

TRAVERSE THEATRE (SCOTLAND) LIMITED

**DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**



COMPANY NO: SC76037

TRAVERSE THEATRE (SCOTLAND) LIMITED
FOR THE YEAR ENDED 31 MARCH 2003

CONTENTS

	Page
Company Information	1
Directors' Annual Report	2
Report of the Auditors to the Members	3 - 4
Consolidated Income and Expenditure Account	5
Balance Sheet	6
Notes to the Consolidated Financial Statements	7 - 21

COMPANY INFORMATION

FOR THE YEAR ENDED 31 MARCH 2003

REGISTERED CHARITY NUMBER

SC002368

DIRECTORS

Stuart Hepburn (Chair)
Geraldine Gammell (Resigned 17 April 2002)
Katherine Agnes Atkinson (Resigned 6 June 2002)
Stephen Cotton
Robert Campbell
Leslie Evans
Caroline Gardner (Appointed 26 June 2003)
Christopher John Hannan (Appointed 22 July 2002)
Christine Millar Hamilton
John Stone
Keith Welch (Appointed 17 April 2002)

SECRETARY

Stuart Murray

COMPANY NUMBER

SC76037

REGISTERED OFFICE

Cambridge Street, Edinburgh, EH1 2ED

AUDITORS

McDonald Gordon & Co Ltd, Chartered Certified Accountants and Registered Auditors
29 York Place, Edinburgh, EH1 3HP

BANKERS

Bank of Scotland

**DIRECTORS' ANNUAL REPORT
FOR THE YEAR ENDED 31 MARCH 2003**

The directors present their report and the audited financial statements for the year to 31 March 2003.

THE COMPANY, PRINCIPAL ACTIVITIES AND ORGANISATION OF OUR WORK

The objects of the company are the promoting and maintaining of education by the encouragement of the Arts. The company is limited by guarantee and has charitable status (charity number SC002368). The principal activity of the company continues to be the management of the Traverse Theatre. The principal activity of the subsidiary, Traverse Trading Ltd, continues to be that of bar management. The principal activity of the subsidiary, Traverse Productions Ltd is that of touring theatre productions.

The Charity is organised so that the directors meet regularly to manage its affairs. The Charity is run by the management team and headed by the Artistic Director. The remaining staff are involved in the day to day running of the Charity.

REVIEW OF ACTIVITIES

The Traverse is a unique theatre in Scotland. It is a producer of new work and is also a research and development theatre with a mission to encourage and develop new Scottish Plays.

To fulfil this role, the Traverse Theatre aims to nurture, develop and produce the best new plays by Scottish and international playwrights through a programme of theatre productions, tours, workshops, dramaturgical advice, readings, writers' support groups discussions, education events and four visiting company seasons.

The Traverse provides for

- A local and national audience seeking stimulating, entertaining and contemporary theatre at accessible prices in an informal theatre environment
- Writers seeking to establish and extend their skills as theatre makers in and for Scotland
- People of all ages wishing to learn about and participate in the creation of theatre through playwriting, in the company of professional practitioners

Highlights for the year included a co-production with Plymouth Theatre Royal to produce a new Isabel Wright play, MR PLACEBO and very successful transfers of both of our festival productions – IRON by Rona Munro and OUTLYING ISLANDS by David Greig – to the Royal Court Theatre in London. GAGARIN WAY by Gregory Burke toured to large & medium scale venues in Scotland before undertaking a short tour to Norway and Sweden. The Playwrights in Partnership project produced two productions – 15 Seconds by Francois Archambault in a version by Isabel Wright produced by the Traverse Theatre and a new commissioned play THE GIRL ON THE SOFA by the Norwegian playwright Jon Fosse in a version by David Harrower, which was produced by the Edinburgh International Festival. We had a successful tour of the highlands with HOMERS by Iain Findlay McLeod and started the year with a new play by Riccardo Galgani – GREENFIELD.

The productions of new plays at the Traverse continued to be impressively complemented by a year round visiting company programme of Scottish, British and international companies, many of the most varied and vibrant of which were seen during the highly successful Festival season.

International projects included a visit to Leipzig as part of the British Council sponsored project – MADE IN BRITIAN – with performances of IRON by Rona Munro and AMONG UNBROKEN HEARTS by Henry Adam

During the/-

**DIRECTORS' ANNUAL REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2003**

During the year, the Traverse Theatre has continued to build on its new writing development programme for Scottish Writers continuing the highly successful Class Act, revised Monday Lizard, Borders Writers Group, Over 55 writers and the Young Writers Groups. These were complimented by a series of successful Boundaries and Anniversary readings.

The results of the subsidiary undertakings are set out in note 15. It is anticipated that the subsidiaries will trade profitably in the foreseeable future.

FINANCE AND ADMINISTRATION

The Traverse produced an in-year loss of £135,997 which when added to brought forward reserves of £9,436 has resulted in losses being carried forward of £126,561. The Board have implemented a three year plan with the objective of bringing the Theatre back to surplus within this period.

THE YEAR AHEAD

Even with a substantial improvement in the grant from the Scottish Arts Council, which incorporated a number of project grants, and the inflationary increase from the City of Edinburgh Council, it will be extremely hard for the Traverse to maintain its commitment to sustaining an excellent artistic programme and substantially reduce the deficit. We have succeeded in programming six productions with this extra money including a major revival of John Byrne's SLAB BOYS TRILOGY. Trading and Sponsorship targets have been reduced due to the restructuring of both areas of operations.

It is difficult to project a healthy artistic and operational future for the organisation in the current funding climate, and increases to English theatres as a result of the Boyden report have driven up our wage costs.

INVESTMENT POLICY

Under the memorandum and Articles of Associate, the Charity has the power to make any investment which the directors see fit.

RISK MANAGEMENT

The directors are currently looking at the major risks which the Charity faces.

DIRECTORS AND THEIR INTERESTS

The directors of the company are detailed on Page 1. Each Director is also a member of the company and each has an individual liability of £1 guarantee.

DIRECTORS' ANNUAL REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2003

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

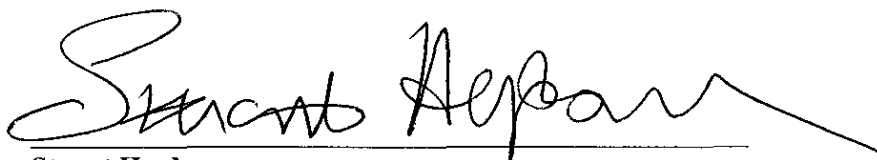
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ACKNOWLEDGEMENTS

The Traverse continues to be indebted to all its supporters for whom it remains a unique and vital theatrical experience.

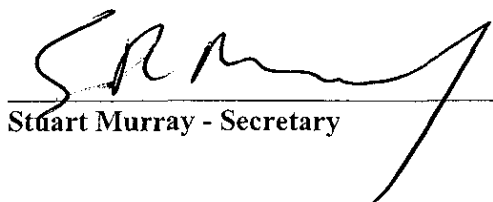
Particular thanks are due to the Scottish Arts Council and the City of Edinburgh Council for their continued financial support. Our thanks also to all our commercial sponsors and private contributors on whose financial support we are becoming increasingly reliant to ensure that the work of the Traverse can continue to flourish.

As always, without the dedicated contribution of all the staff, management, Board of Directors, actors, writers, directors and all the other creative elements which go into the Traverse, none of this would be possible.



Stuart Hepburn
Chair, Traverse Theatre

Approved by the Directors on 30 January 2004 and signed on their behalf by



Stuart Murray - Secretary

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
TRAVERSE THEATRE (SCOTLAND) LIMITED**

We have audited the financial statements for the period ended 31 March 2003 which comprise Profit and Loss Account, Balance Sheet and the related notes 1 to 26. These financial statements have been prepared on the basis of accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities (page 2b), the directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements 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 Directors' Report is not consistent with the financial statements, if the company 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 directors' remuneration and transactions with the group is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

GOING CONCERN/-

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
TRAVERSE THEATRE (SCOTLAND) LIMITED (continued)**

GOING CONCERN

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the accounts, concerning the inherent uncertainty as to the revenue funding of the company and the group and their increasing reliance on trading, private sponsorship and donations. In view of the significance of this uncertainty, we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2003 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



McDonald Gordon & Co Ltd
Chartered Certified Accountants
and Registered Auditors

29 York Place
EDINBURGH
EH1 3HP

30 January 2004

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2003**

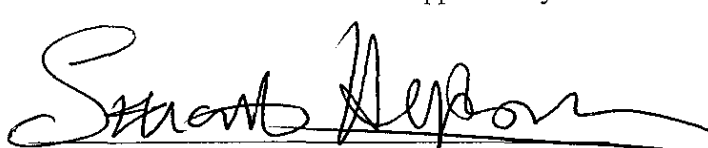
	Notes	2003 £	2002 £
Production Income	3	330,407	326,437
Other operating income	2	869,001	867,670
Non-Charitable trading activities: Net income	15	<u>70,666</u>	<u>99,805</u>
TOTAL INCOME OF CONTINUING OPERATIONS		<u>1,270,074</u>	<u>1,293,912</u>
Production costs	9	515,039	441,018
Production overheads	9	270,516	275,079
Literary costs (previously education and development costs)	9	98,044	58,175
Marketing overheads	9	142,199	175,517
Administration and artistic overheads	9	193,992	184,480
Building and equipment overheads	9	136,187	111,872
Sponsorship costs	9	<u>51,208</u>	<u>38,026</u>
TOTAL EXPENDITURE OF CONTINUING OPERATIONS		<u>1,407,185</u>	<u>1,284,167</u>
NET (DEFICIT)/INCOME FOR THE YEAR FROM CONTINUING OPERATIONS		(137,111)	9,745
Interest receivable		<u>1,114</u>	<u>-</u>
NET (DEFICIT)/INCOME FOR THE YEAR		<u>(135,997)</u>	<u>9,745</u>

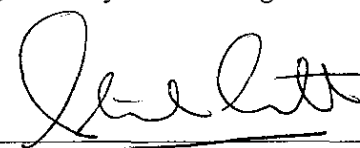
There were no recognised gains and losses for 2003 or 2002 other than those included in the Income and Expenditure Account.

BALANCE SHEET
AS AT 31 MARCH 2003

	Notes	GROUP		CHARITY	
		2003	2002	2003	2002
		£	£	£	£
FIXED ASSETS					
Tangible assets	14	113,233	109,533	89,231	103,224
Investments	15	<u>341</u>	<u>341</u>	<u>345</u>	<u>343</u>
		<u>113,574</u>	<u>109,874</u>	<u>89,576</u>	<u>103,567</u>
CURRENT ASSETS					
Stock		15,683	18,796	716	702
Debtors	16	97,877	161,187	91,841	157,093
Cash at bank and on hand		<u>28,649</u>	<u>21,319</u>	<u>9,706</u>	<u>2,063</u>
		142,209	201,302	102,263	159,858
CREDITORS - Amounts falling due within one year	17	<u>(333,698)</u>	<u>(250,359)</u>	<u>(279,573)</u>	<u>(202,490)</u>
NET CURRENT LIABILITIES		<u>(191,489)</u>	<u>(49,057)</u>	<u>(177,310)</u>	<u>(42,632)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(77,915)</u>	<u>60,817</u>	<u>(87,734)</u>	<u>60,935</u>
CREDITORS - Amounts falling due after more than one year	18	<u>(9,937)</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(87,852)</u>	<u>60,817</u>	<u>(87,734)</u>	<u>60,935</u>
DEFERRED REVENUE - Discount Reserve	19	-	(3,000)	-	(3,000)
- Capital Grants	19	<u>(38,709)</u>	<u>(48,381)</u>	<u>(38,709)</u>	<u>(48,381)</u>
NET (LIABILITIES)/ASSETS		<u>(126,561)</u>	<u>9,436</u>	<u>(126,443)</u>	<u>9,554</u>
FUNDS					
Restricted Funds	21	-	23,500	-	23,500
Unrestricted Funds:					
General Fund		<u>(126,561)</u>	<u>(14,064)</u>	<u>(126,443)</u>	<u>(13,946)</u>
Designated Funds		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUNDS	22	<u>(126,561)</u>	<u>9,436</u>	<u>(126,443)</u>	<u>9,554</u>

These financial statements were approved by the Directors on 30 January 2004 and signed on their behalf by


 STUART HEPBURN
 CHAIR


 STEPHEN COTTON
 DIRECTOR

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2003

1. ACCOUNTING POLICIES

BASIS OF PREPARATION OF ACCOUNTS

The financial statements are prepared under the historical cost convention and include the results of the group's operations as indicated in the directors' report, all of which are continuing.

The accounts are prepared in accordance with applicable accounting standards and Statement of Recommended Practice – Accounting and Reporting by Charities (SORP 2000) except that:-

1. *Grants for the purchase of Fixed Assets are treated as deferred income and released in line with depreciation over the life of the asset. This treatment does not comply with the SORP as it recommends that the grants are included wholly in the Statement of Financial Activities when received.*

The directors consider that the accounting treatment detailed above, which is in accordance with Statement of Standard Accounting Practice No. 4, to be more appropriate to a Charity of this type. The directors further consider that to use the treatment recommended by the SORP would impair a reader's understanding of the financial statements.

The group has taken advantage of the exemption in Financial Reporting Standard No. 1 from the requirement to produce a cash flow statement on the grounds that it is a small group.

GOING CONCERN

The company is currently meeting its day to day working capital requirements through an overdraft facility, which is repayable on demand. As part of a three year funding package the Revenue Grant awarded to the Company by the Scottish Arts Council will be increased to £741,300 commencing the year 2003/04, which, along with private sponsorship and donations, will assist the Company in its commitment to sustaining its artistic programme.

The directors have prepared projected cash flow forecasts for the period to 31 March 2004 and budgets for the period to 31 March 2006 and in light of the increased funding from the Scottish Arts Council, together with a review of all expenditure, are of the opinion that it is appropriate that the financial statements have been prepared on a going concern basis.

BASIS OF CONSOLIDATION

Consolidated financial statements ("group accounts") have been prepared in respect of the charitable company ("charity") and its wholly owned subsidiaries, Traverse Trading Ltd and Traverse Productions Ltd. The results of Traverse Trading Ltd and Traverse Productions Ltd have been consolidated into the Income and Expenditure Account on the basis of the net profit before transfers to Traverse Theatre (Scotland) Ltd. In accordance with Section 230 of the Companies Act 1985, a separate Income and Expenditure Account for Traverse Theatre (Scotland) Ltd has not been presented.

GRANTS AND SUBSIDIES

Revenue grants and subsidies are credited to the Income and Expenditure Account on the earlier date of when they are received or when they are receivable, unless they relate to a specified future period, in which case they are deferred.

GRANTS FOR/-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

1. ACCOUNTING POLICIES (continued)

GRANTS FOR THE PURCHASE OF FIXED ASSETS

Grants for the purchase of fixed assets are put into a deferral account and released to restricted incoming resources over the life of the related asset. Depreciation on the fixed assets purchased with such grants is matched against the grant released each year.

VOLUNTARY INCOME

Voluntary income received by way of donations and gifts to the charity is included in full on the Income and Expenditure Account when received. Gifts in kind are brought in as income and the appropriate expenditure.

RESTRICTED FUNDS

Restricted funds are to be used for specified purposes as laid down by the donor. Expenditure which meets these criteria is identified to the fund, together with a fair allocation of overheads and support costs.

UNRESTRICTED FUNDS

Unrestricted funds are donations and other incoming resources received or generated for charitable purposes.

DESIGNATED FUNDS

Designated funds are unrestricted funds earmarked by the directors for particular purposes.

STAFF COSTS AND OVERHEAD EXPENSES

Staff costs and overhead expenses are allocated to activities on the basis of the directors' best estimates of time spent on those activities.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:-

Motor Vehicles	20% reducing balance basis
Equipment	20% reducing balance basis
	25% reducing balance - trading subsidiary

STOCK

All expenditure relating to productions are included wholly as outgoing resources in the year to which they relate. Stationery and other office expenditure is also included wholly as outgoing resources in the year of acquisition.

Stocks included in the consolidated Balance Sheet relate to the trading subsidiary and are stated at the lower of cost and net realisable value.

OPERATING LEASES

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to Income and Expenditure Account as incurred.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2003**

2. STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2003

Incoming Resources	Notes	Restricted Funds £	Unrestricted Funds £	Total Funds 2003 £	Total Funds 2002 £
Production income	3	-	330,407	330,407	326,437
Production development		-	24,828	24,828	10,830
Donations		-	5,546	5,546	2,505
Sponsorship income	4	14,173	63,978	78,151	79,248
Grants	5	111,178	619,757	730,935	728,794
Seat scheme income		-	400	400	500
Non-charitable trading activities:		-	70,666	70,666	99,805
Interest receivable		-	1,114	1,114	-
Scran income		-	-	-	23,318
National Insurance refund		-	-	-	2,567
Other income		-	29,141	29,141	19,908
Total Incoming Resources		<u>125,351</u>	<u>1,145,837</u>	<u>1,271,188</u>	<u>1,293,912</u>
Resources Expended					
Direct charitable expenditure	6	166,655	921,765	1,088,420	980,800
Fundraising and publicity	7	9,000	184,407	193,407	213,543
Management and administration of charity	8	<u>3,550</u>	<u>121,808</u>	<u>125,358</u>	<u>89,824</u>
Total Resources Expended		<u>179,205</u>	<u>1,227,980</u>	<u>1,407,185</u>	<u>1,284,167</u>
Net (Outgoing)/Incoming Resources Before Transfers		(53,854)	(82,143)	(135,997)	9,745
Transfers between funds	10	<u>30,354</u>	<u>(30,354)</u>	-	-
Net (Outgoing)/Incoming Resources for the year		(23,500)	(112,497)	(135,997)	9,745
Funds at 1 April 2002		<u>23,500</u>	<u>(14,064)</u>	<u>9,436</u>	<u>(309)</u>
Funds at 31 March 2003		-	<u>(126,561)</u>	<u>(126,561)</u>	<u>9,436</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

3. ANALYSIS OF PRODUCTION INCOME AND COSTS

An analysis of income and costs is detailed below. Income represents box office income/fees and sponsorship income specifically attributable to individual productions. Cost of sales reflect direct production expenditure.

Area of activity -	Production Income 2003 £	Production Costs 2003 £	Gross Deficit 2003 £
Traverse Productions	131,121	275,479	(144,358)
Touring income	28,285	81,421	(53,136)
Visiting companies	169,308	128,693	40,615
Other activities	<u>1,693</u>	<u>29,446</u>	<u>(27,753)</u>
	<u>330,407</u>	<u>515,039</u>	<u>(184,632)</u>

Area of activity -	Production Income 2002 £	Production Costs 2002 £	Gross Deficit 2002 £
Traverse Productions	119,159	200,452	(81,293)
Touring income	57,452	80,843	(23,391)
Visiting companies	149,826	105,873	43,953
Other activities	<u>-</u>	<u>53,850</u>	<u>(53,850)</u>
	<u>326,437</u>	<u>441,018</u>	<u>(114,581)</u>

4. SPONSORSHIP INCOME

	Restricted £	Unrestricted £	2003 Total £	2002 Total £
Welcome Trust	-	10,000	10,000	-
Tennent Brewers	-	-	-	3,500
A Howard	-	-	-	-
BBC	-	8,045	8,045	7,950
Sponsorship-in-kind - print and design	9,000	-	9,000	9,000
Gulbenkian Foundation	-	-	-	6,000
Arcas Computers	-	5,000	5,000	-
Bruce Millar Award	-	-	-	3,000
Paul Hamlin Foundation	-	-	-	10,400
Canon	-	-	-	20,000
The Ruben and Elisabeth Rausing Trust	-	-	-	2,500
Bull Dog Trust	-	-	-	1,150
Peggy Ramsay Foundation	-	-	-	585
Other Trusts and Foundations	785	950	1,735	9,700
Corporate associates	-	8,695	8,695	5,463
Other sponsored activities:				
Anniversary gala and sponsorship	-	31,288	31,288	-
CEAD	<u>4,388</u>	<u>-</u>	<u>4,388</u>	<u>-</u>
	<u>14,173</u>	<u>63,978</u>	<u>78,151</u>	<u>79,248</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

5. GRANTS

	Restricted £	Unrestricted £	2003 Total £	2002 Total £
SAC revenue grant	-	573,200	573,200	488,330
SAC training grant	500	-	500	100
SAC capital - lottery (20%)	238	-	238	292
SAC capital – lottery (IT equipment) (20%)	8,988	-	8,988	11,240
SAC dance grant	6,500	-	6,500	7,500
SAC touring grant	9,282	-	9,282	40,718
SAC Olga	-	-	-	10,273
SAC new writing grants	971	-	971	17,800
SAC playwright in residence	-	-	-	11,000
SAC 15 seconds	45,000	-	45,000	-
SAC lottery development	-	-	-	20,000
SAC writers centre	-	-	-	29,015
SAC other	-	-	-	1,550
CEC revenue grant	-	43,557	43,557	43,516
CEC rental grant	30,195	-	30,195	30,322
CEC education grant	-	-	-	5,000
CEC First Bite	750	-	750	-
Scottish Breweries grant	-	3,000	3,000	6,000
Visiting Arts	2,500	-	2,500	-
British Council travel grant	-	-	-	285
Adapt Sightline grant	446	-	446	560
Class Act grant	4,250	-	4,250	3,000
Borders Council grant	-	-	-	2,293
Lothian Health Board – health assessments	250	-	250	-
Caird Co – Boundaries	<u>1,308</u>	<u>-</u>	<u>1,308</u>	<u>-</u>
	<u>111,178</u>	<u>619,757</u>	<u>730,935</u>	<u>728,794</u>

6. DIRECT CHARITABLE EXPENDITURE

	Restricted £	Unrestricted £	2003 Total £	2002 Total £
Production direct costs	122,944	392,095	515,039	441,018
Production overheads	-	270,516	270,516	275,079
Artistic salaries and overheads	-	-	-	45,967
Literary costs (previously)				
Education and development costs	6,609	91,435	98,044	58,175
Premises and equipment	30,195	79,195	109,390	91,205
Support costs:				
Office running costs and salaries	268	69,904	70,172	49,444
Ticket sale costs	-	5,988	5,988	4,736
Loss on sale of equipment	-	-	-	786
Depreciation	<u>6,639</u>	<u>12,632</u>	<u>19,271</u>	<u>14,390</u>
	<u>166,655</u>	<u>921,765</u>	<u>1,088,420</u>	<u>980,800</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

7. FUNDRAISING AND PUBLICITY

	Restricted £	Unrestricted £	2003 Total £	2002 Total £
Marketing overheads	9,000	133,199	142,199	175,517
Sponsorship costs	<u>-</u>	<u>51,208</u>	<u>51,208</u>	<u>38,026</u>
	<u>9,000</u>	<u>184,407</u>	<u>193,407</u>	<u>213,543</u>

8. MANAGEMENT AND ADMINISTRATION OF THE CHARITY

	Restricted £	Unrestricted £	2003 Total £	2002 Total £
Salaries and office costs	-	64,576	64,576	41,223
Training and recruitment	517	2,262	2,779	5,708
Office costs and equipment	-	26,797	26,797	20,667
Licences, subscriptions and fees	-	2,818	2,818	2,513
Audit fee	-	4,500	4,500	2,750
Finance costs	-	759	759	726
Other	-	20,096	20,096	11,660
Loss on disposal of equipment	-	-	-	786
Depreciation	<u>3,033</u>	<u>-</u>	<u>3,033</u>	<u>3,791</u>
	<u>3,550</u>	<u>121,808</u>	<u>125,358</u>	<u>89,824</u>

NOTE:

In line with Statement of Recommended Practice, Accounting by Charities, staff costs and overheads have been allocated between "Direct Charitable Expenditure" and management administration of the charity. As indicated in note 1 this allocation is based on an estimate of time spent by staff. In view of the nature of the charity the directors cannot accurately identify time spent in relation to carrying out the charitable activities and projects as compared to control management and administration costs. They have therefore identified costs that relate to both and apportioned 50% to administration and 50% to support costs which in their opinion is a fair allocation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

9. TOTAL RESOURCES EXPENDED

	Direct Charitable Expenditure £	Fundraising & Publicity £	Management & Administration £	2003 Total £	2002 Total £
Production costs	515,039			<u>515,039</u>	<u>441,018</u>
Production overheads:					
Staff costs	249,137			249,137	229,266
Writers commissions written off	21,379			<u>21,379</u>	<u>45,813</u>
				<u>270,516</u>	<u>275,079</u>
Literary costs (previously education and development costs):					
Staff costs	62,595			62,595	37,987
Development costs	18,414			18,414	12,222
Other	17,035			<u>17,035</u>	<u>7,966</u>
				<u>98,044</u>	<u>58,175</u>
Marketing overheads:					
Staff costs		49,005		49,005	43,820
Printing and design		54,177		54,177	54,860
Advertising		3,014		3,014	573
Distribution		9,530		9,530	8,630
Photography		6,205		6,205	4,476
Scran expenditure		-		-	23,406
Audience research		-		-	17,424
Other		20,268		<u>20,268</u>	<u>22,328</u>
				<u>142,199</u>	<u>175,517</u>
Administration and artistic overheads:					
Staff costs: artistic (now incl in literary)	-			-	45,967
Staff costs: admin. support	64,576		64,576	129,152	82,445
Ticket sale costs	5,988			5,988	4,736
Training and recruitment	2,778		2,779	5,557	11,417
Licenses, subs. and fees	2,818		2,818	5,636	5,026
Audit fee			4,500	4,500	2,750
Finance costs			759	759	726
Other			20,096	20,096	11,660
Loss on disposal of equipment	-		-	-	1,572
Depreciation	19,271		3,033	<u>22,304</u>	<u>18,181</u>
				<u>193,992</u>	<u>184,480</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

9. TOTAL RESOURCES EXPENDED (continued)

	Direct Charitable Expenditure £	Fundraising & Publicity £	Management & Administration £	2003 Total £	2002 Total £
Building and equipment overheads:					
Building costs	71,834			71,834	64,192
Equipment costs	1,392		1,393	2,785	2,378
Office supplies	18,628		18,627	37,255	26,959
Telephone and fax	6,777		6,777	13,554	11,997
Motor expenses	678			678	672
Other	10,081			<u>10,081</u>	<u>5,674</u>
				<u>136,187</u>	<u>111,872</u>
Sponsorship costs:					
Salary costs		33,361		33,361	32,291
Sponsors expenses (include. tickets)		6,355		6,355	5,735
Anniversary gala dinner		11,492		<u>11,492</u>	<u>-</u>
				<u>51,208</u>	<u>38,026</u>
	<u>1,088,420</u>	<u>193,407</u>	<u>125,358</u>	<u>1,407,185</u>	<u>1,284,167</u>

10. TRANSFER BETWEEN FUNDS

The amount of £43,854 was transferred from unrestricted funds to restricted funds being the balance of tour income required to cover tour costs.

At 31 March 2002 £13,500 was transferred to restricted funds being a sales invoice relating to 31 March 2001 not yet received but relating to a specific project. At 31 March 2003 £13,500 has been transferred from restricted funds as the sales invoice will now not be received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

11. OPERATING SURPLUS

Net income is stated after charging -	2003 £	2002 £
Depreciation of tangible fixed assets owned by the group	38,306	20,285
Loss on disposal of tangible fixed assets owned by the group	677	1,572
Auditors' remuneration (group)	6,950	4,053
Operating lease rentals	953	929
Hire of machinery	Nil	Nil
Directors' emoluments	<u>Nil</u>	<u>Nil</u>

12. STAFF COSTS AND NUMBERS

Charity	2003 £	2002 £
Wages and salaries	671,022	559,887
Social security costs	55,319	45,090
Pension costs	<u>-</u>	<u>-</u>
	<u>726,341</u>	<u>604,977</u>

No employee earned £40,000 p.a. or more

The average number of staff employed by the charity during the year, analysed by function, was as follows (full time equivalent)

	2003 No.	2002 No.
Production (including box office and FoH)	28	28
Artistic	4.5	4.5
Marketing	3	3
Sponsorship	2	2
Administrative	<u>5</u>	<u>5</u>
	<u>42.5</u>	<u>42.5</u>

13. TAXATION

The company is a registered charity and is relieved from Corporation Tax under Section 505 of the Income and Corporation Taxes Act 1988. The charity's trading subsidiaries, Traverse Trading Ltd and Traverse Productions Ltd, have no corporation tax liability (2002 - £nil) because profits are transferred by Gift Aid to Traverse Theatre (Scotland) Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

14. TANGIBLE FIXED ASSETS

GROUP	Motor Vehicles £	Equipment £	Bar Refit £	Total £
COST				
At 1 April 2002	12,214	176,819	29,024	218,057
Additions	-	35,582	-	35,582
Disposals	-	(3,489)	-	(3,489)
At 31 March 2003	<u>12,214</u>	<u>208,912</u>	<u>29,024</u>	<u>250,150</u>
DEPRECIATION				
At 1 April 2002	10,164	80,629	17,731	108,524
Charge for year	410	27,639	2,256	30,305
Eliminated on disposal	-	(1,912)	-	(1,912)
At 31 March 2003	<u>10,574</u>	<u>106,356</u>	<u>19,987</u>	<u>136,917</u>
NET BOOK VALUE				
At 31 March 2003	<u>1,640</u>	<u>102,556</u>	<u>9,037</u>	<u>113,233</u>
At 31 March 2002	<u>2,050</u>	<u>96,190</u>	<u>11,293</u>	<u>109,533</u>
CHARITY				
	Motor Vehicles £	Equipment £	Bar Refit £	Total £
COST				
At 1 April 2002	12,214	161,523	29,024	202,761
Additions	-	8,311	-	8,311
Disposals	-	-	-	-
At 31 March 2003	<u>12,214</u>	<u>169,834</u>	<u>29,024</u>	<u>211,072</u>
DEPRECIATION				
At 1 April 2002	10,164	71,642	17,731	99,537
Charge for year	410	19,638	2,256	22,304
Eliminated on disposal	-	-	-	-
At 31 March 2003	<u>10,574</u>	<u>91,280</u>	<u>19,987</u>	<u>121,841</u>
NET BOOK VALUE				
At 31 March 2003	<u>1,640</u>	<u>78,554</u>	<u>9,037</u>	<u>89,231</u>
At 31 March 2002	<u>2,050</u>	<u>89,881</u>	<u>11,293</u>	<u>103,224</u>

All fixed assets of the charity were for direct charitable purposes with the exception of computer equipment also used for administration purposes and the bar refit expenditure, the purpose of which was to enhance income generation to the charity by improving facilities utilised by subsidiary company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

15. INVESTMENTS

CHARITY	GROUP			
	2003	2002	2003	2002
	£	£	£	£
Traverse Trading Ltd	-	-	2	2
Traverse Productions Ltd	-	-	2	-
TI Group plc	<u>341</u>	<u>341</u>	<u>341</u>	<u>341</u>
	<u>341</u>	<u>341</u>	<u>345</u>	<u>343</u>

The market value of the investments listed on the London Stock Exchange at 31 March 2003 was £563 (2002 - £634).

Net Income from Trading Activity of Subsidiary

The charity holds 100% of the issued ordinary share capital of Traverse Trading Ltd, a company incorporated in Scotland. Traverse Trading Ltd manages and operates the Theatre bar.

Relevant financial information regarding Traverse Trading Ltd is as follows:-

	2003	2002
	£	£
Turnover	646,780	649,955
Cost of sales	<u>(244,485)</u>	<u>(244,379)</u>
Gross profit	402,295	405,576
Administration expenses	<u>(336,538)</u>	<u>(305,623)</u>
Operating profit	65,757	99,953
Interest payable and similar charges	<u>(1,171)</u>	<u>-</u>
Profit on ordinary activities before taxation	64,586	99,953
Tax on profit on ordinary taxation	<u>(210)</u>	<u>(148)</u>
Profit on ordinary activities after taxation	64,376	99,805
Gift Aid payment	<u>64,376</u>	<u>99,805</u>
Retained profit for year	-	-
Retained profit brought forward	<u>(118)</u>	<u>(118)</u>
Retained profit carried forward	<u>(118)</u>	<u>(118)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

During the year the charity acquired 100% of the issued share capital of Traverse Productions Ltd, a company incorporated in Scotland. Traverse Productions Ltd managed the tour of Gagarin Way.

Relevant financial information regarding Traverse Productions Ltd is as follows:-

	2003
	£
Turnover	107,068
Cost of sales	<u>(99,775)</u>
Gross profit	7,293
Administration expenses	<u>(1,003)</u>
Operating profit	6,290
Tax on profit on ordinary activities	—
Profit on ordinary activities after taxation	6,290
Gift Aid payment	<u>(6,290)</u>
Retained profit for the period	<u>—</u>

The results of Traverse Trading Ltd and Traverse Productions Ltd have been consolidated on the basis of the net profit before transfers to Traverse Theatre (Scotland) Ltd. The gross income of the group totals £1,954,370 (2002 - £1,844,062) and the gross expenditure totals £2,090,367 (2002 - £1,834,317).

16. DEBTORS - Due within one year

	GROUP		CHARITY	
	2003	2002	2003	2002
	£	£	£	£
Funding and box office revenues	90,607	146,504	90,607	146,504
Prepayments	1,234	5,072	1,234	5,072
VAT and other taxes	-	5,517	-	5,517
Other debtors	<u>6,036</u>	<u>4,094</u>	<u>—</u>	<u>—</u>
	<u>97,877</u>	<u>161,187</u>	<u>91,841</u>	<u>157,093</u>

17. CREDITORS - Amounts falling due within one year

	GROUP		CHARITY	
	2003	2002	2003	2002
	£	£	£	£
Bank overdraft	-	35,823	-	35,823
Net obligations under finance leases and hire purchase contracts	8,484	-	-	-
Production/Trade Creditors	101,500	80,662	56,580	48,091
Other taxes and social security costs	61,147	61,458	15,965	21,786
Accruals	99,574	71,767	77,656	62,821
Deferred income	62,993	649	62,993	649
Due to subsidiary undertakings (note 15)	<u>—</u>	<u>—</u>	<u>66,379</u>	<u>33,320</u>
	<u>333,698</u>	<u>250,359</u>	<u>279,573</u>	<u>202,490</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

18. CREDITORS - Amounts falling due
after more than one year

	GROUP		CHARITY	
	2003	2002	2003	2002
	£	£	£	£
Net obligations under finance leases and hire purchase contracts	<u>9,937</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>9,937</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net obligations under finance leases and hire purchase contracts				
Repayable within one year (note 17)	8,484	-	-	-
Repayable between one and five years	<u>9,937</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>18,421</u>	<u>-</u>	<u>-</u>	<u>-</u>

19. DEFERRED REVENUE

DISCOUNT RESERVE
Group and Charity

This deferred discount reserve represents an advance from Tennent Caledonian Breweries Ltd. The initial advance was £30,000 and assuming certain requirements are met, the said advance shall be reduced and written off by Tennent Caledonian Breweries Ltd proportionally on a daily basis over a period of five years.

The sum of £3,000 has been written off in these financial statements (2002 - £6,000).

CAPITAL GRANTS
Group and Charity

The deferred capital grants represent lottery grants received for the purchase of production equipment and IT equipment. The grants are released over the economic life of the related assets. Depreciation of such assets is matched against the grant released each year.

The sum of £9,672 has been released in these financial statements (2002 - £12,092).

20. ANALYSIS OF GROUP NET ASSETS BETWEEN

	Restricted	Unrestricted	2003	2002
Fund balances at 31 March 2003	Funds	Funds	Total	Total
as represented by -	£	£	Funds	Funds
			£	£
Tangible Fixed Assets	-	113,233	113,233	109,533
Investments	-	341	341	341
Current Assets	41,423	100,786	142,209	201,302
Liabilities	(92,123)	(251,512)	(343,635)	(250,359)
Deferred Revenue	<u>-</u>	<u>(38,709)</u>	<u>(38,709)</u>	<u>(51,381)</u>
Total Net Assets/(Liabilities)	<u>(50,700)</u>	<u>(75,861)</u>	<u>(126,561)</u>	<u>9,436</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003

21. RESTRICTED FUNDS

	At 1 April 2002 £	Incoming £	Outgoing £	At 31 March 2003 £
Writing groups and workshops	-	3,529	(3,529)	-
Dance	-	6,500	(6,500)	-
Production grant	-	45,000	(45,000)	-
Tour	-	53,136	(53,136)	-
Festival production	-	2,500	(2,500)	-
New writing	-	-	-	-
Travel grant	-	-	-	-
Rental grant	-	30,195	(30,195)	-
Education grant	-	-	-	-
Training grant	-	535	(535)	-
Playwright in residence	-	-	-	-
Lottery development	-	-	-	-
Health assessments	-	250	(250)	-
Sponsorship-in-kind -				
Print and design	-	9,000	(9,000)	-
Class Act	-	4,500	(4,500)	-
Capital grants - lottery	-	9,672	(9,672)	-
Paul Hamlin Foundation	10,000	-	(10,000)	-
Bruce Millar Award	-	-	-	-
Equity Trust	-	-	-	-
CEAD	-	4,388	(4,388)	-
	<u>10,000</u>	<u>169,205</u>	<u>(179,205)</u>	<u>-</u>

22. TOTAL FUNDS

	At 1 April 2002 £	Incoming £	Outgoing £	Transfers £	At 31 March 2003 £
The movement on funds were:					
Restricted Funds	23,500	125,351	179,205	30,354	-
Unrestricted Funds:					
General Funds	(14,064)	1,829,019	1,911,162	(30,354)	(126,561)
Designated Funds	-	-	-	-	-
	<u>9,436</u>	<u>1,954,370</u>	<u>2,090,367</u>	<u>-</u>	<u>(126,561)</u>

23. CAPITAL COMMITMENTS

No capital expenditure had been authorised by the directors at 31 March 2003.

24. OTHER FINANCIAL COMMITMENTS

At 31 March 2003 the company had annual commitments under non-cancellable operating leases as set out below:-

	2003 £	2002 £
Operating leases which expire:		
Within one to two years	<u>3,891</u>	<u>929</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 MARCH 2003****25. DIRECTORS' REMUNERATION AND EXPENSES**

The directors received no remuneration from the charity or its trading subsidiary.

No expenses were re-imbursed to directors.

26. REMUNERATION TO AUDITORS

The total paid to the auditors for the group related to the following:-

	2003	2002
	£	£
Audit fee	5,750	4,053
Under accrual 2002	<u>1,200</u>	<u>-</u>
	<u>6,950</u>	<u>4,053</u>