

	Unrestricted £	Restricted £	Total 2006 £	Total 2005 £
Revenue grants				
<i>Unrestricted / Core grants</i>				
Arts Council England	545,169	-	545,169	531,873
Arts Council England – Debt mitigation	-	-	-	87,000
Southampton City Council	231,811	-	231,811	226,095
University of Southampton	141,200	-	141,200	134,750
Hampshire County Council	35,205	-	35,205	34,350
<i>Restricted Grants</i>				
Arts Council England – Creative Partnerships	-	41,102	41,102	-
Hampshire County Council – Youth theatre	-	13,900	13,900	14,900
– Property grant	-	10,000	10,000	10,000
Portsmouth City Council	-	5,000	5,000	5,000
Other (3 grants)	-	4,250	4,250	32,388
Capital grants				
Arts Council England – Capital project	-	-	-	21,000
	953,385	74,252	1,027,637	1,097,356

9 Voluntary income

	Unrestricted £	Restricted £	Total 2006 £	Total 2005 £
Donations:				
General	11,423	-	11,423	11,613
Capital appeal	-	12,007	12,007	225
Services & assets	17,750	-	17,750	-
Other voluntary income	-	-	-	4,750
	29,173	12,007	41,180	16,588

10 Income from activities for generating funds

	Unrestricted	Restricted	Total 2006	Total 2005
	£	£	£	£
Sponsorship:				
Revenue	9,167	-	9,167	11,417
Capital appeal	-	2,000	2,000	-
	9,167	2,000	11,167	11,417
Friends of Nuffield Theatre	1,796	-	1,796	2,633
Business training	-	-	-	13,833
General public trading	10,093	-	10,093	13,670
Other	188	-	188	218
	21,244	2,000	23,244	41,771

11 Investment Income

All of the group's investment income arises from an interest bearing deposit account.

12 Charitable Activities

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

	Theatre productions:		Primary	Other	Total
	Nuffield	Other	trading	activities	
	productions	productions	trading	activities	
	£	£	£	£	£
Direct production costs:					
Nuffield productions	522,016	-	-	-	522,016
Other	-	-	-	9,493	9,493
	522,016	-	-	9,493	531,509
Visiting companies & youth theatre	-	181,796	-	-	181,796
Research & development	-	-	-	13,561	13,561
Marketing	96,241	61,244	-	17,499	174,984
FOH trading					
- directly allocated	-	-	75,126	-	75,126
- apportioned	-	-	12,568	-	12,568
Production and front of house					
- directly allocated	39,135	13,726	-	6,769	59,630
- apportioned	135,234	18,031	18,031	9,015	180,311
Touring & projects department	40,695	33,296	-	-	73,991
	833,321	308,093	105,725	56,337	1,303,476
Support costs (note 13)	193,795	135,656	38,759	19,379	387,589
	1,027,116	443,749	144,484	75,716	1,691,065

The charity apportions shared costs between activities on a basis consistent with the use of resources, as shown in the table below:-

	Theatre productions:		Primary	Other	Total
	Nuffield	Other	trading	activities	
	productions	productions	trading	activities	
	£	£	£	£	£
	%	%	%	%	%
Marketing	55	35	-	10	100
FOH trading (primary element)	-	-	65	-	65
Production and front of house	75	10	10	5	100
Touring & projects department	55	45	-	-	100
Support costs	50	35	10	5	100

13 Resources expended including support costs

	Charitable activities (Note 10) £	Voluntary income £	Generating funds £	Govern -ance £	Total £
Costs directly allocated to activities					
Charitable activities	1,303,476	-	-	-	1,303,476
Secondary trading	-	-	-	-	-
- directly allocated	-	-	6,937	-	6,937
- apportioned	-	-	6,768	-	6,768
Fundraising costs	-	-	-	-	-
- directly allocated	-	15,327	231	-	15,558
- apportioned	-	6,006	6,006	-	12,012
Audit	-	-	-	6,220	6,220
Organisational development	-	-	-	212	212
	1,303,476	21,333	19,942	6,432	1,351,183
Support costs allocated to activities					
<i>Core costs:</i>					
Premises & equipment					
Sinking fund	18,088	-	-	-	18,088
Utilities and cleaning	43,496	-	2,416	2,417	48,329
Other	14,396	-	800	800	15,996
IT	10,983	-	610	610	12,203
Depreciation	109,221	-	-	-	109,221
<i>Admin costs:</i>					
Box office	48,443	-	-	2,550	50,993
Management and accounts	64,228	4,588	4,588	18,351	91,755
Other staff costs	22,902	-	1,272	1,273	25,447
Phones, postage and stationery	20,541	456	685	1,141	22,823
Other	35,291	-	1,961	1,960	39,212
	387,589	5,044	12,332	29,102	434,067
Total resources expended	1,691,065	26,377	32,274	35,534	1,785,250

The charity allocates costs directly to activities wherever possible. Certain shared costs including support costs are apportioned on a basis consistent with the use of resources as shown in the table below:

	Charitable activities %	Voluntary income %	Generating funds %	Govern -ance %	Total %
Shared direct costs					
FOH trading (secondary element)	-	-	35	-	35
Fundraising costs	-	50	50	-	100
Support costs					
<i>Core costs:</i>					
Premises & equipment					
Sinking fund	100	-	-	-	100
Utilities and cleaning	90	-	5	5	100
Other	90	-	5	5	100
IT	90	-	5	5	100
Depreciation	100	-	-	-	100
<i>Admin costs:</i>					
Box office	95	-	-	5	100
Management and accounts	70	5	5	20	100
Other staff costs	90	-	5	5	100
Phones, postage and stationery	90	2	3	5	100
Other	90	-	5	5	100

14 Analysis of staff costs

	2006 £	2005 £
Salaries and wages	740,460	688,523
National insurance costs	63,160	58,714
Pension costs	4,444	3,800
	808,064	751,037

No employees had emoluments in excess of £60,000 (2005 nil).

15 Staff numbers

The average number of full-time equivalent employees (including casual and part time staff) during the year was as follows:

	2006	2005
Production	34	32
Administration	18	17
	52	49

16 Pension scheme

Two employees are members of the University of Southampton 'Pension and Assurance Scheme for Non-Academic Staff', a defined benefit scheme to which contributions are made of 10.3% by the employer and 5% by the employee. The most recent triennial valuation available to the group was at 1st August 2001, and revealed that the scheme's liabilities were more than covered by its assets. Under the terms of the scheme the University is the sponsoring employer and therefore would be liable should any injection of funds be required. Similarly it is the University who benefit whenever there is a contributions holiday.

17 Net income (expenditure) for the year

Net income (expenditure) for the year is stated after charging (crediting):	2006 £	2005 £
Depreciation	109,221	112,035
Profit on disposal of tangible fixed assets	-	(456)
Auditors' remuneration - audit (including subsidiary)	6,220	6,000
- other services	-	-

18 Tangible fixed assets - group and charity

	Theatre equipment £	Office & catering equipment £	Leasehold improve- ments £	Motor vehicles £	Total £
Cost:					
As at 1st April 2005	149,149	163,911	1,639,174	37,850	1,990,084
Additions	2,546	22,074	10,517	-	35,137
As at 31 March 2006	151,695	185,985	1,649,691	37,850	2,025,221
Depreciation:					
As at 1st April 2005	125,471	141,990	778,673	37,850	1,083,984
Charge for the year	5,844	12,546	90,831	-	109,221
As at 31 March 2006	131,315	154,536	869,504	37,850	1,193,205
Net book value:					
As at 1st April 2005	23,678	21,921	860,501	-	906,100
As at 31 March 2006	20,380	31,449	780,187	-	832,016

18 Tangible fixed assets - group and charity (continued)

As set out in notes 23 and 24, the holding of certain Tangible Fixed Assets is linked to specific funds of the charity. During the year the following amounts have been transferred into general funds in respect of the depreciation of these assets:

	Theatre equipment	Office & catering equipment	Leasehold improve- ments	Motor vehicles	Total
	£	£	£	£	£
Restricted - Refurbishment fund	-	-	79,825	-	79,825
Designated - Sponsored assets fund	-	3,500	-	-	3,500
	-	3,500	79,825	-	83,325

19 Investments - trading subsidiary

	Company 2006 £	Company 2005 £
Shares in group undertaking	2	2
Name:	Class of shares	Group interest
Southampton Nuffield Theatre Trading Company Ltd	Ordinary £1	100%
		Registered England and wales

Up to 31st March 2006 the principal activity of the Southampton Nuffield Theatre Trading Company Ltd was the provision of bar and catering services at the Nuffield Theatre, Southampton.

From 1st April 2006 these services were provided by the charity itself and the Southampton Nuffield Theatre Trading Company Ltd was dormant.

20 Stock

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Front of house	3,604	2,952	3,604	-

21 Debtors

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Trade debtors	10,987	23,456	10,987	23,456
Other debtors	8,890	21,932	8,890	21,932
Prepayments and accrued income	71,398	68,975	71,398	68,975
Amount due from subsidiary undertaking	-	-	-	27,702
	91,275	114,363	91,275	142,065

All amounts are due within one year from the balance sheet date.

22 Creditors: amounts falling due within one year

	Group 2006 £	Group 2005 £	Company 2006 £	Company 2005 £
Trade creditors	81,354	65,651	81,354	65,651
Tax and social security costs	18,253	24,715	18,253	24,715
Other creditors	12,856	7,641	12,856	7,641
Accruals	136,979	108,020	136,979	108,020
Deferred income	121,555	99,604	121,555	99,604
Amount due to subsidiary undertaking	-	-	2	-
	370,997	305,631	370,999	305,631

22 Creditors: amounts falling due within one year (continued)

	2006	2005
	£	£
Deferred income comprises:		
Advance ticket sales	41,459	36,281
Grants for future productions or periods	63,930	45,990
Other	16,166	17,333
	121,555	99,604

£8,666 of brought forward deferred income at 1 April 2005 is being carried forward at 31 March 2006.

All other brought forward amounts were released to incoming resources during the year.

23 Restricted income funds

	Fund at 1st April 2005	Incoming resources	Resources expended	Transfers	Fund at 31st March 2006
	£	£	£	£	£
Refurbishment fund	808,384	-	-	(79,825)	728,559
Capital project	6,511	14,007	15,327	-	5,191
Audience development	13,042	-	2,200	-	10,842
Creative partnerships	-	41,102	41,102	-	-
Youth theatre	-	13,900	13,900	-	-
Property grant	-	10,000	10,000	-	-
Education	-	5,000	5,000	-	-
Other (3 funds)	-	4,250	4,250	-	-
	827,937	88,259	91,779	(79,825)	744,592

The refurbishment fund represents the external funding received specifically towards the theatre's capital refurbishment project undertaken from 1996 to 1999. Each year an amount is transferred to general fund reserves in respect of the depreciation charge for the year (in proportion to the total cost).

The capital project represents grants and donations towards the "Nuffield Appeal", a fundraising project to raise money towards the cost of a major refurbishment and extension of the foyer. Expenses incurred are deducted from the fund.

The audience development fund is a specific grant from Arts Council England to fund work in developing the audience from the South Asian community.

The creative partnerships fund was a specific grant from Arts Council England to fund a multi-disciplinary artistic and education project completed in autumn 2005.

The youth theatre fund is a specific grant from Hampshire County Council towards the theatre's youth programme.

The property grant is a specific grant from Hampshire County Council towards the theatre's running costs in connection with a property used to build and store theatrical sets.

The education fund represents money received from Portsmouth City Council towards the theatre's educational work.

24 Unrestricted income funds

	<u>Designated funds</u>		General fund	Total
	Sponsored assets	Future assets		
	£	£	£	£
Fund at 1 April 2005	7,000	2,000	(19,100)	(10,100)
<u>Movements in designated funds:</u>				
Sponsored assets fund - additions	17,750	-	-	17,750
Sponsored assets fund - annual depreciation	(3,500)	-	-	(3,500)
Future assets fund - transfer	-	5,000	-	5,000
<u>Movements in general fund:</u>				
Restricted depreciation transfer 23	-	-	79,825	79,825
Sponsored assets fund - additions	-	-	(17,750)	(17,750)
Sponsored assets fund - annual depreciation	-	-	3,500	3,500
Future assets fund - transfer	-	-	(5,000)	(5,000)
Surplus for the year	-	-	(38,575)	(38,575)
Fund at 31 March 2006	21,250	7,000	2,900	31,150

Sponsored assets fund - designated

The sponsored assets fund was set up to pay for future depreciation on fixed assets that are acquired either as donated assets or as part of a sponsorship arrangement.

In the year that a new sponsored asset is acquired an amount equal to the full asset value is transferred from general funds into the sponsored assets fund. Over the useful economic life of the asset the fund is then used to "pay for" the depreciation on the asset, and an annual depreciation transfer is made from the fund back into general funds.

Future assets fund - designated

The Future assets fund was created to set aside funds for significant future capital expenditure (for example a replacement touring van, computer equipment, etc.).

25 Analysis of group net assets between funds

		<u>Net current</u>		Total
		Fixed assets	assets/ (liabilities)	
		£	£	£
<u>Restricted income funds:</u>	23			
Refurbishment fund		728,559	-	728,559
Capital project		-	5,191	5,191
Audience development		-	10,842	10,842
		<u>728,559</u>	<u>16,033</u>	<u>744,592</u>
<u>Unrestricted income funds:</u>	24			
Designated funds		21,250	7,000	28,250
General fund		82,207	(79,307)	2,900
		<u>103,457</u>	<u>(72,307)</u>	<u>31,150</u>
		<u>832,016</u>	<u>(56,274)</u>	<u>775,742</u>

26 Future commitments

Under the terms of an agreement with the University of Southampton there is a commitment to pay £18,088 per annum towards the repair and maintenance costs of the building occupied by the group to the year 2009, and thereafter an amount to be determined at that time by review under the terms of the agreement until 2017. This fund is to be held by the University towards the cost of future building maintenance repairs.

Under the terms of a lease that expires in September 2011 there is a commitment to pay rent for another building occupied by the group. The annual rent, which is currently £21,250, is determined by 3-yearly rent reviews the most recent of which was carried out on 24th June 2005.