

Capital Theatres
(A company limited by guarantee)

**Annual report
and consolidated financial statements
for the year ended 31 March 2019**

Registered in Scotland No SC134619

Registered Scottish Charity No SC018605

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EDINBURGH

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Capital Theatres
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Annual report and consolidated financial statements
for the year ended 31 March 2019

Contents

Reference and Administrative Details.....3

Trustees' report4-6

Strategic report.....7-10

Independent auditor's report.....11-13

Consolidated statement of financial activities14

Company statement of financial activities.....15

Consolidated balance sheet16

Company balance sheet.....17

Consolidated statement of cash flows18

Company statement of cash flows.....19

Notes to the consolidated financial statements20-32

Capital Theatres

(A company limited by guarantee)

Reference and Administrative Details

Trustees / Directors

Professor Dame Joan K Stringer DBE FRSE	<i>Chair</i>
Helen Mackie	
Alasdair Peacock	
Karen Cairney	
Gordon Jack	
Karyn Watt	
Andrew Neilson	<i>appointed 2 October 2018</i>
Lesley Drummond	<i>appointed 2 October 2018</i>
Councillor Melanie Main	
Councillor Amy McNeese-Mechan	
Councillor Donald Wilson	
Councillor Max Mitchell	
Philip Bernays	<i>retired 29 May 2018</i>

The directors of the charitable company (the Trust) are its Trustees for the purposes of charity law.

Chief Executive

Duncan Hendry

Company Secretary

Iain Ross

Charity Number SC018605

Company Number SC134619

Registered office

13/29 Nicolson Street
Edinburgh
EH8 9FT

Auditor

Chiene + Tait LLP
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

Solicitors

Shepherd & Wedderburn WS
Level 2
Saltire Court
Castle Terrace
Edinburgh
EH1 2ET

Bankers

Bank of Scotland
The Mound
Edinburgh
EH1 1YZ

Investment Managers

Brewin Dolphin
144 Morrison Street
Edinburgh
EH3 8BR

Capital Theatres

(A company limited by guarantee)

Trustees' report for the year ended 31 March 2019

The Trustees, who are also Directors for charitable law purposes, present their report and the audited financial statements for the year ended 31 March 2019. This report is prepared in accordance with the Articles of Association and the Statement of Recommended Practice – Accounting and Reporting by Charities.

After a very successful year we look forward to celebrating the 25th anniversary of the Festival Theatre in June 2019 and progressing plans for a £20 million redevelopment of the King's Theatre due to begin in September 2021.

Objectives and Activities

Our Charitable Purposes, whether working on our own or collaboratively with others, are to promote Arts and Culture in all or any of their forms and to foster an understanding and appreciation thereof, and to educate the public about Arts and Culture in all or any of their forms, and the heritage of Arts and Culture. We have the general aim of contributing to the quality of life of the people of Edinburgh and East Central Scotland by expanding their horizons through the provision of exciting, challenging and accessible performing and participatory arts events.

We aim to have our theatres recognised internationally as centres of excellence, to be engaged with the local community and to present work of the highest quality that stimulates, entertains, educates and inspires. Our mission over the next five years is to enhance the reputation of our theatres by presenting a programme of quality work from Scottish, UK and international companies and to give leadership, support and exemplary levels of care to visiting companies, stakeholders, customers and our own staff.

In pursuance of this mission our strategic goals are: to develop and grow new audiences from a wide geographic area and a broad range of demographics, whilst retaining and deepening engagement with existing audiences; to present quality work best suited to our theatres from local, national and international companies; to provide flexible facilities for our visiting companies, audiences and staff that meet or exceed their expectations; and to maintain a surplus of a minimum of £350,000 in unrestricted reserves.

Based in Edinburgh, our activities are concentrated on the management, programming and operation of our three theatres, the Festival Theatre, King's Theatre, and The Studio on Potterrow. We aim to programme quality work, referenced against a number of parameters: high threshold of artistic excellence; multiple art forms; cultural diversity and richness; participation and learning opportunities for all ages; inclusiveness – programmes for all tastes and backgrounds; accessibility; mainstream – a variety of well known and loved shows; innovative programming and experimental shows; world class and international work as well as being a window on the world through which Scottish work can be presented nationally and internationally. Productions range across the performing arts including opera, ballet, contemporary dance, theatre, drama, music - classical, contemporary and jazz - musical theatre, pantomime and cinema. Shows are presented by local, national and international professional companies alongside local amateur groups. The Trust maintains a flexible approach to the programme quantity and mix based on the parameters above and on commercial viability.

In addition, we present a Learning and Participation programme which engages, informs and enthuses a wide range of participants, develops new audiences, and helps deepen our relationship with existing audiences. Activities include education initiatives to attract new audiences into our theatres, continuous personal development for teachers, career day advice for students, and an extensive range of talks and workshops based around performances in our venues.

Structure, Governance and Management

The Charitable Company ('the Trust') is limited by guarantee and does not have a share capital. It is registered as a charity in Scotland and governed by Articles of Association which were last updated on 2nd December 2014. Members, of whom there are a minimum of six and a maximum of thirteen, are those individuals elected as Trustees. A maximum of four are Councillors of, and appointed by, City of Edinburgh Council, up to eight are elected by the Board from time to time, and up to one may be co-opted in the short term to take the place of an elected member during periods of illness or indisposition.

The Management of the Charitable Company is the responsibility of the Trustees who are appointed under the terms of the Articles of Association.

Elected Trustees may serve for two periods of four years before retiring. Trustees co-opted by the Board are subject to re-election at the AGM immediately following their co-option. Trustees are elected or co-opted based on an audit, reviewed annually, to ensure that a wide range of skills and interests are represented on the Board.

Capital Theatres

(A company limited by guarantee)

Trustees' Report for the year ended 31 March 2019 (cont)

New Trustees meet with the Chair and the Chief Executive to be appraised of the Trust, its structure, governance, the content of its Articles of Association, the committee decision-making process, the business plan and recent financial performance. Members of the Board are encouraged to undertake training provided by Arts and Business on best practice in Board Membership for Trustees of Arts Charities, and attend a Diversity Training course. They are also given guided tours of our venues, afforded the opportunity to meet key staff, and encouraged to attend performances.

The Board of Trustees, which administers the Trust, meets approximately every eight weeks and there are sub-committees covering audit, finance and risk, remuneration and nomination. The Trustees elect one of their number as Chair for a period of four years, which can be renewed. The Board appoints a Chief Executive, who is not a member of the Board, to deliver the strategic objectives set by the Board and manage the day to day operations of the Trust. To facilitate effective operations, the Chief Executive has authority, within terms of delegation approved by the Trustees, for artistic performance and operational matters including finance and employment.

We have two wholly owned subsidiaries. Capital Theatres Trading Limited operates the commercial bar, catering and conference facilities at all venues, donating its taxable surplus to the Trust using Gift Aid. Capital Theatres King's Limited is currently dormant, but will be the vehicle through which the King's redevelopment project will be administered.

Related Parties

As noted above, we have two wholly owned subsidiaries, whose Board members comprise our Chair and Chief Executive.

We have a close relationship with City of Edinburgh Council, which regards us as an associate entity and provides essential core funding for the artistic programme as an amenity for local residents and the public. The Council also acts as our landlord under lease agreements.

We are a minority stakeholder in a touring consortium, Music & Lyrics Limited, which produces large scale touring musicals which visit the Festival Theatre. Our Finance department provides accounting, business planning and managerial support to the company, for which we receive fees.

We are members of Touring Consortium Theatre Company and Touring Partnership which curate and tour dramatic productions which visit the King's Theatre. Our Chief Executive, Duncan Hendry, is a Director of both companies.

Key Management Personnel and remuneration policy

We consider the Board of Trustees, the Chief Executive, the Director of Operations and the Director of Finance & HR to be the key management personnel of the charity as they are in charge of directing, controlling, running and operating the organisation on a day to day basis. All Trustees give of their time freely but can claim travel expenses for attendance at meetings. See note 10 for further details.

The Remuneration Committee reviews the salaries of all staff each year, taking account of the financial performance of the Trust and achievement of key outcomes, together with benchmarking against salaries of comparable positions in the industry.

Reserves

One of our strategic goals is to maintain a surplus on unrestricted reserves of a minimum of £350,000. In assessing the quantum of this reserve, consideration is given to the effect that short-term adverse economic or trading conditions could have on the Trust and its ability to sustain its operations until matters improve. During the year the Board considered the potential financial effect of the closure of the King's Theatre during its proposed redevelopment in the period between September 2021 and July 2023 and agreed that it would be prudent to increase temporarily the balance of unrestricted reserves to £450,000 prior to that event. At 31 March 2019 this reserve was £418,535 (2018 - £357,451) and the Board is confident that the remaining £31,465 will be accrued prior to building work commencing.

Designated funds represent the Theatres Development Fund of £3,660,570 (2018 - £3,041,439) which benefits from the ticket levy charged on the majority of tickets sold at our venues. Of the total balance £597,642 is already committed to projects and is being amortised over up to fifty years in line with the life of the assets concerned. The remaining balance of £3,062,928 will provide seed funding for the proposed redevelopment of the King's Theatre.

Capital Theatres

(A company limited by guarantee)

Trustees' Report for the year ended 31 March 2019 (cont)

Restricted funds of £798,294 (2018 - £521,031) include The Studio development in Potterrow, grants received to upgrade our wi-fi and broadband infrastructure, and the King's Theatre redevelopment project. Further detail is provided in notes 19 to 21 of the financial statements.

Investment policy

During the year we reviewed our investment policy and agreed that unrestricted and restricted funds should remain held in minimum risk accounts or term deposit arrangements.

£2,500,000 of designated Theatres Development Fund balances, which are committed as seed funding for the redevelopment of the King's Theatre scheduled to begin in 2021, were placed with investment manager Brewin Dolphin in December 2017 with the aim of producing a return at least equal to inflation over the four to five-year period prior to being required. In taking this decision, we acknowledged that investment values can fall as well as rise, but are content that the time frame inherent in the decision is sufficient for any short-term downturn to be recoverable. The funds are invested at Risk Level 4 – Low Investment Risk. We review this arrangement at least twice a year. At the year end the valuation of these investments was £2,581,902 (2018: £2,452,329).

Statement of Trustees' responsibilities

As Trustees (who are also directors of Capital Theatres for the purposes of company law) we are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires us to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group, and the incoming resources and application of resources, including the net income and expenditure, of the charitable group for the year. In preparing the financial statements we are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements; *and*
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation. The going concern basis of preparation is disclosed further in note 2, Principal Accounting Policies, of the financial statements.

We are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable us to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

We are also responsible for safeguarding the assets of the charitable company and group and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the we are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; *and*
- we have taken all steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Capital Theatres

(A company limited by guarantee)

Strategic Report for the year ended 31 March 2019

We are pleased to present our Strategic Report for the year ended 31 March 2019.

Achievements and Performance

The last twelve months have been a confusing and frustrating period, particularly in the UK and Europe, as political leadership seems to have disappeared under a sea of division, delay and lack of vision. Whatever one might think of the aims, methods or success of the Gilets Jaunes in Paris and Extinction Rebellion in the UK, they suggest a growing unrest at the apparent inability or unwillingness of those in charge to address issues and provide clarity to those that they serve and represent. And the singular lack of progress made in Brexit negotiations over an extended period merely adds to the significant uncertainty which pervades all spheres of life and, in particular, business.

It is debatable whether or not this instability has been an influence but, over the last three months, four productions due to visit our theatres have been cancelled or their tours curtailed at relatively short notice, leaving gaps in the programme that are difficult to fill with shows of an equivalent standard. While it is not unheard of that a tour is cancelled, four instances over such a short period is unusual to say the least, and we must hope that it is not a sign of a deeper malaise.

In such circumstances we are very fortunate to have had stability and very solid leadership at the Trust which is reflected in our results and overall financial position.

Our Chief Executive, Duncan Hendry, took up the role in April 2012, at a time when the Trust was still recovering from losing a quarter of its full-time staff to redundancy after incurring, at its peak, a deficit on unrestricted reserves of £934,000. After eight consecutive years of surplus, that deficit has been repaid and replaced with positive reserves of £418,000. The programme in our theatres has improved out of all recognition, and our much strengthened financial position has enabled us to extend our outreach work and make much needed investment in the fabric of our venues, including planning for a major redevelopment of the King's Theatre due to start in Autumn 2021.

Given the parlous state of our finances in 2010, this has been a major achievement, and it was therefore with much regret that we heard of Duncan's plan to retire from his role during the current financial year. Recruitment of his replacement will begin soon, and we will have an opportunity to mark his leaving in an appropriate manner nearer the time, but he will, without doubt, be a very hard act to follow.

The results for 2018/2019 underline the progress we have made in all areas of the business. A surplus of unrestricted income of £61,084 has been added to reserves rather than transferred to our Theatres Development Fund (TDF). As indicated last year, we consider it prudent to increase our unrestricted reserves to £450,000 in the period of closure of the King's Theatre for redevelopment and, having now reached £418,535, are well on our way to achieving that goal prior to Autumn 2021.

It was a period of very positive trading, during which we welcomed over 503,000 paying visitors to our venues, the first time we have ever even approached, never mind exceeded, the half a million mark.

The Festival Theatre hosted two "blockbuster" shows. *Warhorse* made a welcome return and again made us wonder at the futility of war and the ultimate sacrifice made by so many but, at the same time, brought a tear to many an eye as the bond between man and animal was unbroken by the surrounding mayhem of battle. And *Les Misérables*, one of the most popular musicals of all time, brought revolution and heroism in abundance to Edinburgh. The production values were outstanding, and the quality of orchestra and voices impeccable during a four-week run that was sold out months before it began. We are truly blessed that we have a theatre that can attract such world-renowned and inspiring productions, and look forward to announcing further major collaborations in the near future.

As the Edinburgh venue of choice for both Scottish Opera and Scottish Ballet, we are treated to the very best of our nation's artistic output which this year included the vocal artistry of *Ariadne Auf Naxos*, *Eugene Onegin*, *Katya Kabanova* and *Rigoletto*, and the grace and beauty of *Highland Fling* and, at Christmas, *Cinderella*. Matthew Bourne visited twice, once with his version of *Cinderella* and again with the spectacular *Swan Lake*.

We hosted performances for all of the major festivals, including film and jazz. The Edinburgh International Festival is always a challenge to the imagination and food for thought, and Akram Khan's solo work *Xenos*, his last performance in a full-length production, did not disappoint in confronting the tragedy of the First World War through the eyes of an Indian soldier in the trenches. In complete contrast, *Cold Blood* was a unique combination of dancing hands, miniature sets and an iconic music soundtrack. Fred and Ginger would have loved the tap routine danced by fingers in thimbles.

We were visited by several touring premieres during the year. *The Last Ship* musical, written by Police front man Sting, was a passionate tale of defiance and community during the final days of shipbuilding in the North East of England. *Rebus: Long Shadows* was the first and, if its author is to be believed, last appearance on stage of the now retired detective

Capital Theatres

(A company limited by guarantee)

Strategic Report for the year ended 31 March 2019 (continued)

still haunted by his former life in Edinburgh. A collaboration between Ian Rankin and Rona Munro, it elicited an especially warm response in his home city.

Samantha Womack starred in the stage adaptation of Paula Hawkins' novel, *The Girl On The Train*, which overcame the challenge of the absence of a real train without recourse to excuses about leaves on the track or the wrong sort of snow. And *Vulcan VII*, written by Adrian Edmondson and Nigel Planer, had some of the hysterical oddity that was previously *The Young Ones* but set in a make-up caravan in the wastelands of Iceland.

The King's pantomime, *Beauty and the Beast*, once again broke all records and further underlined its place both as an essential "must-see" show during our capital city's Christmas, but also a hugely important financial building block of the Trust's business model. We were much saddened that one of its principal stars, Andy Gray, was unable to take part this year because he was "no' very well", but are very hopeful that he will return to the circus ring later this year in *Goldilocks and the Three Bears*.

The return of *Sunshine on Leith*, the first visit of *Calendar Girls the Musical*, a sparkling *Nativity* and raucous *Dirty Dancing* added further to the musical programme, with comedy well served by, amongst others, Chris Ramsey, Rob Brydon, Iain Stirling, Sarah Millican and Sandi Toksvig. For those with more of a thirst for knowledge, *Trust Fast Health* with Dr. Michael Mosley, an audience with Simon Reeve, and the elves from QI explaining that there is *No Such Thing As A Fish* helped stimulate the brain cells.

Our film screenings continue to build a loyal following and spanned the classics such as *Julius Caesar* and *King Lear* to the outdoor pursuits of the *Banff Mountain* and *Ocean Film Festivals*. Not to be left out, *Teletubbies*, *Peppa Pig* and *Cat In The Hat* were amongst several shows that kept our younger audience on their toes and very vocal.

We are extremely fortunate to have a team of hugely committed and able employees, both full time and part time, and take this opportunity to thank them again for their invaluable contribution to the running of the Trust. As the business develops and the reach and breadth of our activities widen, they are set new challenges on a regular basis. The period between December 2018 and February 2019 was a good example, when the pantomime ran for eight weeks at the King's, and *Nativity* and *Cinderella* were followed almost without a break by *Les Misérables* at the Festival Theatre. Between them these shows were seen by more than 184,000 paying customers, and stretched our resources both back-of-house and front-of-house to their limits, but the reaction from both our audiences and visiting producers was unanimously positive, as was the audible sigh of relief from all concerned when a short period of calm returned to the venues. It is only when an organisation is put under real pressure that you see its true strength and, thanks to our wonderful staff, we passed with flying colours.

As with every business, a lot of the very good work that goes on is never seen from the outside and, indeed, is inconspicuous exactly because it is so well executed. Amongst many such projects, the replacement of our website during the year happened with barely any downtime or interruption to our internet sales, such a vital part of our offering. As a consequence we now have a much improved digital presence, particularly for our increasingly mobile clientele, and huge credit must go to our marketing team and, in particular, Joanna Miller and Anabel Barrero, whose expertise and commitment were pivotal to its success.

We have also seen further development of the café in the foyer of the Festival Theatre, the management of which was brought back in-house in 2017. Previously it had a history of loss-making activity or underperformance as a concession, but now provides a welcoming and appetising attraction in an area of the building that benefits enormously from activity and colour. The hard-working team runs under the guidance of manager Matthew Halsall, whose expertise we are calling on during the design phase of a new café due to be created during the King's project.

Our Learning and Participation work has continued apace, despite the interruption of personnel changes during the year. Our involvement with the Life Changes Trust has further developed the good work being done to understand and adapt to the needs of those of our friends suffering from dementia, and contact with the education sector, including the special schools in the region, has helped strengthen our ties with those most in need.

Because it has become an integral part of how the Trust operates, it is easy to overlook the significant level of help we give to a whole variety of organisations with which we interact. We are the co-funder of Edinburgh Performing Arts Development (EPAD), "a light-touch project that supports Edinburgh-based independent artists and companies working in the performing arts sector" and, in addition, provide pro bono office space and facilities to its administrators. Several of our management team have provided mentoring or support to users of EPAD's services.

Edinburgh Cultural Venues Group (ECVG) is a consortium of Edinburgh's key publicly funded organisations, formed to maximise the effectiveness, appeal and reach of the city's year-round cultural offer. As well as the Trust being a founding

Capital Theatres

(A company limited by guarantee)

Strategic Report for the year ended 31 March 2019 (continued)

member and funder, our Chief Executive has served two terms as its Chair and we provide them with accounting and management services, again free-of-charge, as we do for three other small arts organisations based in the city.

As the largest independent theatre management organisation in Scotland, we believe that it is incumbent on us, as a charity and recipient of public funding, to be proactive in supporting smaller arts organisations in our area that are not fortunate enough to have an administrative infrastructure such as ours. We will therefore continue to expand this often unseen strand of our work.

Financial Review

The financial statements show a consolidated operating surplus of unrestricted general funds, after transfers, of £61,084.

Our revenue grant from City of Edinburgh Council (CEC) was reduced by £23,087 to £593,850. Although our financial position has improved significantly in recent years, we continue to be dependent on grant support and further significant reductions could have a substantial impact on our ability to operate efficiently. But we recognise that, as with all local authorities, CEC is under immense pressure to contain cost and deliver ever-expanding services, and are immensely grateful for their continuing support.

In addition to the surplus earned on unrestricted income, we added £561,500 to the Theatres Development Fund (TDF) from the ticket levy that is added to the majority of ticket sales for our venues. Having committed to contributing £5 million to the proposed King's redevelopment project, this income is essential to allow us to reach our target before project's end.

Our patrons and benefactors have, once again, shown great generosity in helping us fund a variety of projects, and will be especially important as we seek to generate funds to allow the King's redevelopment project to progress. Their support is immensely appreciated and we hope that, by engaging with them and involving them in our plans for the future, we have the pleasure of their company on the road ahead.

Plans for Future Periods

June 2019 marks the 25th anniversary of the opening of the Festival Theatre and plans are afoot to mark the occasion with a celebratory variety show featuring the very best of our creative people, projects and partnerships. Now well established as a major landmark in the centre of Edinburgh, the design of the building was a statement of intent and a challenge to its users to be bold and adventurous in outlook and ambition, and it has achieved those aims over its lively and exciting life.

The much loved King's Theatre will soon begin an exciting journey of its own when a long planned redevelopment is due to begin in September 2021. Our architects have produced a striking and bold design that will retain the glory of the existing Category A listed building while, at the same time, replacing what is now a very dated infrastructure, enabling hugely improved access to all areas and providing our visiting companies and audiences with state of the art facilities.

With a projected cost of £20 million it is a very major undertaking and our Development team, much strengthened for the purpose, have begun a fundraising campaign to ensure that we are able to achieve the transformational targets that the project has set. It has got off to a positive start and will be a major focus of our work in the next two to three years.

As we are now accustomed to, there is a very varied and attractive programme running in our venues throughout the year. The Christmas period, always a key time for the Trust, begins with Dr. Seuss' classic story *How the Grinch Stole Christmas* at the Festival Theatre followed, in complete contrast, by Scottish Ballet's *The Snow Queen*. We are especially pleased that, in their 50th year, we are not only hosting this world premiere but, in June, making available our stage as the venue of the gala dinner celebrating their half century. The pantomime, *Goldilocks and the Three Bears*, sees the established threesome of Allan Stewart, Andy Gray and Grant Stott joined by *River City's* Jordan Young who has previously starred in Aberdeen's festive show. Penguin lovers can waddle along to The Studio to join in the childrens' immersive performance of *Flutter*.

The Scottish Opera season includes *The Magic Flute*, *Tosca* and *Nixon in China*, and dance is well catered for by both Rambert's principal and young dancers, *Ballet Black*, *Acosta Danza* and the last visit from Richard Alston whose 50 year involvement in contemporary dance will officially end in 2020.

Having sobered up after *Abigail's Party*, we look forward to, amongst other drama delights, *The Comedy About a Bank Robbery*, *Captain Corelli's Mandolin* and the National Theatre's *A Taste of Honey*, together with the compulsory identity parade of crime thrillers including *An Inspector Calls* and *Dial M For Murder*.

For musical fans, there is *Amelie the Musical* and the welcome return of *Avenue Q*, *Cabaret* and *Buddy*. Towards the end of the year the "chuffing marvellous" *Everybody's Talking About Jamie* promises a feelgood evening as he overcomes prejudice and bullies against the backdrop of a Sheffield council estate. And Jings, Crivvens, Help Ma Boab, let's not forget *Oor Wullie* who's invited all his friends to visit the King's, including Fat Boab – are we still allowed to say that ?

Capital Theatres

(A company limited by guarantee)

Strategic Report for the year ended 31 March 2019 (continued)

The variety is equally broad amongst one night visits from Elaine C. Smith, *Hormonal Housewives*, James Acaster, Eddie Izzard and Frank Skinner, and our technical team will be anxious that *Burn The Floor* leaves their beloved stage intact when Kevin Clifton arrives. Silver screen aficionados can be tempted by screenings such as *All My Sons*, *All About Eve*, *The Lehman Trilogy* and *Nosferatu*, the last of which continues the highly popular Silent Cinema series curated by our very own Sam Goldblatt and is enhanced by live piano accompaniment.

For the younger members of our audience, *Horrible Histories* will be laying bare the worst side of the *Terrible Tudors* and *Awful Egyptians*, *Funbox* are in the Wild West, and Scottish Ballet's specially adapted *Wee Hansel & Gretel* threatens to produce a hyperactive response with a gingerbread house and dancing sweets.

As well as an expanding programme of general work, The Studio is the base for a number of our Learning and Participation events, and we would encourage anyone with an interest in theatre to become involved in the excellent work that our team curates as part of our drive to encourage equality and diversity in all that we do.

Principal Risks and Uncertainties

Our Audit Committee has delegated authority from the Trustees to ensure that a review of the major risks to which the charity is exposed is conducted and that systems have been established to mitigate those risks. We receive a report from the Audit Committee following their review.

We have a comprehensive risk management process in place to identify and address the major financial, operational, governance, reputational and regulatory risks which might impact on our ability to meet our objectives. This includes the maintenance of a register which records the major risks, the controls in place to mitigate them, and actions required, where appropriate. Management reviews and updates the register on an annual basis, including compliance with General Data Protection Regulations.

Internal risks are minimised by the implementation of procedures for authorisation of all material transactions and events, and to ensure quality of delivery for all operational aspects of the services provided by the Trust.

We have identified the following key risks:

- the potential for further reductions in core funding;
- the ageing of our theatres which require substantial and increased maintenance;
- the ongoing economic uncertainty caused by Brexit negotiations and the potential for a second independence referendum in Scotland; and
- our exposure to disruption, particularly weather-based, leading to the cancellation of performances during the runs of major productions at our venues

These risks are subject to ongoing monitoring by the Audit Committee and the Board of Trustees. We also have a strategic business plan with aims, objectives and key performance indicators that are monitored monthly by senior management and the Board to ensure the effective delivery of the plan and the management of risk.

Our Trustees' Report and Strategic Report have been approved by the Board and are signed on our behalf by:



Professor Dame Joan K Stringer DBE FRSE

Trustee

28th May 2019

Capital Theatres

(A company limited by guarantee)

Independent auditor's report to the members and Trustees of Capital Theatres (a company limited by guarantee)



Opinion

We have audited the consolidated financial statements of Capital Theatres (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Consolidated and Company Statement of Financial Activities, the Consolidated and Company Balance Sheets, the Consolidated and Company Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 March 2019, and of the group's and parent charitable company's incoming resources and application of resources, including the group's and parent charitable company's income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Trustees' Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Capital Theatres

(A company limited by guarantee)

Independent auditor's report to the members and Trustees of Capital Theatres (a company limited by guarantee)



Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 require us to report to you if, in our opinion:

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

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 6, the Trustees (who are also the Directors of the charitable company for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

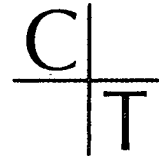
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee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

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

Capital Theatres

(A company limited by guarantee)

Independent auditor's report to the members and Trustees of Capital Theatres (a company limited by guarantee)



Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's Trustees, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members as a body and the charitable company's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Jeremy Chittleburgh BSc CA (Senior Statutory Auditor)

For and on behalf of

CHIENE + TAIT LLP

Chartered Accountants and Statutory Auditor

61 Dublin Street

Edinburgh

EH3 6NL

31 May 2019

Chiene + Tait LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Capital Theatres

(A company limited by guarantee)

Consolidated statement of financial activities for the year ended 31 March 2019

(Incorporating a consolidated income and expenditure account)

	Notes	Unrestricted Funds 2019 £	Designated Funds 2019 £	Restricted Funds 2019 £	Total Funds 2019 £	Total Funds 2018 £
Income and endowments						
<i>Donations and legacies</i>						
Grants and donations	4	791,100	-	-	791,100	871,937
Friends/Patrons/Sponsorship		279,861	-	307,733	587,594	413,190
<i>Other trading activities</i>						
Commercial trading operations	5	1,717,849	-	-	1,717,849	1,406,136
Investment income	6	5,611	4,423	-	10,034	8,409
		2,794,421	4,423	307,733	3,106,577	2,699,672
Income from Charitable activities						
Operation of theatre income	7	14,491,410	561,500	-	15,052,910	11,838,090
Total Income		17,285,831	565,923	307,733	18,159,487	14,537,762
Expenditure:						
Costs of raising funds						
Fundraising costs of grants and donations	8	(215,031)	-	-	(215,031)	(100,735)
Commercial trading operations	5	(1,342,163)	-	-	(1,342,163)	(1,086,561)
		(1,557,194)	-	-	(1,557,194)	(1,187,296)
Expenditure on Charitable activities						
Operation of theatre costs	9	(15,774,388)	-	-	(15,774,388)	(12,990,511)
Total expenditure		(17,331,582)	-	-	(17,331,582)	(14,177,807)
Net (expenditure)/income and net movement in funds before transfers						
Transfer between funds	19-21	106,835	(76,365)	(30,470)	-	-
Actuarial gains on defined benefit pension schemes	11	-	-	-	-	347,000
Net income/ (expenditure)		61,084	489,558	277,263	827,905	706,955
Unrealised gains/ (losses) on investments	13	-	129,573	-	129,573	(47,671)
Net movement in funds for the year		61,084	619,131	277,263	957,478	659,284
Reconciliation of funds						
Fund balance as at 1 April 2018	19-21	357,451	3,041,439	521,031	3,919,921	3,260,637
Fund balances as at 31 March 2019	19-21	418,535	3,660,570	798,294	4,877,399	3,919,921

All incoming resources and resources expended in 2019 were derived from continuing activities. The statement of financial activities includes all gains and losses recognised in the year.

A detailed analysis of the 2018 comparative figures is provided in note 24 of these statements.

Capital Theatres

(A company limited by guarantee)

Company statement of financial activities for the year ended 31 March 2019

(Incorporating a consolidated income and expenditure account)

		Unrestricted Funds	Designated Funds	Restricted Funds	Total Funds	Total Funds
		2019	2019	2019	2019	2018
	Notes	£	£	£	£	£
Income and endowments						
<i>Donations and legacies</i>						
Grants and donations	4	791,100	-	-	791,100	871,937
Friends/Patrons/Sponsorship		279,861	-	307,733	587,594	413,190
Investment income	6	5,611	4,423	-	10,034	8,409
Gift Aid from trading subsidiary	5	375,686	-	-	375,686	319,575
		1,452,258	4,423	307,733	1,764,414	1,613,111
Income from Charitable activities						
Operation of theatre income	7	14,491,410	561,500	-	15,052,910	11,838,090
Total Income		15,943,668	565,923	307,733	16,817,324	13,451,201
Expenditure:						
Costs of raising funds						
Fundraising costs of grants and donations	8	(215,031)	-	-	(215,031)	(100,735)
Expenditure on Charitable activities						
Operation of theatre costs	9	(15,774,388)	-	-	(15,774,388)	(12,990,511)
Total expenditure		(15,989,419)	-	-	(15,989,419)	(13,091,246)
Net (expenditure)/income and net movement in funds before transfers		(45,751)	565,923	307,733	827,905	359,955
Transfer between funds	19-21	106,835	(76,365)	(30,470)	-	-
Actuarial gains on defined benefit pension schemes	11	-	-	-	-	347,000
Net income/ (expenditure) and net movement in funds for the year		61,084	489,558	277,263	827,905	706,955
Unrealised gains/ (losses) on investments	13	-	129,573	-	129,573	(47,671)
Net movement in funds for the year		61,084	619,131	277,263	957,478	659,284
Reconciliation of funds						
Fund balance as at 1 April 2018	19-21	351,265	3,041,439	521,031	3,913,735	3,254,451
Fund balances as at 31 March 2019	19-21	412,349	3,660,570	798,294	4,871,213	3,913,735

All incoming resources and resources expended in 2019 were derived from continuing activities. The statement of financial activities includes all gains and losses recognised in the year.

Capital Theatres

(A company limited by guarantee)

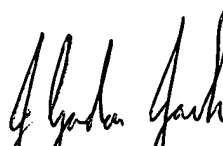
Consolidated balance sheet as at 31 March 2019

		2019	2018
	Notes	£	£
Fixed Assets			
Tangible assets	12(a)	1,998,394	2,337,038
Current assets			
Investments	13	2,581,902	2,452,329
Stock	14	29,973	27,811
Debtors	15	109,603	244,060
Cash at bank and in hand		3,195,034	4,555,998
		5,916,512	7,280,198
Creditors: amounts falling due within one year	16	(3,037,507)	(5,697,315)
Net current assets		2,879,005	1,582,883
Net Assets		4,877,399	3,919,921
Funds			
Unrestricted – general	19	418,535	357,451
Designated – Theatres Development Fund	20	3,660,570	3,041,439
Restricted	21	798,294	521,031
Total charity funds	22	4,877,399	3,919,921

The financial statements on pages 14 to 31 were approved by the Board of Trustees and authorised for issue on 28th May 2019 and were signed on its behalf by:



Professor Dame Joan K Stringer DBE FRSE
Trustee



Gordon Jack C.A.
Trustee

Registered in Scotland No SC134619

Capital Theatres

(A company limited by guarantee)

Company balance sheet as at 31 March 2019

		2019	2018
	Notes	£	£
Fixed Assets			
Tangible assets	12(b)	1,988,552	2,258,563
Investments	13	3	3
		1,988,555	2,258,566
Current assets			
Investments	13	2,581,902	2,452,329
Debtors	15	166,962	380,823
Cash at bank and in hand		3,142,761	4,499,638
		5,891,625	7,332,790
Creditors: amounts falling due within one year	16	(3,008,967)	(5,677,621)
Net current assets		2,882,658	1,655,169
Net Assets		4,871,213	3,913,735
Funds			
Unrestricted – general	19	412,349	351,265
Designated – Theatres Development Fund	20	3,660,570	3,041,439
Restricted	21	798,294	521,031
Total charity funds		4,871,213	3,913,735

The financial statements on pages 14 to 31 were approved by the Board of Trustees and authorised for issue on 28th May 2019 and were signed on its behalf by:

Professor Dame Joan K Stringer DBE FRSE
Trustee

Gordon Jack C.A.
Trustee

Registered in Scotland No SC134619

Capital Theatres

(A company limited by guarantee)

Consolidated statement of cash flows for the year ended 31 March 2019

	Notes	2019 £	2018 £
Net cash (used in)/provided by operating activities		(1,370,998)	2,766,803
Cash flows from investing activities:			
Interest received	6	10,034	8,409
Purchase of property, fixtures and fittings	12(a)	-	(809,736)
Purchase of investments	13	-	(2,500,000)
Cash provided by/(used in) investing activities		10,034	(3,301,327)
Decrease in cash and cash equivalents in the year		(1,360,964)	(534,524)
Cash and cash equivalents at 1 April 2018		4,555,998	5,090,522
Cash and cash equivalents at 31 March 2019		3,195,034	4,555,998

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

	Notes	2019 £	2018 £
Net movement in funds		957,478	659,284
Adjustments for:			
Add back depreciation charges	12(a)	338,644	306,268
Deduct interest income shown in investing activities		(10,034)	(8,409)
Pension scheme movements		-	(347,000)
Unrealised (gains)/ losses on investments	13	(129,573)	47,671
Increase in stocks		(2,162)	(313)
Decrease/ (increase) in debtors		134,457	(15,946)
(Decrease)/ Increase in creditors		(2,659,808)	2,125,248
Net cash (used in)/ provided by operating activities		(1,370,998)	2,766,803

Capital Theatres

(A company limited by guarantee)

Company statement of cash flows for the year ended 31 March 2019

		2019	2018
	Notes	£	£
Net cash (used in)/provided by operating activities		(1,366,911)	2,743,958
Cash flows from investing activities:			
Interest received	6	10,034	8,409
Purchase of property, fixtures and fittings	12(b)	-	(805,002)
Purchase of investments	13	-	(2,500,000)
Cash provided by/(used in) investing activities		10,034	(3,296,593)
Decrease in cash and cash equivalents in the year		(1,356,877)	(552,635)
Cash and cash equivalents at 1 April 2018		4,499,638	5,052,273
Cash and cash equivalents at 31 March 2019		3,142,761	4,499,637

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

		2019	2018
	Notes	£	£
Net movement in funds		957,478	659,284
Adjustments for:			
Add back depreciation charges	12(b)	270,011	277,295
Deduct interest income shown in investing activities		(10,034)	(8,409)
Pension scheme movements		-	(347,000)
Unrealised (gains)/ losses on investments	13	(129,573)	47,671
Decrease/(Increase) in debtors		213,861	(7,318)
(Decrease)/ Increase in creditors		(2,668,654)	2,122,435
Net cash (used in)/ provided by operating activities		(1,366,911)	2,743,958

Capital Theatres

(A company limited by guarantee)

Notes to the consolidated financial statements for the year ended 31 March 2019

1 Company information and legal status

Capital Theatres is a company limited by guarantee with no share capital, incorporated in Scotland with registered company number SC134619. The registered office is 13/29 Nicolson Street, Edinburgh EH8 9FT.

The liability of each member in the event of winding up is limited to £1. There are currently 12 members (2018: 11).

The financial statements have been presented in Pounds Sterling as this is the functional and presentational currency of the company.

2 Principal accounting policies

Basis of preparation

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

Capital Theatres meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

Basis of consolidation

These financial statements consolidate the results of the charity and its wholly owned subsidiaries, Capital Theatres Trading Limited and Capital Theatres King's Limited.

Going concern

The Trustees consider the charitable company and group to be a going concern and the financial statements have been prepared on that basis. The future operations of the charitable company and group are dependent on the continued financial support of the core funding body and sufficient ongoing operating cash flow.

The group and company inherently depend on grants from outside sources to finance ordinary activities. Support from the core funding body has been confirmed until 31 March 2020. At the date of approval of these financial statements the Board is not aware of any reason why core funding would not be renewed in future years.

Having considered the matters above the Trustees are of the view that, at the date of approval of the financial statements, the group has sufficient reserves to continue to operate for the foreseeable future and have plans in place to mitigate any issues associated with any unforeseen circumstances.

The financial statements have therefore been drawn up on a going concern basis.

Incoming resources

Voluntary income including donations, gifts and grants that provide core funding or are of a general nature are recognised where there is an 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 specified conditions which must be met before the charity has unconditional entitlement.

Capital grants and donations are recognised in the year of receipt and treated as restricted funds, with subsequent depreciation on the relevant assets matched by a transfer from restricted funds to unrestricted funds. Depreciation on assets purchased using the Theatres Development Fund is matched by a transfer from designated funds to unrestricted funds.

Income from patrons, friends and sponsorship is recognised on receipt. Income from commercial trading activities is recognised as earned.

Investment income is recognised on a receivable basis.

Income from charitable activities includes income received under contract or, where entitlement to grant funding is subject to specific performance conditions, is recognised as and when it is earned. Income is deferred when ticket sales or performance related grants are received in advance of the performance to which they relate.

Capital Theatres

(A company limited by guarantee)

Notes to the consolidated financial statements for the year ended 31 March 2019

2 Principal accounting policies (continued)

Resources expended

Expenditure is recognised when a liability is incurred. Contractual arrangements and performance related grants are recognised as goods or services are supplied.

- Costs of raising 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 staging of concerts, stage productions, and include both the direct and support costs relating to these activities.
- Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, e.g. allocating property costs by floor areas, or per capita, staff costs by the time spent and other costs by their usage. Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

Significant judgements and estimation uncertainty

In the application of the company's accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. As the estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and those that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible assets

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for carrying amounts of tangible assets.

(ii) Impairment of debtors

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 15 for carrying amount of debtors.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost together with any incidental expenses of acquisition. Depreciation is calculated to write off the cost of tangible fixed assets less their estimated residual values on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:-

Fixtures and fittings	five years
Computers	three to five years
Leasehold improvements	over the term of the lease
Leasehold asset	fifty years

There is no minimum value below which fixed assets are not capitalised as items are reviewed by management on an individual basis.

Investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. The Statement of Financial Activities includes the net gains and losses arising on revaluation and disposals throughout the year. The Charitable Company does not acquire put options, derivatives or other complex financial instruments.

Operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term.

Capital Theatres

(A company limited by guarantee)

Notes to the consolidated financial statements for the year ended 31 March 2019

2 Principal accounting policies (continued)

Stock

Stock is stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis.

Debtors

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

Cash at bank and in hand

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

Creditors

Creditors are recognised where the company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

Financial instruments

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Pension costs

The company makes pension contributions to employees' personal pension plans which are charged to the income and expenditure account when paid.

On 3 January 2018 the Trust withdrew from the Lothian Pension Scheme. As a consequence, a deficit of £347,000 within Designated Reserves and a corresponding liability were removed from the Balance Sheet at 31 March 2018. There are no remaining liabilities and those members of staff previously within this scheme are now part of the group personal pension plan.

Taxation

The company is a charity for the purposes of Section 505 ICTA 1988 and is exempt from taxation on the whole of its income. The subsidiaries are not charities but have agreed to Gift Aid any taxable surplus of income over expenditure to Capital Theatres.

Restricted funds

These are funds from a donor or grant body that can only be used for a particular restricted purpose within the objects of the charity.

Designated funds

The Theatres Development Fund represents funds set aside for the repair and renewal of the Trust's venues and the replacement of equipment.

Unrestricted funds

These are funds which can be used in accordance with the charitable objects at the discretion of the Trustees. In particular circumstances the Board may reclassify reserves as appropriate.

Capital Theatres

(A company limited by guarantee)

Notes to the consolidated financial statements for the year ended 31 March 2019

3 Movement in total funds for the year

The movements in total funds for the year are stated after charging: -

	2019	2018
	£	£
Auditor's remuneration		
- As auditor	13,025	12,625
Operating leases:		
- Festival Theatre	-	-
- King's Theatre	150,000	150,000
Depreciation:		
- Owned assets	338,644	306,268

4 Voluntary Income – Grants and Donations

	2019	2018
	£	£
	Notes	
CEC Revenue Funding	593,850	616,937
CEC King's Rent	150,000	150,000
Creative Scotland RFO Grant	47,250	105,000
Unrestricted funds	791,100	871,937
Restricted funds	-	-
Total	791,100	871,937

5 Commercial Trading operations

The company owns 100% of the issued share capital of Capital Theatres Trading Limited which provides bar, catering and front of house facilities at all venues, and pays management charges for heating, lighting and management provided by the Trust staff.

A summary of the trading results is shown below:

	2018	2017
	£	£
Turnover	1,717,849	1,406,136
Cost of sales and admin costs	(1,342,163)	(1,086,561)
Interest receivable	-	-
Net Profit	375,686	319,575
Gift Aid	(375,686)	(319,575)
Retained in subsidiary	-	-
The assets and liabilities of the subsidiary		
Fixed Assets	9,842	78,475
Current Assets	90,103	97,901
Current Liabilities	(93,757)	(170,188)
Total Net Assets	6,188	6,188
Aggregate Share Capital & Reserves	6,188	6,188

Capital Theatres

(A company limited by guarantee)

Notes to the consolidated financial statements for the year ended 31 March 2019

6 Investment Income

	2019 £	2018 £
Interest receivable	10,034	8,409

7 Income from Charitable activities

The income was primarily from the operation of the three theatres.

	2019 £	2018 £
Unrestricted funds – concert, stage performance, box office & ancillary income	14,491,410	11,358,753
Designated funds – box office income	561,500	479,337
Total	15,052,910	11,838,090

8 Allocation of support costs

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

Support cost	Theatre Operation (note 9)	Allocated to Fundraising Costs of Grants and Donations	Governance (note 9)	Total
	£	£	£	£
General office	287,523	215,031	46,846	549,400
Finance office	96,372	-	-	96,372
Information technology	73,771	-	-	73,771
External audit	-	-	13,025	13,025
Legal and other professional fees	67,038	-	-	67,038
Total	524,704	215,031	59,871	799,606

9 Analysis of Expenditure on Charitable activities

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

	Notes	2019 £	2018 £
Backstage and other production costs		12,266,603	10,050,814
Production/ activity advertising, Marketing & education		904,640	756,204
Box office		431,528	456,034
Course and activities		12,545	11,810
Depreciation		131,877	100,525
Central premises costs		1,442,620	993,436
Governance	8	59,871	57,980
Support costs	8	524,704	427,793
Unrestricted funds		15,774,388	12,854,596
Designated funds		-	15,352
Restricted funds		-	120,563
Total		15,774,388	12,990,511

Capital Theatres

(A company limited by guarantee)

Notes to the consolidated financial statements for the year ended 31 March 2019

10 Employee information

(a) The average number of people employed by the Group during the year was:

	2019		2018	
	Full time	Part time	Full time	Part time
Customer Services	6	37	6	32
Marketing and Box office	13	9	14	9
Stage, stage door and maintenance	27	24	27	22
Administration	15	-	13	-
	61	70	60	63

Part time numbers are represented on a full time equivalent basis.

(b) Employment costs - all employees: -

	2019	2018
	£	£
Aggregate gross wages and salaries paid to employees	3,404,622	3,107,743
Social security costs	292,998	264,605
Pension contributions	192,238	171,277
Total direct costs of employment	3,889,858	3,543,625

(c) The number of employees who earned greater than £60,000 during the year (including employer's pension contributions) is as follows:

	2019	2018
£60,001 - £70,000	2	2
£70,001 - £80,000	-	1
£80,001 - £90,000	2	1
£120,001 - £130,000	1	1

(d) Key Management Personnel

For the purposes of this disclosure, the Key Management Personnel are defined as the Trustees, Chief Executive, Director of Operations and Director of Finance & HR whose aggregate remuneration in the year was £291,414 (2018 - £280,156)

(e) Trustees' emoluments

Trustees received no remuneration (2018: nil) and were paid £ nil (2018: £212) travel expenses in the year.

11 Pension obligations

The company makes pension contributions to employees' personal pension plans which are charged to the income and expenditure account when paid.

The assets of both schemes are held separately from those of the Trust, and the total cost of contributions during the year was £192,238 (2018: £171,277).

On 3 January 2018 the Trust withdrew from the Lothian Pension Scheme. As a consequence, a deficit of £347,000 within Designated Reserves and a corresponding liability were removed from the Balance Sheet at 31 March 2018.

Capital Theatres

(A company limited by guarantee)

Notes to the consolidated financial statements for the year ended 31 March 2019

12 Tangible fixed assets

(a) Group	Leasehold assets £	Leasehold Improvements £	Fixtures and Fittings £	Total £
Cost				
At 1 April 2018	1,654,123	21,349,359	2,066,274	25,069,756
Additions	-	-	-	-
Disposals	(158,428)	-	(237,691)	(396,119)
At 31 March 2019	1,495,695	21,349,359	1,828,583	24,673,637
Depreciation				
At 1 April 2018	347,385	21,349,359	1,035,974	22,732,718
Charge for year	49,879	-	288,765	338,644
Disposals	(158,428)	-	(237,691)	(396,119)
At 31 March 2019	238,836	21,349,359	1,087,048	22,675,243
Net book value				
At 31 March 2019	1,256,859	-	741,535	1,998,394
At 31 March 2018	1,306,738	-	1,030,300	2,337,038
(b) Company				
(b) Company	Leasehold assets £	Leasehold Improvements £	Fixtures and Fittings £	Total £
Cost				
At 1 April 2018	1,654,123	21,349,359	1,908,234	24,911,716
Additions	-	-	-	-
Disposals	(158,428)	-	(226,897)	(385,325)
At 31 March 2019	1,495,695	21,349,359	1,681,337	24,526,391
Depreciation				
At 1 April 2018	347,385	21,349,359	956,409	22,653,153
Charge for year	49,879	-	220,132	270,011
Disposals	(158,428)	-	(226,897)	(385,325)
At 31 March 2019	238,836	21,349,359	949,644	22,537,839
Net book value				
At 31 March 2019	1,256,859	-	731,693	1,988,552
At 31 March 2018	1,306,738	-	951,825	2,258,563

Capital Theatres

(A company limited by guarantee)

Notes to the consolidated financial statements for the year ended 31 March 2019

12 Tangible fixed assets (continued)

On 16 July 1992 the Trust signed a 25 year lease for the Festival Theatre with Edinburgh District Council, predecessor of City of Edinburgh Council, who own the site. A new lease is still in the course of preparation by the Council.

On 20 July 1998, the Trust signed a 25 year lease for the King's Theatre with City of Edinburgh Council.

On 4 August 2011 the Trust signed a 125 year lease for the site of The Studio on Potterrow with City of Edinburgh Council.

13 Investments

Group and company	2019 £	2018 £
Market value of listed securities at 1 April 2018	2,452,329	-
Additions	-	2,500,000
Unrealised gains/ (losses)	129,573	(47,671)
Market value of listed securities at 31 March 2019	2,581,902	2,452,329
Cost at 31 March 2019	2,500,000	2,500,000

The following investment exceeded 5% of the total portfolio value as at 31 March 2019:

- Ishares II PLC GBP Index-Linked Gilts 5.04%

All investments are carried at their fair value. Investment in equities and fixed interest securities are all traded in quoted public markets, primarily the London Stock Exchange. Holdings in common investment funds, unit trusts and open-ended investment companies are at the bid price. The basis of fair value for quoted investments is equivalent to the market value, using the bid price. Asset sales and purchases are recognised at the date of trade at cost (that is, their transaction value). The main risk to the Trust from financial instruments lies in the combination of uncertain investment markets and volatility in yield. The Trust manages these investment risks by retaining expert advisors and operating an investment policy that provides for a high degree of diversification of holdings within investment asset classes that are quoted on recognised stock exchanges.

Investments in unlisted entities

The Trust owns 100% of the ordinary shares of each of its trading subsidiaries:

- Capital Theatres Trading Limited, amounting to £2 (2018: £2).
- Capital Theatres King's Limited, amounting to £1 (2018: £1). The company was dormant during the year.

It also holds one ordinary share (6.25%) in Music & Lyrics Ltd., a consortium of theatres which produces large scale touring musicals. Its cost of £1 has been written off.

14 Stock

	Group	
	2019 £	2018 £
Café	5,675	5,131
Bars	21,619	20,547
Ice Cream and Sweets	2,679	2,133
	29,973	27,811

Capital Theatres

(A company limited by guarantee)

Notes to the consolidated financial statements for the year ended 31 March 2019

15 Debtors

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Amounts falling due within one year				
Trade debtors	27,638	29,545	22,943	18,123
Prepayments and accrued income	81,965	214,515	78,802	212,207
Amounts due from subsidiary	-	-	65,217	150,493
	109,603	244,060	166,962	380,823

16 Creditors: amounts falling due within one year

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Trade creditors	145,824	292,963	131,591	277,321
Other creditors, tax and social security	731,948	732,605	731,948	732,605
Accruals and deferred income	2,159,735	4,671,747	2,145,428	4,667,695
	3,037,507	5,697,315	3,008,967	5,677,621

Other creditors, including tax and social security are made up as follows:

	Group		Company	
	2018 £	2017 £	2018 £	2017 £
Salary costs including taxation and social security	102,699	31,053	102,699	31,053
Other creditors	629,249	701,552	629,249	701,552
	731,948	732,605	731,948	732,605

Other creditors include settlements due to producers.

17 Operating lease commitments

At 31 March 2019, the group had total future minimum commitments under non-cancellable operating leases, all of which are due to City of Edinburgh Council, of:

	2019 £	2018 £
Expiring within one year	150,000	150,000
Expiring between two and five years	550,000	600,000
Expiring in more than five years	-	50,000

18 Capital and other commitments

The Trust had no authorised capital expenditure at 31 March 2019 (2018: £nil)

Guarantees to promoters issued in the normal course of business at 31 March 2019 amounted to £108,000 (2018: £552,600).

Capital Theatres

(A company limited by guarantee)

Notes to the consolidated financial statements for the year ended 31 March 2019

19 Unrestricted funds

General	Group £	Company £
At 31 March 2018	357,451	351,265
Deficit for the year	(45,751)	(45,751)
Transferred from funds	106,835	106,835
Transferred to Theatres Development Fund	-	-
At 31 March 2019	418,535	412,349

20 Designated funds

Group and company	Theatres Development Fund £
At 31 March 2018	3,041,439
Income	565,923
Expenditure	-
Transfer in from Unrestricted Funds	-
Transfers out	(76,365)
Unrealised gains/(losses) on investments	129,573
At 31 March 2019	3,660,570

21 Restricted funds

Group and company	At 31 March 2018 £	Income £	Expenditure £	Transfers out £	At 31 March 2019 £
The Studio	449,874	-	-	(8,580)	441,294
King's redevelopment	12	307,733	-	-	307,745
Broadband	71,145	-	-	(21,890)	49,255
	521,031	307,733	-	(30,470)	798,294

The Studio: The cost of the construction and fitting out of The Studio on Potterrow was funded by donations from trusts and individuals, a grant from Creative Scotland and a contribution of £500,000 from the Theatres Development Fund. The reserve is being released annually over 50 years in line with the associated depreciation charges arising.

King's redevelopment: Gifts from individual donors have been received in support of the project to redevelop the King's Theatre, and will be utilised in paying expenditure incurred.

Broadband: The Trust received a grant through the Public Buildings WiFi Scheme to finance the upgrading of broadband and wi-fi facilities at its properties. The reserve is released annually in line with the associated depreciation charges and running costs.

Capital Theatres

(A company limited by guarantee)

Notes to the consolidated financial statements for the year ended 31 March 2019

22 Analysis of group net assets between funds

At 31 March 2019	Unrestricted £	Designated £	Restricted £	Total £
Tangible Fixed Assets	971,833	597,642	428,919	1,998,394
Cash at Bank	2,139,811	685,848	369,375	3,195,034
Investments	-	2,581,902	-	2,581,902
Other current assets	139,576	-	-	139,576
Liabilities	(2,832,685)	(204,822)	-	(3,037,507)
	418,535	3,660,570	798,294	4,877,399

At 31 March 2018	Unrestricted £	Designated £	Restricted £	Total £
Tangible Fixed Assets	1,203,641	674,007	459,390	2,337,038
Cash at Bank	4,374,432	119,925	61,641	4,555,998
Investments	-	2,452,329	-	2,452,329
Other current assets	271,871	-	-	271,871
Liabilities	(5,492,493)	(204,822)	-	(5,697,315)
	357,451	3,041,439	521,031	3,919,921

23 Related party transactions

City of Edinburgh Council is a related party of Capital Theatres by virtue of the Council's representation on the Board of Trustees. During the year City of Edinburgh Council invoiced the Trust for the sum of £196,294 (2018: £370,629) in respect of foyer shop rentals, King's Theatre rental and insurance with invoices raised to the Council for training, seminars, box office tickets and functions totalling £66 (2018: £144). Balances outstanding at the year end to and from the Council totalled £128,550 (2018: £128,550) and £ nil (2018: £ nil) respectively. Grant income of £743,850 (2018: £766,937) was received during the year.

The Trust is a stakeholder in a touring consortium, Music & Lyrics Limited, which produces large scale musicals. During the year Music & Lyrics Limited and its subsidiaries invoiced the Trust for the sum of £52,000 (2018: £233,035) for production fees and the Trust raised invoices to them for £9,000 (2018: £32,035) for accounting, business planning and managerial support, and miscellaneous expenses. At the year end a subsidiary of Music & Lyrics Limited owed the Trust £15,268 representing advances paid and sundry un-invoiced expenses (2018: £5,979).

Capital Theatres

(A company limited by guarantee)

Notes to the consolidated financial statements for the year ended 31 March 2019

24 Consolidated statement of financial activities for the year ended 31 March 2018

(Incorporating a consolidated income and expenditure account)

		Unrestricted Funds	Designated Funds	Restricted Funds	Total Funds
		2018	2018	2018	2018
	Notes	£	£	£	£
Income and endowments					
<i>Donations and legacies</i>					
Grants and donations	4	871,937	-	-	871,937
Friends/Patrons/Sponsorship		350,144	-	63,046	413,190
<i>Other trading activities</i>					
Commercial trading operations	5	1,406,136	-	-	1,406,136
Investment income	6	4,484	3,925	-	8,409
		2,632,701	3,925	63,046	2,699,672
Income from Charitable activities					
Operation of theatre income	7	11,358,753	479,337	-	11,838,090
Total income		13,991,454	483,262	-	14,537,762
Expenditure:					
Costs of Raising funds					
Fundraising costs of grants and donations	8	(100,735)	-	-	(100,735)
Commercial trading operations	5	(1,086,561)	-	-	(1,086,561)
Expenditure on Charitable activities		(1,187,296)	-	-	(1,187,296)
Operation of theatre costs	9	(12,854,596)	(15,352)	(120,563)	(12,990,511)
Total expenditure		(14,041,892)	(15,352)	(120,563)	(14,177,807)
Net (expenditure)/income and net movement in funds before transfers		(50,438)	467,910	(57,517)	359,955
Transfers between funds	19-21	53,050	(1,365)	(51,685)	-
Actuarial losses on defined benefit pension schemes	11	-	347,000	-	347,000
Net income/(expenditure)		2,612	813,545	(109,202)	706,955
Unrealised (losses) on investments		-	(47,671)	-	(47,671)
Net movement in funds for the year		2,612	765,874	(109,202)	659,284
Reconciliation of funds					
Fund balance as at 1 April 2017	19-21	354,839	2,275,565	630,233	3,260,637
Fund balances as at 31 March 2018	19-21	357,451	3,041,439	521,031	3,919,921

The statement above contains detailed analysis of the comparative figures noted in the consolidated statement of financial activities on page 14 of the financial statements.

Capital Theatres

(A company limited by guarantee)

This page does not form part of the audited financial statements

Consolidated income and expenditure account for the year to 31 March 2019

	Trading 2019	Theatre 2019	Total 2019	Cons Total 2018
	£	£	£	£
Turnover	1,717,849	14,771,270	16,489,119	13,115,034
Cost of sales	(605,984)	(10,359,468)	(10,965,452)	(8,451,763)
Gross profit	1,111,865	4,411,802	5,523,667	4,663,271
Other income				
Interest receivable	-	5,611	5,611	4,484
Grant income	-	791,100	791,100	871,937
Total other income	-	796,711	796,711	876,421
Expenditure				
Salaries and wages (net of technical contras)	644,271	2,638,662	2,985,747	2,985,747
Rent & rates	-	314,527	314,527	316,803
Repairs	-	586,718	586,718	205,566
Gas & electric	21,600	317,151	338,751	296,677
Insurances	-	122,135	122,135	107,268
Books, Magazines & Subs	-	5,643	5,643	3,469
Post, printing, Stationery & copying	-	13,751	13,751	13,881
Telephone	-	33,428	33,428	29,578
Admin computer exps	-	73,771	73,771	45,531
Travel & subs	-	10,569	10,569	9,615
Recruitment & Training	-	34,122	34,122	26,877
Hospitality & entertaining	-	10,354	10,354	9,825
Subs & licences	-	2,290	2,290	2,883
Audit	1,675	11,350	13,025	12,625
Legal	-	4,888	4,888	3,601
Professional fees	-	62,150	62,150	43,813
Bank charges & interest	-	13,133	13,133	11,180
Marketing & promotion	-	487,139	487,139	424,138
Box Office exps(net)	-	111,645	111,645	125,887
Front of House	-	54,145	54,145	55,697
Development & education	-	88,143	88,143	74,145
Sundry costs	-	644	644	1,106
Stage	-	84,097	84,097	54,474
Irrecoverable VAT	-	279,483	279,483	423,476
Depreciation	68,633	270,011	338,644	306,268
Total expenses	736,179	5,629,950	6,366,129	5,590,130
Gift aid charge/income	(375,686)	375,686	-	-
Operating deficit	-	(45,751)	(45,751)	(50,438)