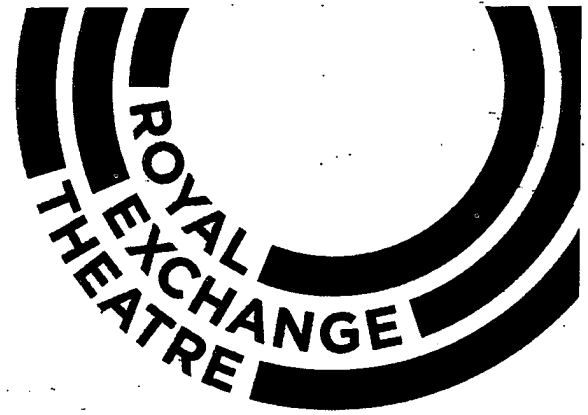
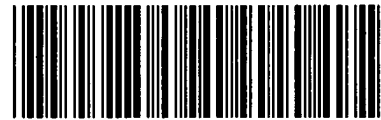


Royal Exchange Theatre Company Limited



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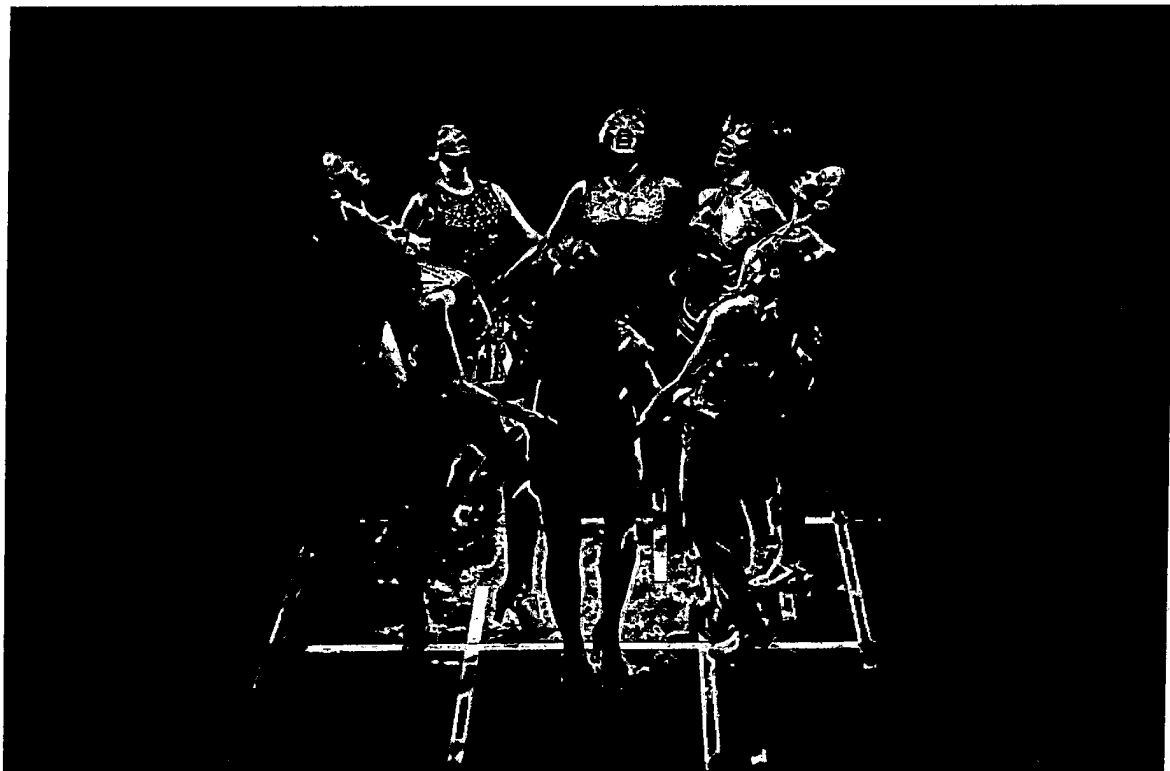
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Annual Report and Consolidated Financial Statements
for the Year ended 31 August 2017



Charity No. 255424 Company No. 927203

Royal Exchange Theatre Company Limited

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EXECUTIVE DIRECTOR AND ARTISTIC DIRECTOR'S REVIEW OF THE YEAR

1 September 2016 – 31 August 2017

This year began with the 40th anniversary of our Theatre and our programme of artistic work, building on the award of The Stage Regional Theatre of the Year 2016, has become a great signifier for the future of the Exchange. We have received great critical acclaim, celebrated our communities on our stages, foregrounded new and emerging talent, and placed diversity at the heart of everything we do.

We have also seen support for our work through the Arts Council awarding a further four years of National Portfolio funding and through "The 40", a hugely successful anniversary fundraising campaign to find 40 supporters for the future of our Theatre. 2016/17 has paved the way for the next 40 years of ground-breaking theatre sitting at the very centre of the Greater Manchester Arts scene.

We must also make mention of the horrific terror attack at Manchester Arena in May 2017. This traumatic event affected our entire City and for our Company, which had suffered the IRA bomb attack twenty years earlier, it had special resonance. We would like to pay tribute to the emergency services and Council for their magnificent work in keeping Manchester going and also to the calmness, courage and resilience of our staff, volunteers and audiences who came and stayed and made sure that we kept on going too.

On stage

Our Autumn/Winter 2016 season was extremely popular and included our fastest selling show ever. Our opening show, *A STREETCAR NAMED DESIRE*, broke all in-house records for ticket sales, resulting in a sold-out run. This critically acclaimed production was the latest collaboration between Sarah Frankcom and our Associate Artist, Maxine Peake, and saw Sharon Duncan-Brewster pick up a UK Theatre Award for Best Supporting Performance.

Following this, *BREAKING THE CODE*, the story of Alan Turing made for us by Rob Hastie, really caught the public imagination and played to packed houses. At Christmas we then made *SWEET CHARITY*, our largest and most ambitious stage musical to date, and the latest step in our reinvention of classics of the musical theatre repertoire. The production was a huge critical and popular success, attracting new audiences to our Theatre and generating our highest ever box office in the Christmas slot.

This year we enriched our creative partnerships with some long-standing collaborators, and were delighted to establish new partnerships, including developing two new projects with the innovative and award-winning Graeae Theatre Company. A re-imagining of the Spanish classic *THE HOUSE OF BERNARDA ALBA*, directed by Graeae's Artistic Director Jenny Sealey, saw an all-female cast and creative team weave Graeae's aesthetics of access into this heart-wrenching production. Developed with a cast of D/deaf and disabled performers, BSL, captioning and audio-descriptive elements were integrated into the fabric of this new stage version of Lorca's incredible play. We also developed a brand new piece of work with Graeae, *COSMIC SCALLIES*, written by first-time playwright Jackie Hagan. Jackie's play was the result of our partnership with Graeae on the *Write To Play* project, which was created to cultivate and provide opportunities for D/deaf and disabled writers. Directed by Amit Sharma, our Associate Artistic Director (Changemakers Award), the play opened here before being well received at the Edinburgh Festival.

Royal Exchange Theatre Company Limited

EXECUTIVE DIRECTOR AND ARTISTIC DIRECTOR'S REVIEW OF THE YEAR (continued)

We also continued our work to reinvigorate the classical repertoire with a feisty new production of TWELFTH NIGHT by director Jo Davies.

Every two years, Manchester invites artists from across the world to make and present original work for the Manchester International Festival. We have long collaborated with them to create extraordinary theatre for the City and our audiences. This year we co-commissioned

FATHERLAND, a verbatim piece exploring what it is to be a father in the 21st Century. FATHERLAND was co-created by Scott Graham for Frantic Assembly, Karl Hyde and Simon Stephens. A daring collision of words, movement and music, the show transfers to the Lyric Hammersmith in 2018.

Supporting new and emerging talent

This year, supporting and nurturing new and emerging talent continued to be a top priority for us, be that new plays (this year included nine world premieres), new directors or new performers. We recognise how vital it is to enable the next generation of artists and makers who can push the boundaries of this Theatre, and then move on to theatres nationwide.

PERSUASION saw young director Jeff James make his Royal Exchange debut, with his fresh take on this much-loved classic novel. He said of making the show... *'Creating Persuasion at the Royal Exchange was the most creatively rewarding experience of my career so far. The project was a big step-up for me: I was directing on a much bigger scale than I had before. Throughout the process, Sarah and the Exchange team gave incredible attention and support'* The production was described by The Guardian as *'deliciously irreverent and relevant'*. We were also delighted to work with emerging directors Bryony Shanahan, Liz Stephenson, and the Hodgkiss award-winning theatre company, Powder Keg; all of whom are making work with us that both challenges themselves and the theatrical form. We were also delighted to support exciting young Ukrainian director Tamara Trunova to make The People are Singing, a new play by Lizzie Nunnery.

Our Bruntwood Prize for Playwriting continues to grow and is now Europe's largest playwriting prize. Two of the 2015 winning plays were central to this year's programming. Katherine Soper's WISH LIST, was her first full-length play and was recognised by the judges for its 'eloquence' and 'quiet craft'. The production, directed by Associate Artistic Director, Matthew Xia, opened our Studio programme before transferring to the Royal Court. WISH LIST went on to garner recognition in the UK Theatre Awards, the Evening Standard Theatre Awards and Katherine received a Stage Debut award for Best New Play. We also developed Alan Harris' HOW MY LIGHT IS SPENT, a 2015 Judges award winning play, directed by Liz Stephenson. The production transferred to both Sherman Theatr Cymru, and The Theatre by the Lake in Keswick.

Royal Exchange Theatre Company Limited

EXECUTIVE DIRECTOR AND ARTISTIC DIRECTOR'S REVIEW OF THE YEAR (continued)

Community

Central to our work is the relationship with our local communities and we have collaborated closely with them this year. Our productions of **THE SUPPLIANT WOMEN** and **FATHERLAND** both involved a community cast who stepped out in front of our audiences each night to great acclaim. **THE SUPPLIANT WOMEN**, a new version of Aeschylus' arresting Greek tragedy,

was steered by a chorus of 36 young women, community volunteers who represented women from across the world.

It has also been a successful and rewarding year for our 120 strong Young Company, who presented three innovative pieces of work this season – **NOTHING, WE WERE TOLD THERE WAS DANCING** and **THE SPACE BETWEEN US**, for which they were joined by our Elders Company. Each piece set a new challenge for the Company, devising a show from scratch, and creating an inter-generational project. These are challenges which this ambitious and talented company have tackled with energy and imagination.

Thousands of our audience members have been taking part in **YOU, THE AUDIENCE**, our ongoing conversation with the people of Greater Manchester. This year, as part of our **YOU, THE AUDIENCE** symposium day, we launched our Audience Manifesto. Made over two years by 2,150 audience members the Manifesto was developed through a project where the public designed a blueprint for theatre through Show & Tell events, an audio installation, via online and face to face conversations with a diverse range of groups, and through a giant audience vote.

This unique approach to audience engagement has captured the interest of our sector and we have been asked to talk at conferences and industry events across the UK and Europe about this innovative project.

Reflecting our City

Manchester is an ambitious and diverse city and we aim to reflect that in our work both on and off the stage. We are committed to delivering a programme where our casting on stage is as rich and diverse as the streets outside our Theatre, and are working hard to reflect that in our leadership and our workforce.

This year we made some exciting appointments – we were thrilled to announce that Amit Sharma would be joining our senior team as a second Associate Artistic Director, an appointment that was made possible by Arts Council England's Change Makers Fund. We also welcomed four new trustees to the Board – Sally Penni, Aziz Rashid, David Roscoe and Davina Shah, who bring with them a wealth of relevant experience from their professional lives, and their involvement in the development of the City as a centre for art and culture.

We are proud to report that we have a 50/50 gender split in directors for our shows, something we will repeat in our up-coming season and aim to reflect when programming and casting our shows too.

Royal Exchange Theatre Company Limited

EXECUTIVE DIRECTOR AND ARTISTIC DIRECTOR'S REVIEW OF THE YEAR (continued)

Reaching out beyond our City

We have expanded our touring work to other cities and communities across the UK. Our growing reputation as an innovator in the digital capture and distribution of our main stage productions was furthered by the film, *KING LEAR*, a co-production with our partners Talawa Theatre Company, and with Don Warrington in the title role. The film was made available for free via the British Council website and BBC i-Player and aired on BBC Four on Christmas day. This landmark production was made accessible to all for free via a range of different digital platforms, enabling a wide range of audiences to watch a production described by critics a '*heartbreaking tour de force*'. Don Warrington was the first black British actor to play King Lear in a large-scale production in more than 20 years – this definitive performance has been seen by more than 50,000 people across the world to date.

Our supporters

The support of individuals, sponsors and trusts and foundations is increasingly important as we face standstill revenue funding from Arts Council England and other stakeholders. We would like to thank the many supporters who have made a contribution to our work this year, and in particular to the 40 generous individuals who have responded to our anniversary appeal and made donations to help us secure our long-term future.

We would also like to thank our Board, led by Chair Ben Caldwell, for the extensive work they do on behalf of the Company. They ensure good governance, and also guide, challenge and support our leadership team, and advocate and fundraise on behalf of the Exchange

Our partners

We are fortunate to have many rich and evolving partnerships which help us further our mission and work. In this year our extraordinary and longstanding partnership with Bruntwood reached new levels with *THE BIRTH PROJECT*, a commissioned series of short plays which engaged audiences here, online, and around the world, with issues of global health inequality seen through the lens of childbirth. Thanks to Bruntwood, the plays are available to NGOs for free to further their activities, and as we write, three of the plays have been performed at the WHO in Geneva.

We have also entered into a significant new relationship within our building, bringing a longstanding food and beverage contract to an end and beginning an exciting venture with a new company called *The Rivals Bar Limited*. Their operations began in the final month of this year and have immediately improved the dining experience and atmosphere in our building.

The Year and The Future

Looking back, 2016/17 has been an extraordinary year for our Company. It is our first year working together as the Chief Executive, and a year in which we have reorganised the Company and its senior team, welcoming new colleagues into significant leadership roles, including Ric Watts as Senior Producer, and Inga Hirst as Director of Creative Learning and Engagement.

Royal Exchange Theatre Company Limited

EXECUTIVE DIRECTOR AND ARTISTIC DIRECTOR'S REVIEW OF THE YEAR (continued)

It is pleasing to see such a challenging and exciting programme deliver a better than budget trading outturn, with a higher than budget contribution from box office, and we have been thrilled to see our work recognised locally and nationally with many awards and nominations, and positive audience feedback.

We also took the opportunity of the Theatre's 40th anniversary to begin some capital 'pre-feasibility' thinking, engaging designers, architects, and heritage experts in conversations with our staff, trustees, audiences and artists to help us begin the essential work of reimagining the long-term future for the Company and the building. This work will continue into 2017/18 and is a fundamental part of our new business planning for the next four years (and beyond).

Despite the positive outcome to our trading, one-off and non-recurrent spends on essential changes to company structure, unavoidable capital purchases and investments in our future success (such as establishment of a new food and beverage trading partnership with The Rivals and the pre-feasibility capital works) have eroded our available reserves, but only marginally.

As we write this report, we are incredibly proud to have been nominated as Stage Regional Theatre of the Year again and to read our work described in the Guardian as, *'brave, bold programming that takes the audience on a journey and that explores theatre's place within the community.'*

Sarah Frankcom, Artistic Director
Mark Dobson, Executive Director

Royal Exchange Theatre Company Limited

ARTISTIC PROGRAMME 2016-17

Theatre Productions and Co-Productions:

A Streetcar Named Desire by Tennessee Williams, directed by Sarah Frankcom

Breaking the Code by Hugh Whitmore, directed by Rob Hastie

Sweet Charity by Neil Simon, Dorothy Fields and Cy Coleman, directed by Derek Bond

The House of Bernarda Alba by Federico Garcia Lorca, directed by Jenny Sealey
in a co-production with Graeae Theatre Company

The Suppliant Women by Aeschylus, adapted by David Greig, directed by Ramin Grey,
in a co-production with the Actors Touring Company

Twelfth Night by William Shakespeare, directed by Jo Davies

Persuasion* by Jane Austen, adapted by Jeff James with James Yeatman, and directed by Jeff James

Fatherland* by Simon Stephens, Karl Hyde and Scott Graham, directed by Scott Graham,
in a co-production with the Manchester International Festival, Frantic Assembly and the Lyric Theatre Hammersmith

Studio Theatre Productions and Co-Productions:

Wish List* by Katherine Soper, directed by Matthew Xia, prior to a transfer to the Royal Court Theatre in London

Nothing by Janne Teller, adapted by Amanda Dalton and directed by Bryony Shanahan
A revival of the Royal Exchange Young Company production

The Space Between Us*, developed by the Royal Exchange Young Company and the Company of Elders, and directed by Andy Barry

How My Light is Spent* by Alan Harris, directed by Liz Stevenson, in a co-production
with Sherman Theatr Cymru and The Theatre by the Lake in Keswick

The People are Singing* by Lizzie Nunnery, directed by Tamara Trunova

Bears* by Powder Keg Theatre Company

Cosmic Scallies* by Katherine Chandler, directed by Amit Sharma in a co-production with Graeae Theatre Company, prior to a transfer to the Edinburgh Festival

Site Specific Theatre Productions:

We Were Told There Was Dancing* devised by the Royal Exchange Young Company,
directed by Matt Hassall.

Productions marked with an asterisk (*) were world premieres.

Royal Exchange Theatre Company Limited

Studio Theatre Visiting Company and Touring Works:

Our Carnal Hearts, written and conceived by Rachel Mars

Wrecking Ball by Action hero

Spine presented by Soho Theatre and Francesca Moody

Some People Talk About Violence presented by Barrel Organ

The Man Who Planted Trees by Puppet State Theatre Company

Going Viral presented by ARC Stockton

Cathy by Ali Taylor

© choreographed and performed by Project O

Bin Laden by Knaive theatre

Growing Pains by Tom Gill

Cock and Bull by Nic Green

Daniel by Footprint theatre

Cartoonopolis by Lewis Bray

Margate/Dreamland by Nigel Barrett and Louise Mari

What if I Told You? by the Mayers ensemble

The Flare International Festival of New Theatre

Royal Exchange Theatre Company Limited

TRUSTEES' REPORT

INTRODUCTION

The trustees present their report and the audited group and company financial statements for the year ended 31 August 2017. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" (FRS 102) in preparing the annual report and financial statements of the charity. The Trustees' Annual Report incorporates the group Directors' Report and Strategic Report.

The financial statements have been prepared in accordance with accounting policies set out in the notes to the accounts and comply with the charity's governing document, the Companies Act 2006, the Charities Act 2011 and 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 published on 16 July 2014.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Royal Exchange Theatre Company Limited, whose registered office is situated at St Ann's Square, Manchester is a charitable company limited by guarantee and governed by its Articles of Association.

The Governing Body of the Royal Exchange Theatre Company is the Board whose members are non-executive and unpaid. The Board retains full and effective control of the Company, with approval for all major strategic decisions and has ultimate responsibility for the conduct of the Company and its financial stability. Leadership and management of the Company is delegated to the Chief Executive.

The Chief Executive is a partnership between Artistic Director¹ Sarah Frankcom and Executive Director Mark Dobson, both of whom report to meetings of the Board, together with Barry James (Director of Finance and Administration). It is their responsibility to ensure that the work of the Company supports the vision of the Company and objects of the Charity and that the management of the Company is efficient, effective, compliant with regulation and run in accordance with good business practice. The Company is divided into seven departments each led by a senior manager who, collectively with the Chief Executive, form the Senior Management Team (SMT).

The Board monitors their performance, and reviews the quality, effectiveness and timeliness of all information provided to the Board. The Board appoints the Chief Executive and determines their contracts of employment. Review of Chief Executive performance, pay and remuneration is delegated to the Chair of the Board and Chair of the Finance and Scrutiny Committee.

¹ Note that 'Director' is a traditional title for the above senior posts in our sector, but they are not directors under the Companies Act, nor are any other members of the senior management team whose title includes the word 'director'.

Royal Exchange Theatre Company Limited

TRUSTEES' REPORT (continued)

The Board meets at least four times each year and is supported by one standing sub-committee; the Finance and Scrutiny committee, which also meets quarterly. Trustees below whose names are appended with an asterisk (*) are also members of the Finance and Scrutiny committee

Both the Board and its sub-committee receive an agenda and papers in advance. Terms of reference set out the key decisions which must be approved by the Board and/or the Finance and Scrutiny committee, including approval thresholds for any large or exceptional items of expenditure.

The Board has access to independent professional advice should it be required, at the Company's expense.

The affairs of the Company are subject to continuous external scrutiny by Arts Council England, which can attend Board meetings as observer, and undertakes an annual review of our work. Similarly, our other major revenue grant funder (Association of Greater Manchester Authorities) also appraises our work annually.

Directors, Trustees and members of the Company

The trustees of the charity are also directors of the company for the purposes of the companies act and are also the only members of the company. Each member undertakes to contribute £1 to the assets of the company in the event of a winding up.

In office during the year were:

Ben Caldwell * (Chair)
Tania Black
Anthony Gordon
Sinead Greenaway *
Cllr Ann-Marie Humphreys
Jean Oglesby
Sally Penni (appointed 22 November 2016)
Jennifer Raffle * (Chair Finance and Scrutiny Committee)
Aziz Rashid (appointed 13 March 2017)
Caroline Roberts-Cherry
Dave Roscoe (appointed 13 March 2017)
Davina Shah (appointed 3 July 2017)
Cllr Bernard Sharp
Geoffrey Shindler *
Martyn Torevell *

AGMA (the Association of Greater Manchester Authorities) is entitled to appoint two members of our Board. They were Cllr Ann-Marie Humphreys and Cllr Bernard Sharp.

Royal Exchange Theatre Company Limited

TRUSTEES' REPORT (continued)

Trustees are recruited and appointed as and when required to maintain or enhance the range of expertise of the Board. To ensure that the composition of the Board is refreshed on a regular basis trustees are appointed on an initial fixed term of three years, which may be extended by a maximum of another three years. Accordingly, Tania Black, Sinead Greenaway, Jean Oglesby and Geoffrey Shindler retire by rotation and, being eligible, offer themselves for re-election.

Opportunities for trusteeship are advertised publicly, and all new trustees are given appropriate induction into the Royal Exchange.

Group Structure

Royal Exchange Theatre Company Limited has two subsidiary companies: Royal Exchange Theatre Catering Limited, which is responsible for the theatre's catering facilities and gift-aids profits made to its parent company, and Exchange Productions Limited, which acts as a production company for the Royal Exchange Theatre's productions.

Royal Exchange Theatre Company Limited also has two branches: The Royal Exchange Theatre Appeal Fund, a trust which undertakes fundraising activities and uses these funds to make grants to the theatre charity, and Royal Exchange Theatre Trustees Limited, which holds the leases for the Theatre's properties.

VISION, MISSION AND PUBLIC BENEFIT

Vision

We change the way people see theatre, each other and the world around them.

Mission

Our historic building, once the world's biggest cotton exchange, was taken over by artists in 1976. Today we are an award-winning cultural charity that produces new theatre in-the-round, in communities, on the road and online.

Exchange remains at the heart of everything we make and do. Now our currency is brand new drama and reinvigorated classics, the boldest artists and a company of highly skilled makers - all brought together in a shared imaginative endeavour to trade ideas and experiences with the people of Greater Manchester (and beyond).

The Exchange's unique auditorium is powerfully democratic, a space where audiences and performers meet as equals, entering and exiting through the same doors. It is the inspiration for all we do; inviting everyone to understand the past, engage in today's big questions, collectively imagine a better future and lose themselves in the moment of a great night out.

This vision and mission is created to enable us to further our Charitable Objects which are: To promote, maintain, improve and advance education particularly by the production of educational plays and the encouragement of the Arts including the arts of drama, ballet, music, singing, literature, sculpture and painting.

Royal Exchange Theatre Company Limited

TRUSTEES' REPORT (continued)

Public Benefit

As demonstrated by these ambitions the public and public benefit sit at the heart of all our activity. The Trustees have considered the Charity Commission's guidance on public benefit, both in developing the organisation's objectives, and in planning its activities.

Our work is also informed by the aims of our principal public funders including the Arts Council's goal of 'Great Art and Culture for Everyone' and the inclusive strategies of the Association of Greater Manchester Authorities (AGMA) and Manchester City Council in ensuring the widest number of people in the region have the opportunity to experience culture,

In setting the level of ticket prices and concessions, we give particular consideration to the accessibility of the Exchange to those on low incomes and with special needs. A special scheme for under 26s provides them with access to heavily discounted tickets, our arts pot fund subsidises tickets, fees and travel for those most in need of assistance to see our work or participate in our programmes and we continue to offer £10 day tickets to every performance in our theatre. In this year we have expanded the number of accessible performances on offer and now include every theatre and studio production and we have extended the range of interpretation available to people for these performances (audio-description, BSL-interpretation, captioned performances and relaxed performances).

We also offer free tickets to our programme to groups and partners working with us in some of the most disadvantaged parts of our community.

We provide access to the benefits of the theatre in other ways, most significantly through free entry to our building's Great Hall (the City's former Cotton Exchange) in which the theatre is situated. This historic and listed building attracts a total of 500,000 visitors each year.

In addition, we have an engaged and active pool of around 100 volunteers (2015/16: 90 volunteers), contributing to our Visitor Experience, Costume Hire, Marketing and Development departments, and giving an estimated 18,000 hours of support each year (2015/16: 18,500 hours).

As well as our work in our theatre we continue to deliver outreach work across the whole of Greater Manchester and our digital capture and distribution of our work (such as King Lear) is taking our work, for free, to audiences across the UK and beyond.

STRATEGIC REPORT

The year ended 31 August 2017 saw the Royal Exchange present sixteen productions, nine of which were world premieres, as shown in our Artistic Programme on page 8.

Several of our shows toured or transferred to other theatres around the UK, giving our work a much wider audience beyond those who attended performances in Manchester.

We collaborated with a wide variety of other theatre companies and continued to expand the diversity of work that we present on stage.

TRUSTEES' REPORT (continued)

In addition, our emphasis on engagement, new writing and talent development has opened the theatre to a wider range of people than ever before through various initiatives, including *You the Audience*, the Bruntwood Prize for Playwriting (Europe's largest playwriting prize) and Open Exchange.

More than 170,000 people came to see our work in 2016/17 (2015/16: 164,000 people), with attendances for productions presented in our main Theatre module achieving 76% of seating capacity and 69% of financial capacity.

More than 8,000 people saw our work on tours/transfers, in 2016/17; this compares with a figure of 47,000 people in 2015/16, which reflected the impact of two large-scale transfers in that year to London and Birmingham. In addition, more than 50,000 people experienced our work digitally last year (2015/16: 3,500 people), due to the success of our film of *King Lear*, which was screened on-line, in cinemas, and on television.

We continue to grow new audiences and 23% of bookers in 2016/17 were coming to see shows at the Royal Exchange for the first time (2015/16: 23%).

New Writing and Talent Development

New writing continued to be central to the Company's work, with our 2016/17 productions including nine world premieres and the launch of the sixth Bruntwood national playwriting competition. We also presented the BIRTH Festival, a global festival of theatre and debate regarding global inequalities in healthcare, which featured seven new plays by international female playwrights.

Our commitment to developing creative talent continued, in particular through our Open Exchange programme, which provides development opportunities for emerging artists, by offering masterclasses, free rehearsal space and opportunities for collaboration with other artists. In 2016/17, we hosted placements, training and work experience to around 1,300 individuals (2015/16: 1,200).

Creative Learning and Engagement

We believe that participation is key to providing access, broadening reach and deepening engagement for all. We therefore continued to deliver programmes of work for individual young people, individual adults, education (primary to higher education) and adult community groups. 2016/17 was a transitional year for the department, with a change in its leadership and the commencement of a full review of its strategy and objectives. Despite this, our projects still engaged with more than 26,000 participants (2015/16: 35,000 participants).

Royal Exchange Theatre Company Limited

TRUSTEES' REPORT (continued)

Key activities this year included:

- work with our Young Company, including the presentation of two productions, Nothing and We Were Told There Was Dancing
- the continuation of our Company of Elders, who collaborated with the Young Company to produce a new work, The Space Between Us
- On Top Of The World, a project working with residents in tower blocks in Hulme and Gorton, supported by the John Paul Getty foundation
- Bridge The Gap, a project to develop links with Rochdale and Cheetham Hill, supported by the Paul Hamlyn Foundation
- Heard Not Hidden, a project working with the D/deaf community in Rochdale, supported by the Co-operative Foundation
- You, The Audience, our ongoing conversation with the people of Greater Manchester, which this year culminated in an Audience Manifesto

We are also a registered Arts Award Centre, and during 2016/17 we delivered 20 Explore Arts Awards (2015/16: 83 Discover, 48 Explore and 1 Bronze Award)

Diversity

Over the past year, 45% of performers in our productions were female and 40% were from Black and Minority Ethnic (BAME) backgrounds (2015/16: 51% female and 31% BAME), while recruitment to our Open Exchange programme is currently 25% BAME (2015/16: 20% BAME).

We have also been successful in increasing the diversity of our board which is now more than 50% female and 31% BAME (2015/16: 55% female and 29% BAME), with more than half of Board members being under the age of 50.

Fundraising

Increasing and diversifying our fundraising income is an organisational priority, as we seek to counterbalance reductions in grant income in real terms, and we have continued to make progress in this area. Fundraising income - which consists of grants or donations from trusts/foundations and individuals of £594,000 (see "income from donations and legacies" - note 2) and another £176,000 of income from sponsorship/corporate members (See "income earned from other activities" in note 4) totalled £770,000, short of our target for the year (£850,000), primarily because significant income from our 40th anniversary appeal, budgeted for 2016/17, was not actually received until post year-end. Total income for 2016/17 was a small decrease on our achievement in 2015/16 of £802,000, when we were in receipt of two significant multiple-year funding awards.

Environmental sustainability

We have continued our sector-leading role and commitment to environmental sustainability, and we now outperform the "Cultural Building Benchmark" for energy consumption as reported to Arts Council England. We have switched to LED lighting in the public areas and installed voltage optimisation, reducing our electricity consumption by more than 40% over the past ten years. We have also significantly reduced the use of landfill by prioritising reuse and recycling with local contractors.

Royal Exchange Theatre Company Limited

TRUSTEES' REPORT (continued)

FINANCIAL REVIEW

Overview

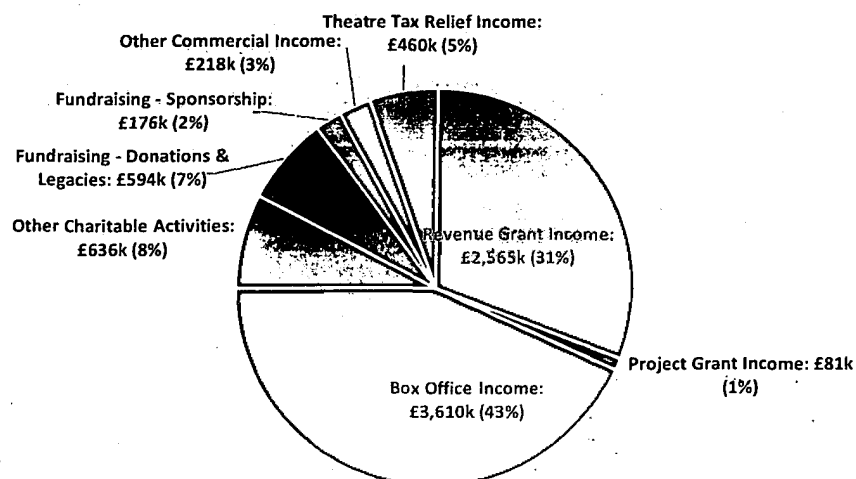
This year has seen an increase of £125,000 in our General funds, primarily as a result of excellent box office income, which exceeded target by £105,000. Income from Theatre Tax Relief also increased from the previous year; however, this extra income was offset by investment in necessary one-off changes and future improvements, in particular a new catering provider and a capital pre-feasibility project. In addition, we incurred greater than anticipated capital expenditure during the year, due to problems with our sound desk which necessitated investment in a replacement ahead of our planned schedule, and this has resulted in a small reduction in our available reserves.

Our excellent ticket sales (box office) began with Streetcar Named Desire, which became the fastest selling production in our history, followed by a sell-out Breaking The Code, and Sweet Charity, which became the highest grossing show ever. The second half of the year proved more challenging. Our major production of Frankenstein had to be delayed by a year at short notice (see future plans below) due to illness and work brought in to replace it, though artistically excellent (Suppliant Women) could not achieve similar scale of audience. Whilst challenging work such as our reimagining of Austen's Persuasion reached its target for sales, supposedly 'safer' work such as Twelfth Night underperformed, underlining the unpredictability of our business.

Although our net deficit for the year was £1,191,000 (2016: £1,050,000) as shown in the Statement of Financial Activities, it is important to note that this deficit includes substantial depreciation of fixed assets of more than £1 million relating to past capital programmes, particularly to the restoration of the building after the Manchester IRA bomb in 1996). In addition, the overall net deficit figure includes around £180,000 of net expenditure on artistic projects held within Restricted funds, utilising fund balances brought forward. These sums do not form part of our day-to-day operating expenditure and so in our view a more representative assessment of our financial performance for 2016/17 is best obtained by looking at the surplus or deficit on our Unrestricted General funds.

The movement in General funds shows a net increase of £125,000 for the year (2016: net decrease of £15,000).

Our income for the year of £8,340,000 (2016: £7,838,000) is analysed as follows:



Royal Exchange Theatre Company Limited

TRUSTEES' REPORT (continued)

Box office in 2016/17 exceeded target by £105,000, with year on year box office income showing an increase from £3,240,000 (2015/16) to £3,610,000 (2016/17).

Income from public sector grants (note 1) consists of revenue grants and project grants. Our revenue grants are from the Arts Council of England (£2,332,000) and from the Association of Greater Manchester Authorities (AGMA) of £233,000. Arts Council England has

designated the Royal Exchange as a National Portfolio Organisation, with funding confirmed through to March 2018, and in principle agreement of further funding, at standstill, through until March 2022. Grant funding from AGMA has been agreed through to March 2018, and we are now awaiting a decision from AGMA's successor (the Greater Manchester Combined

Authorities) regarding funding beyond March 2018 Project grants (also note 1) for the year include Arts Council England grants to support our Changemakers programme (£75,000),

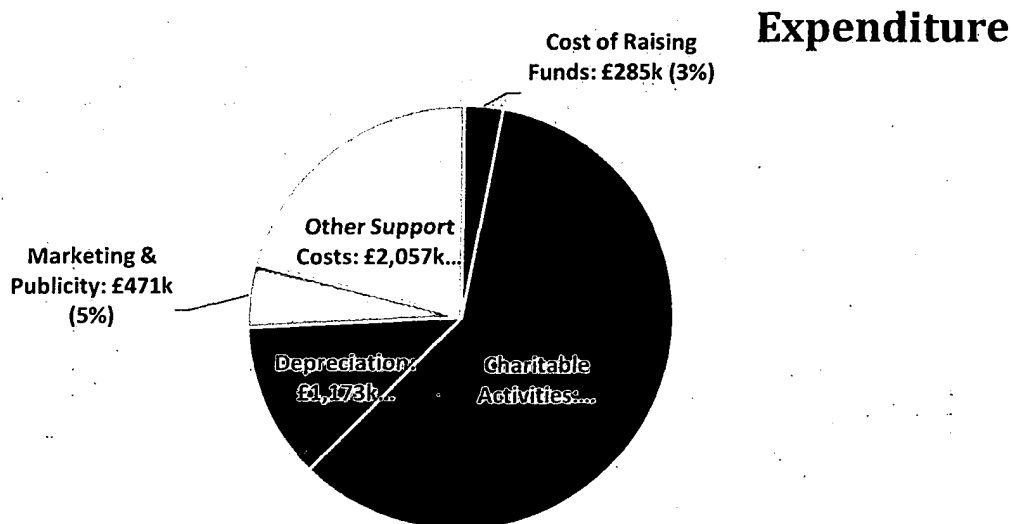
Income from donations and legacies (note 2) fell from £667,000 (2016) to £594,000 (2016). We also generated £176,000 of income from sponsorship/corporate members (2016: £135,000), included within "income earned from other activities" in note 4, giving an overall fundraised total of £770,000, compared with a figure of £802,000 in 2016.

Income from charitable activities (note 3) rose from £3,762,000 (2016) to £4,246,000 (2016) primarily because of higher box office income as noted above.

Theatre Tax Relief income increased from £347,000 (2016) to £460,000 in 2016, as the volume and value of our productions increased.

Our expenditure for the year was £9,531,000 (2016: £8,888,000), broken down as follows;

Our expenditure for the year is analysed as follows:



Royal Exchange Theatre Company Limited

TRUSTEES' REPORT (continued)

The increase in expenditure from 2016 reflects a variety of factors, in particular;

- Royal Exchange Productions acting as lead producer on a major co-production, so incurring additional costs (offset by related co-production income)
- Increased expenditure on artistic activities within Restricted Funds, supported by funds brought forward
- Inflationary increases across all areas of expenditure

Expenditure on charitable activities (note 7) rose from £5,141,000 to £5,545,000 (before support costs).

Costs of raising funds (note 6) fell from £287,000 to £285,000, before support costs.

Governance and support costs (note 8) rose from £3,460,000 in 2016 to £3,701,000 in 2016. These include expenditure on management and maintenance of the building, including insurance and energy costs, marketing, finance, HR, governance, IT and other administrative costs. They also include the substantial depreciation costs referred to previously (total of £1,173,000) most of which are charged to Restricted or Designated funds.

Total emoluments and employee benefits for key management personnel (note 11) were £602,835 (2016: £508,914). The difference reflects both reduced costs in 2016 arising from vacant post savings, and additional one-off expenditure in 2017 reflecting transition and handover to new members of our Senior Management Team, maternity cover costs, and relocation expenses.

Our net assets reduced from £10,021,000 as at 31 August 2016 to £8,830,000 as at 31 August 2017, mainly because of depreciation on our fixed assets - see Balance Sheet.

Our combined cash and current asset investments fell from £1,522,000 at the end of 31 August 2016 to £938,000 as at 31 August 2017. The high 2016 figure was due to exceptional advance ticket sales for our Autumn/Winter 2016 season (accounted for as deferred income within creditors).

As at 31 August 2017, the balance on Group funds was £8,830,000 (2016: £10,021,000).

The balance on Unrestricted funds at the year-end was £1,537,000 (2016: £1,571,000).

Key Risks and Uncertainties

The financial climate continues to be challenging, as with revenue funding from public sector grants at standstill there is an ever-increasing need for us to maximise our self-generated income from all sources but especially box office and to review and control our cost base.

The board is very alive to the major risks to which we are exposed, and an extensive risk register is maintained and reviewed and systems established to mitigate those risks. We assess all risks, and quantify the likelihood of these risks occurring, and the potential impact of these risks.

Royal Exchange Theatre Company Limited

TRUSTEES' REPORT (continued)

Three areas are identified as high risk:

Standstill revenue grant funding (representing a reduction in real terms). We aim to mitigate this risk through the continuing excellence of our programme, including our Studio and education work, and ongoing dialogue with our funding bodies. In addition, we are seeking to grow and diversify our fundraising income, increase our commercial income and to control our cost base.

- Fluctuations in income from ticket sales. We endeavour to achieve ticket sales income at the required level by ensuring that we present a programme that will prove attractive to our potential audience, maintaining our high standard of productions, and implementing audience development initiatives. We also seek to maximise income by dynamic pricing (increasing the price of tickets on popular shows) while ensuring that we also make available tickets at lower prices to ensure accessibility.
- Shortfalls in income from fundraising. We have invested in our fundraising team and have already seen resultant growth in this income stream. We have a detailed fundraising plan, with targets benchmarked against Arts Council England research into performance within the sector, and we monitor progress against these targets on a regular basis.

Going Concern

We have set out above a review of our financial performance and reserves position. We currently have adequate financial resources, and our planning process, which includes financial projections, has taken into account the current economic climate and likely levels of funding support. The Royal Exchange Theatre places significant reliance on Arts Council England grant funding in order to balance income and expenditure on an annual basis, and we have now been successful in securing future funding at standstill level from Arts Council for four years from April 2018 to March 2022.

Funding from the Association of Greater Manchester Authorities (AGMA) will end in March 2018 as these responsibilities are passed over to the new Greater Manchester Combined Authority (GMCA). We have now received an offer of funding of £219,340 per annum from GMCA for the period from April 2018 to March 2020, a small reduction on current AGMA funding of £232,600.

Trustees therefore believe that, taking into account the above information in conjunction with current business plans and projections, the Royal Exchange Theatre will continue in operational existence for the foreseeable future and, based on future financial forecasts to March 2019, will be in a position to continue to meet its liabilities as they fall due for at least twelve months from signing these financial statements. The accounts have therefore been prepared on the basis that the charity is a going concern.

Royal Exchange Theatre Company Limited

TRUSTEES' REPORT (continued)

Reserves

Our available reserves are calculated as Unrestricted funds not already invested in fixed assets, or committed for other purposes - i.e. the group's net current assets held within Unrestricted Funds (see note 20). Although we achieved a net surplus for the year on our General Funds, we also incurred greater than anticipated capital expenditure during the year, and this has resulted in a small reduction in our available reserves from £242,000 (2016) to £217,000 (August 2017.)

Our reserves policy is designed to provide available financial reserves for the following reasons:

- to absorb potential box office shortfalls
- to cover significant unbudgeted costs (e.g. investment in new areas of artistic activity, one-off costs of organisational change)
- to ensure that we have sufficient resources for capital replacement, as our likely annual capital expenditure over the next few years is expected to exceed our annual depreciation charge

We have quantified the sums needed for each reason (box office shortfalls, significant additional costs and capital expenditure) whilst also considering that these needs are unlikely to all occur simultaneously. Overall, we believe that a figure of £600,000 of available reserves should be sufficient to cover these requirements. Accordingly, we have developed a financial plan that will, if achieved, build our available reserves up to the target level of £600,000 by August 2021.

PLANS FOR FUTURE PERIODS

Plans for 2017/18 is a strong and varied programme of work with 15 new productions/projects ranging in scale from a Young Company outcome to a major main stage musical. At the heart of this will be our ongoing commitment to reimagine our purpose as a world-class local theatre with national and international reach, listening to and learning from the communities in Greater Manchester (GM), especially those with whom we are least engaged, while supporting the widest range of artists to make their best work and take bolder risks.

The programme includes a revival of **Our Town** by Thornton Wilder; the world premiere of **Parliament Square** by James Fritz (one of the winners of the 2015 Bruntwood Prize for playwriting); **Jubilee** (an adaptation of the Derek Jarman film, by Chris Goode); our Christmas musical **Guys and Dolls**; and **The Almighty Sometimes** by Kendall Feaver (another Bruntwood prize winner). The Spring Summer of 2018 will see us produce a new adaptation of **Frankenstein** by award-winning playwright April de Angelis, A new adaptation of Chekhov's **The Cherry Orchard** in a co-production with Bristol Old Vic, Sarah Frankcom and Maxine Peake will work together again on new production of Beckett's classic **Happy Days** and we will produce a first stage version of Maxine's play **Queens of the Coal Age**, inspired by the protest occupation of a pit by four women during the miners' strike.

Royal Exchange Theatre Company Limited

TRUSTEES' REPORT (continued)

The programme was described by The Guardian as follows *"if you went to every single show in the main house and studio at the Royal Exchange, you'd have a pretty good grasp of what was going on in British theatre"*.

As part of our successful application for future funding from Arts Council England we have also developed a new four-year business plan 2018-22. There are four major aims for this period:

1. Invest further in the quality of our work and artistic vision
 - Provide support for artistic risk-taking and continue to provide the best circumstances for the next generation of UK creatives to realise work at scale here. Firmly establish opportunities for new talent to flourish in Greater Manchester and progress our commitment to diversity and representation in everything we create.
2. Engage more people and more diverse people with RET
 - Working together as a company, and in partnership, deliver new holistic audience development and engagement initiatives to reach out to communities across Greater Manchester.
3. Become more resilient by increasing earned income through box office, development and other self-generated income streams
 - Focus on managing our ticket inventory smartly, joining up all our retail and commercial activities with new clarity and leadership, developing and diversifying our workforce and coordinating the work of our Board and staff to better connect to our communities and stakeholders.
4. Secure our long-term future beyond 2022 by recognising the need for ongoing and evolving organisational change
 - Commit to a full strategic review of the 'new model' in 2018, creating a new vision for RET and our work beyond 2022, informing and shaping a major capital redevelopment to secure our long term future.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees (who are also directors of Royal Exchange Theatre Company for the purposes of company law) are responsible for preparing the Trustees' Annual Report (including the Strategic Report) and the financial statements in accordance with applicable law and regulation.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have prepared the financial statements in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

Royal Exchange Theatre Company Limited

TRUSTEES' REPORT (continued)

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Statement of Recommended Practice: Accounting and Reporting by Charities (2015);
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

Each of the persons who are trustees at the date of approval of this report confirm that:

- (a) so far as the trustee is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he/she has taken all the steps that he/she ought to have taken as a trustee to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

The Trustees' report was approved by the Board of Trustees on 26th March 2018.

On behalf of the Trustees



Ben Caldwell (Chair)

Royal Exchange Theatre Company Limited

REFERENCE AND ADMINISTRATIVE DETAILS

Address and registered office	Royal Exchange Theatre Company Limited St Ann's Square Manchester M2 7DH
Patron	Earl of Wessex
Artistic Director	Sarah Frankcom
Executive Director	Mark Dobson
Associate artists	Amanda Dalton Rash Dash Chris Goode Imogen Knight Maxine Peake Benji Reid Chris Thorpe Don Warrington
Members of the Board	Ben Caldwell (Chair) Tania Black Anthony Gordon Sinead Greenaway Cllr Ann-Marie Humphreys Nicole May Jean Oglesby Sally Penni Jennifer Raffle (Chair Finance Committee) Aziz Rashid Caroline Roberts-Cherry Dave Roscoe Davina Shah Geoffrey Shindler Cllr Bernard Sharp Martyn Torevell
Auditors:	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 1 Hardman Square Manchester M3 3EB
Company registration number	927203
Charity registration number	255424

Independent auditors' report to the members of Royal Exchange Theatre Company Limited

Report on the audit of the financial statements

Opinion

In our opinion, Royal Exchange Theatre Company Limited's group financial statements and parent charitable company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 August 2017 and of the group's and parent charitable company's incoming resources and application of resources, including its income and expenditure, and of the group's cash flows, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the group and parent charitable company balance sheets as at 31 August 2017; the consolidated statement of financial activities, the consolidated cash flow statement for the year then ended; the accounting policies; and the notes to the financial statements.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

- 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 and 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.

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

Reporting on other information

The other information comprises all of the information in the Annual Report and Consolidated Financial Statements other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Independent auditors' report to the members of Royal Exchange Theatre Company Limited (continued)

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

Strategic Report and Trustees' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of trustees' responsibilities set out on page 21, the trustees are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The trustees are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the 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 and parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

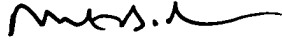
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

Royal Exchange Theatre Company Limited

Independent auditors' report to the members of Royal Exchange Theatre Company Limited (continued)

We have no exceptions to report arising from this responsibility.



Nicholas Boden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
27th March 2018

Royal Exchange Theatre Company Limited

**Consolidated Statement of Financial Activities
for the year ended 31 August 2017**

		2017	2017	2017	2017	2016
	Note	Unrestricted (general) funds £'000	Unrestricted (designated) funds £'000	Restricted funds £'000	Total funds £'000	Total funds £'000
INCOME						
Income from public sector grants	1	2,565	-	81	2,646	2,718
Income from donations and legacies	2	317	-	277	594	667
Income from charitable activities	3	4,212	-	34	4,246	3,762
Income from other trading activities						
Commercial trading operations	4	276	-	112	388	334
Investment income	5	6	-	-	6	10
Total income		7,376	-	504	7,880	7,491
EXPENDITURE						
Cost of raising funds from commercial trading operations and donations/legacies	6	(349)	(3)	(26)	(378)	(372)
Expenditure on charitable activities	7	(7,362)	(110)	(1,681)	(9,153)	(8,516)
Total expenditure		(7,711)	(113)	(1,707)	(9,531)	(8,888)
Net expenditure and net movement in funds for the year		(335)	(113)	(1,203)	(1,651)	(1,397)
Transfer between funds		-	(46)	46	-	-
Net expenditure after transfers		(335)	(159)	(1,157)	(1,651)	(1,397)
Theatre tax relief income		460	-	-	460	347
Net movement in funds		125	(159)	(1,157)	(1,191)	(1,050)
Fund balance at 01 September		909	662	8,450	10,021	11,071
Fund balance at 31 August		1,034	503	7,293	8,830	10,021

The statement of financial activities includes all gains and losses recognised in the current or previous years.

There is no difference between the results for the financial years stated above and their historical cost equivalents.

All incoming resources and resources expended above relate to continuing operations.

Royal Exchange Theatre Company Limited

Balance Sheets as at 31 August 2017

	Note	Group		Company	
		2017	2016	2017	2016
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	13	8,223	9,125	8,223	9,125
Investments	14	-	-	-	-
		8,223	9,125	8,223	9,125
Current assets					
Stocks	15	26	20	26	20
Debtors	16	1,120	891	997	891
Current asset investments	17	355	792	346	792
Cash at bank and in hand		583	730	577	701
		2,084	2,433	1,946	2,404
Creditors: amounts falling due within one year	18	(1,477)	(1,537)	(1,383)	(1,529)
Net current assets		607	896	563	875
Total assets less current liabilities		8,830	10,021	8,786	10,000
Net assets		8,830	10,021	8,786	10,000
The funds of the charity	19/20				
Restricted income funds		7,293	8,450	7,293	8,450
Unrestricted (designated) income funds		503	662	503	662
Unrestricted (general) income funds		1,034	909	990	888
Total charity funds		8,830	10,021	8,786	10,000

The financial statements on pages 27 to 48 were approved and authorised for issue by the Board of Trustees on 26 March 2018 and signed on their behalf by:



Ben Caldwell
Chairman

Royal Exchange Theatre Company Limited
Company registration number: 927203

Royal Exchange Theatre Company Limited

**Consolidated Cash Flow Statement
for the year ended 31 August 2017**

	Note	2017 £'000	2016 £'000
Net cash inflow/(outflow) from operating activities	21	(273)	438
Returns on investment and servicing of finance			
Interest received		6	10
Movement in deposits		437	120
Capital expenditure and financial investment			
Purchase of fixed assets	13	(317)	(181)
(Decrease)/increase in cash		(147)	387
Reconciliation of net cash flow to movement in net funds:			
Net funds at the beginning of year		730	343
(Decrease)/Increase in cash		(147)	387
Net funds at the end of year		583	730

Royal Exchange Theatre Company Limited

Accounting Policies

Basis of preparation

The financial statements have been prepared under the historical cost convention, in accordance with applicable accounting standards in the United Kingdom and on a going concern basis, which follows the recommendations in Charities SORP (FRS102) 2015 and in accordance with FRS102. The basis of preparation of these financial statements has taken due account of the Companies Act 2006 and Charities Act 2011.

Per s390 of the Companies Act 2006, the directors are required to draw up financial statements within 7 days of the Company's accounting reference date. The Company's accounting reference date is 31 August. Consistent with the normal monthly reporting process, the actual date to which the balance sheet has been drawn up is 27 August (2016: 28 August 2016). For ease of reference in these financial statements all reference to the results for the year are for the year to 31 August 2017 and the financial position at 31 August 2017.

The Royal Exchange Theatre Company Limited places significant reliance on Arts Council England grant funding in order to balance income and expenditure on an annual basis and has recently accepted an offer of standstill funding from Arts Council England for the period from April 2018 to March 2022. After making enquiries, the Trustees therefore believe that the Royal Exchange Theatre Company Limited will continue in operational existence for the foreseeable future, and that, based on future financial forecasts and on the current available cash reserves of the group, the organisation will be in a position to continue to meet its liabilities as they fall due for at least twelve months from signing these financial statements. The financial statements have therefore been prepared on the basis that the charity is a going concern.

The principal accounting policies of the group have remained unchanged from the previous year. The key accounting policies are set out below.

Basis of consolidation

The financial statements of the charitable company incorporate those of all funds and branches as required by the Charities SORP (2015) on a line by line basis. Therefore this shows the financial affairs of the Royal Exchange Theatre Company Limited, together with its branches Royal Exchange Theatre Appeal Fund, and Royal Exchange Theatre Trustees Limited.

The group financial statements consolidate those of the charitable company (listed above) and of its subsidiary undertakings drawn up to 31 August 2017 on a line by line basis. These subsidiaries are Royal Exchange Theatre Catering Limited and Exchange Productions Limited.

All intra-group balances and transactions are eliminated on consolidation.

Accounting policies are consistent throughout the group.

Income from public sector grants

Revenue grants are credited as incoming resources when they are receivable provided the conditions for receipt have been complied with, unless they relate to a specified future period, in which case they are deferred.

Grants for the purchase of fixed assets are credited to restricted incoming resources when receivable. Depreciation of the fixed assets purchased with such grants is charged against the restricted fund.

Grants and related income subject to pre-conditions for use have been deferred to be released to the statement of financial activities as the pre-conditions are satisfied.

Income from donations and legacies

All monetary donations and gifts are included in full in the statement of financial activities when receivable, provided that there are no donor-imposed restrictions as to the timing of the related expenditure, in which case recognition is deferred until the pre-condition has been met. Legacies to which the charitable company is entitled are included in the statement of financial activities unless they are incapable of measurement.

Royal Exchange Theatre Company Limited

Accounting Policies (continued)

Investments donated to the company during the year are included in income at the mid-market value at the date of the donation. Subsequent unrealised and realised gains or losses on the value of the investments are shown separately in the Statement of Financial Activities. Donations under Gift Aid together with the associated income tax recoveries are credited as income when the donations are received.

Donated services and facilities are included at the value to the charity where this can be quantified. No amounts are included in the financial statements for time donated by volunteers.

Income from charitable activities comprises ticket sales for performances at the Royal Exchange, co-production income in respect of Royal Exchange productions, income for Royal Exchange tours, plus income from other artistic activities including education, theatre shop and costume hire. Income relating to productions is deferred until the relevant performances have taken place.

Income from commercial trading operations comprises income generated from sponsorship, corporate membership and other income-generating activities. Membership and sponsorship income is recognised on a straight-line basis over the relevant period.

Investment income comprises interest receivable on cash balances held in interest-bearing accounts and is recognised on an accruals basis.

Theatre tax relief income represents income due from HMRC in respect of Theatre Tax Relief relating to productions that took place during the year. This income is recognised on a receivable basis.

Cost of raising funds from commercial trading operations and donations/legacies comprise costs relating to income generated from sponsorship, corporate membership and other commercial income-generating activities.

Resources expended relating to charitable activities are analysed as follows:

Costs of performances comprise the costs of all Royal Exchange productions and those of visiting companies presented in the Main House, the Studio and on tour.

Costs incurred in relation to scenery materials, costumes and props and production costs for future productions are prepaid and released to the Statement of Financial Activities in the year in which the first night of the related production takes place.

Expenditure on charitable activities consist of costs relating to other artistic activities including education, the theatre shop and costume hire.

All expenditure is accounted for on an accruals basis.

Provision has been made, where appropriate, for relevant expenses where a present obligation exists at the balance sheet date in accordance with the requirements of FRS 102.

Tangible fixed assets

Tangible fixed assets are stated at cost of acquisition, including costs that are directly attributable to bringing the assets into working condition for their intended use, less depreciation to date. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The periods applicable are as follows:

Leasehold improvements	Over the period of the lease
Freehold and long leasehold buildings	50 years
Short leasehold buildings	Over the period of the lease
Fixtures, fittings and equipment	4-10 years

Expenditure on tangible fixed assets in excess of £2,000 is capitalised.

Stocks

Stocks consist of goods for re-sale and are valued at the lower of cost and net realisable value.

Royal Exchange Theatre Company Limited

Accounting Policies (continued)

Fund accounting

Restricted funds are to be used for specified purposes laid down by the donor. Expenditure for those purposes is charged to the fund

Unrestricted (general) funds are donations and other incoming resources received or generated for expenditure on the general objectives of the charity.

Unrestricted (designated) funds are unrestricted funds which have been designated for specific purposes by the trustees.

Taxation

The Charity is entitled to certain tax exemptions on income and profits from investments, and surpluses on any trading activities carried on in furtherance of the charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes

VAT (Value added tax)

Income and expenditure is stated net of VAT to the extent that it is recoverable.

Operating leases

As lessee – Rents payable under operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term.

Pensions

The Royal Exchange Theatre Company Limited operates a group personal pension plan. The assets of the scheme are held in a separately administered fund. The pension costs charged to the Statement of Financial Activities represent the amount of contributions payable to the schemes by the charitable company in respect of the accounting period.

Royal Exchange Theatre Company Limited

Notes forming part of the Financial Statements

1 Income from public sector grants

	2017 Unrestricted £'000	2017 Restricted £'000	2017 Total £'000	2016 Total £'000
Grants receivable:				
Arts Council England (ACE) revenue funding	2,332	-	2,332	2,332
Association of Greater Manchester Authorities (AGMA) revenue funding	233	-	233	232
ACE Touring funding	-	-	-	45
ACE Lottery funding	-	-	-	103
ACE – Changemakers	-	75	75	-
Other ACE funding	-	6	6	-
MCC apprenticeship grant	-	-	-	6
	2,565	81	2,646	2,718

2 Income from donations and legacies

	2017 Unrestricted £'000	2017 Restricted £'000	2017 Total £'000	2016 Total £'000
Gifts	317	277	594	652
Donated services	-	-	-	15
	317	277	594	667

Royal Exchange Theatre Company Limited

Notes forming part of the Financial Statements (continued)

3 Income from charitable activities

	2017 Unrestricted £'000	2017 Restricted £'000	2017 £'000	2016 £'000
Box office income from performances				
Box office income - own productions & co-productions	3,565	-	3,565	3,160
Box office income - visiting companies and special events	45	-	45	80
	3,610	-	3,610	3,240
Participation & learning income	6	34	40	40
New writing activities income	5	-	5	27
Co-production income	232	-	232	48
Income from tours/transfers	14	-	14	25
Sale of production services	-	-	-	40
Other artistic activities	40	-	40	48
Costume hire, theatre shop & programmes	305	-	305	294
	602	34	636	522
Total	4,212	34	4,246	3,762

Royal Exchange Theatre Company Limited

Notes forming part of the Financial Statements (continued)

4 Commercial trading operations

	2017 Unrestricted £'000	2017 Restricted £'000	2017 £'000	2016 £'000
Sponsorship and fundraising	9	112	121	80
Corporate members	55	-	55	55
Operations of trading subsidiaries	110	-	110	78
Miscellaneous income	102	-	102	121
Total	276	112	388	334

Miscellaneous income includes income from other sources not included elsewhere, including hire income and insurance receipts.

5 Investment income

	2017 £'000	2016 £'000
Income from bank deposits	6	10

6 Costs of raising funds from commercial trading operations and donations/legacies

	2017 £'000 Unrestricted (general)	2017 £'000 Unrestricted (designated)	2017 £'000 Restricted	2017 £'000 Total	2016 £'000 Total
Sponsorship and corporate members	248	-	-	248	257
Other costs	37	-	-	37	30
Total before support costs	285	-	-	285	287
Support costs reallocated	64	3	26	93	85
Total	349	3	26	378	372

Royal Exchange Theatre Company Limited

Notes forming part of the Financial Statements (continued)

7a Expenditure on charitable activities: analysis by fund type

	2017 £'000 Unrestricted (general)	2017 £'000 Unrestricted (designated)	2017 £'000 Restricted	2017 £'000 Total	2016 £'000 Total
Artistic and creative	885	-	-	885	677
Performers and stage management	1,021	-	-	1,021	988
Production costs	2,149	-	62	2,211	1,971
Customer services	431	-	-	431	434
Participation & learning	153	-	215	368	457
New writing and talent development	(58)	-	407	349	294
Other artistic activities	26	-	-	26	68
Costume hire, theatre shop and programmes	254	-	-	254	252
Total before support costs	4,861	-	684	5,545	5,141
Support costs re-allocated (see note 8)	2,501	110	997	3,608	3,375
Total	7,362	110	1,681	9,153	8,516

7b Expenditure on charitable activities: analysis by activity

	2017 £'000 Cost of performances	2017 £'000 Other Charitable Activities	2017 £'000 Total	2016 £'000 Total
Artistic and creative	885	-	885	677
Performers and stage management	1,021	-	1,021	988
Production costs	2,211	-	2,211	1,971
Customer services	431	-	431	434
Participation & learning	-	368	368	457
New writing and talent development	-	349	349	294
Other artistic activities	-	26	26	68
Costume hire, theatre shop and programmes	-	254	254	252
Total before support costs	4,548	997	5,545	5,141
Support costs re-allocated (see note 8)	3,145	463	3,608	3,375
Total	7,693	1,460	9,153	8,516

Royal Exchange Theatre Company Limited

Notes forming part of the Financial Statements (continued)

8 Analysis of governance and support costs

	Support costs £'000	Governance costs £'000	2017 Total £'000	2016 Total £'000
Costs of raising funds	93	-	93	85
Costs of performances	3,145	-	3,145	2,942
Other charitable activities	463	-	463	433
Subtotal – charitable activities	3,608	-	3,608	3,375
Total	3,701	-	3,701	3,460

Support costs include building management and maintenance, cleaning, security, related premises overheads (e.g. rates, electricity), depreciation, marketing, finance, IT and other administrative services.

All support costs have been allocated based upon a management review of the estimated usage, split 2.5% to costs of raising funds, 85% to costs of performances and 12.5% to other charitable activities.

9 Net expenditure for the year

Net expenditure is stated after charging	2017 £'000	2016 £'000
Fees payable to the auditor:		
for the audit of the company and consolidated financial statements	16	16
for tax compliance services	2	2
Depreciation of tangible fixed assets (owned)	1,173	1,148

Royal Exchange Theatre Company Limited

Notes forming part of the Financial Statements (continued)

10 Operations of trading subsidiaries

A summary of the results of the company's trading subsidiaries are set out below.

2017	2016
£'000	£'000

Royal Exchange Theatre Catering Limited

The income and expenditure of the subsidiary were:

Turnover	110	78
Cost of sales	(14)	-
Gross profit	96	78
Administrative expenses	96	-
Operating profit	192	78
Payment under gift aid	(96)	(78)
Retained in subsidiary	96	-

The net assets and liabilities of the subsidiary were:

Current assets	60	28
Creditors due within one year	(60)	(124)
Total net liabilities	-	(96)
Share capital and reserves	-	(96)

Exchange Productions Limited

The income and expenditure of the subsidiary were:

Turnover	3,729	2,806
Cost of sales	(4,189)	(3,153)
Gross loss	(460)	(347)
Theatre tax relief	460	347
Retained in subsidiary	-	-

The net assets and liabilities of the subsidiary were:

Current assets	571	348
Creditors due within one year	(573)	(350)
Total net liabilities	(2)	(2)
Share capital and reserves	(2)	(2)

Royal Exchange Theatre Company Limited

Notes forming part of the Financial Statements (continued)

11 Staff costs

	2017 £'000	2016 £'000
Wages and salaries	3,013	2,874
Social security costs	246	226
Pension costs	50	48
Termination payments	55	22
	3,364	3,170

The average number of permanent employees of the group during the year was as follows:

	2017 Number	2016 Number
Full time employees	84	79
Part time employees	52	51
	136	130

	2017 Number	2016 Number
The number of full time equivalent employees was:	101	96

Full time equivalent employees fell into the following categories:

	2017 Number	2016 Number
Generating funds	6	6
Artistic / education / literary	16	14
Production and stage operations	29	29
Other theatre operations	22	22
Support activities	13	12
Management and administration	7	5
Ushers	8	8
	101	96

Notes forming part of the Financial Statements (continued)

11 Staff costs (continued)

The number of employees with emoluments greater than £60,000 was as follows:

	2017 Number	2016 Number
£70,001 - £80,000	2	1

The key management personnel of the parent charity comprise the trustees, the Artistic Director, Executive Director, Associate Artistic Director, Director of Finance and Administration, Senior Producer, Head of Production, Operations Director, Director of Creative Learning and Engagement, Director of Marketing and Development Director.

The total emoluments and employee benefits of the key management personnel of the Company were £604,849 (2016: £508,914).

The key management personnel of the group are the same as those of the parent charity.

No trustees of the company received any remuneration during the year or in the previous year. Expenses for travel totalling £1,200 (2016: £499) were incurred by one trustee (2016: three trustees) wholly and necessarily on RET's business and were reimbursed during the year. Trustees are offered two tickets on Press Night for each main production to enable them to carry out their duties.

12 Results of the charitable company

The Company has taken advantage of Section 408 of the Companies Act 2006 and not included its own income and expenditure account in these financial statements. The net outgoing resources for the Company (including its branches) for the year was £1,214,000 (2016: £1,004,000).

Royal Exchange Theatre Company Limited

Notes forming part of the Financial Statements (continued)

13 Tangible assets – Group and Company

	Freehold and long leasehold buildings £'000	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Short leasehold buildings £'000	Total £'000
Cost					
At 1 September 2016	308	26,009	4,274	1,500	32,091
Additions	-	82	223	-	305
Disposals	-	-	(113)	-	(113)
At 31 August 2017	308	26,091	4,384	1,500	32,283
Accumulated depreciation					
At 1 September 2016	103	17,855	3,858	1,150	22,966
Depreciation for year	6	1,004	103	60	1,173
Depreciation on disposals	-	-	(79)	-	(79)
At 31 August 2017	109	18,859	3,882	1,210	24,060
NBV at 31 August 2017	199	7,232	502	290	8,223
NBV at 31 August 2016	205	8,154	416	350	9,125

14 Investments - Company

	2017 Cost	2016 Cost
Shares in subsidiary undertakings	£101	£101
Shares in mixed motive investment	£1	£1
Total	£102	£102

Investments in subsidiaries:

	Class of shares	Proportion of NV held	Nature of business
Royal Exchange Theatre Catering Limited	£1 ordinary	100%	Operation of theatre bars & café
Exchange Productions Limited	£1 ordinary	100%	Presentation of productions

Royal Exchange Theatre Catering Limited and Exchange Productions Limited are private limited companies, registered at St Ann's Square, Manchester, M2 7DH.

Royal Exchange Theatre Company Limited

Notes forming part of the Financial Statements (continued)

14 Investments – Company (continued)

Investments in mixed motive investments:

	Class of shares	Proportion of NV held	Nature of business
Lear the Film Limited	£1 ordinary	33.3%	Film production company

15 Stocks

	2017 (Group and Company) £'000	2016 (Group and Company) £'000
Theatre Shop stock	24	19
Green Room stock	2	1
	26	20

16 Debtors

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Trade debtors	242	60	86	60
Other debtors	143	155	143	155
Prepayments	272	326	271	326
Accrued Income	3	3	3	3
Amounts due in relation to tax relief	460	347	-	-
Amounts due from subsidiaries	-	-	494	347
	1,120	891	997	891

Royal Exchange Theatre Company Limited

Notes forming part of the Financial Statements (continued)

17 Current Asset Investments – Group and Company

	2017 (Group and Company) £'000	2016 (Group and Company) £'000
Current asset investments	355	792
	355	792

Current asset investments comprise of cash equivalents on deposit with a maturity date of more than three months and less than twelve months after the year-end.

18 Creditors: amounts falling due within one year

	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Trade creditors	263	183	169	183
Social security & other taxes	68	64	68	61
Other creditors	114	105	114	105
Pension contributions	9	9	9	9
Accruals	489	229	489	229
Deferred income	534	947	534	942
	1,477	1,537	1,383	1,529

The Arts Council of England has a legal charge over the Royal Exchange Theatre and other freehold and leasehold properties in relation to any amounts due to that body in respect of capital grants made by the Arts Council of England to the Royal Exchange Theatre Company Limited pre-2000. At 31 August 2017 no amounts fall to be repaid in respect of the grants.

Movement on deferred income due within one year:

	£'000
Brought forward	947
Released in year	(947)
Deferred in year	534
Carried forward	534

Royal Exchange Theatre Company Limited

Notes forming part of the Financial Statements (continued)

19 Analysis of charitable funds - Group

	Balance at 01- Sep-2016	Incoming Resources	Outgoing Resources	Transfers in/(out)	Balance at 31-Aug-2017
	£'000	£'000	£'000	£'000	£'000
Analysis of movements in restricted funds:					
Artistic projects					
Participation and learning	259	112	(216)	-	155
New writing & talent development	92	370	(407)	46	101
Other artistic activities	40	22	(62)	-	-
Total - artistic projects	391	504	(685)	46	256
Long term projects					
Theatre refurbishment project 1997	7,690	-	(1,002)	-	6,688
Capital project 2013	369	-	(20)	-	349
Total - long term projects	8,059	-	(1,022)	-	7,037
Total restricted funds	8,450	504	(1,707)	46	7,293
Analysis of movements in unrestricted funds:					
General fund	909	7,836	(7,711)	-	1,034
Designated funds					
Artistic funds	46	-	-	(46)	-
Long term projects					
Theatre refurbishment project 1997	301	-	(39)	-	262
Capital project 2013	249	-	(18)	-	231
Capital replacement fund	66	-	(56)	-	10
Total - long term projects	616	-	(113)	-	503
Total unrestricted funds	1,571	7,836	(7,824)	(46)	1,537
Total Funds	10,021	8,340	(9,531)	-	8,830

Royal Exchange Theatre Company Limited

Notes forming part of the Financial Statements (continued)

19 Analysis of charitable funds (continued) - Company

	Balance at 01- Sep-2016	Incoming Resources	Outgoing Resources	Transfers in/(out)	Balance at 31-Aug-2017
	£'000	£'000	£'000	£'000	£'000
Analysis of movements in restricted funds					
Artistic projects					
Participation and learning – project funds	259	112	(216)	-	155
New writing & talent development - project funds	92	370	(407)	46	101
Other artistic activities - project funds	40	22	(62)	-	-
Total - artistic projects	391	504	(685)	46	256
Long term projects					
Theatre refurbishment project 1997	7,690	-	(1,002)	-	6,688
Capital project 2013	369	-	(20)	-	349
Total – long term projects	8,059	-	(1,022)	-	7,037
Total restricted funds	8,450	504	(1,707)	46	7,293
Analysis of movement in unrestricted funds					
General fund	888	7,836	(7,734)	-	990
Designated funds					
Artistic funds	46	-	-	(46)	-
Long term projects					
Theatre refurbishment project 1997	301	-	(39)	-	262
Capital project 2013	249	-	(18)	-	231
Capital replacement fund	66	-	(56)	-	10
Total – long term projects	616	-	(113)	-	503
Total unrestricted funds	1,550	7,836	(7,847)	(46)	1,493
Total Funds	10,000	8,340	(9,554)	-	8,786

Restricted funds

Artistic project funds represent restricted funding and related expenditure in respect of our participation and learning work, new writing programmes, talent development initiatives and other artistic activities

Long-term project funds represent restricted funding and related expenditure in respect of the following capital projects;

The Theatre refurbishment project 1997 fund relates to the major capital project undertaken after the IRA bomb blast in 1996 and covers ongoing depreciation in respect of this.

The Capital project 2013 fund represents funds raised and expended on the Royal Exchange's recent capital project, financed with the support of Arts Council England.

Designated funds

The Artistic project fund represents funds set aside to meet costs of future artistic projects

Long-term project funds represent funds set aside for the Theatre refurbishment project and Capital project 2013 referred to above; and also for a capital replacement fund, being funds previously spent on capital items which are now being depreciated.

Royal Exchange Theatre Company Limited

Notes forming part of the Financial Statements (continued)

20 Analysis of net assets between funds

Group	2017 Unrestricted (general)	2017 Unrestricted (designated)	2017 Restricted	2017 Total Funds
	£'000	£'000	£'000	£'000
Tangible fixed assets	817	449	6,957	8,223
Current assets	1,686	54	344	2,084
Current liabilities	(1,469)	-	(8)	(1,477)
Net current assets	217	54	336	607
Net assets	1,034	503	7,293	8,830

Group	2016 Unrestricted (general)	2016 Unrestricted (designated)	2016 Restricted	2016 Total Funds
	£'000	£'000	£'000	£'000
Tangible fixed assets	667	480	7,978	9,125
Current assets	1,771	182	480	2,433
Current liabilities	(1,529)	-	(8)	(1,537)
Net current assets	242	182	472	896
Net assets	909	662	8,450	10,021

Company	2017 Unrestricted (general)	2017 Unrestricted (designated)	2017 Restricted	2017 Total Funds
	£'000	£'000	£'000	£'000
Tangible fixed assets	817	449	6,957	8,223
Current assets	1,548	54	344	1,946
Current liabilities	(1,375)	-	(8)	(1,383)
Net current assets	173	54	336	563
Net assets	990	503	7,293	8,786

Company	2016 Unrestricted (general)	2016 Unrestricted (designated)	2016 Restricted	2016 Total Funds
	£'000	£'000	£'000	£'000
Tangible fixed assets	667	480	7,978	9,125
Current assets	1,742	182	480	2,404
Current liabilities	(1,521)	-	(8)	(1,529)
Net current assets	221	182	472	875
Net assets	888	662	8,450	10,000

Royal Exchange Theatre Company Limited

Notes forming part of the Financial Statements (continued)

21 Cash flow from operating activities

Reconciliation of net outgoing resources to net cash flow from operating activities:

	2017 £'000	2016 £'000
Net outgoing resources from statement of financial activities	(1,191)	(1,050)
Depreciation charge	1,173	1,148
Loss on disposal	34	-
(Increase) / Decrease in stock	(6)	9
(Increase) / Decrease in debtors	(229)	(53)
(Decrease) / Increase in creditors	(60)	394
Interest received	6	(10)
Net cash inflow/(outflow) from operating activities	(273)	438

22 Analysis of changes in cash and cash equivalents

	2016 £'000	Cash flow £'000	2017 £'000
Cash at bank and in hand	730	(147)	583

Royal Exchange Theatre Company Limited

Notes forming part of the Financial Statements (continued)

23 Branches

The branches as defined by the Statement of Recommended Practice: Accounting by Charities, incorporated into the company financial statements are as follows:

	Net incoming/(outgoing) resources		Capital reserves and income funds	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Royal Exchange Theatre Appeal Fund	14	(2)	89	74
Royal Exchange Theatre Trustees Limited	(71)	(71)	470	541

24 Pensions

The group operates a number of defined contribution pension schemes for the benefit of its employees. The assets of the schemes are held in independently administered funds. The contributions paid by the group during the year were £49,670 (2016: £47,531). At 31 August 2017, £8,647 (2016: £9,337) was owed to the scheme.

25 Indemnity insurance

The group has purchased qualifying third party indemnity insurance for the trustees and officers of the group against liability arising for wrongful acts in relation to the group.

26 Related party transactions

The charitable company has relied on the exemption in FRS102 (s33.1A) which does not require the disclosure of transactions between wholly-owned subsidiaries which are consolidated.

Donations from trustees amounted to £145,174 (2016: £148,637). This amount includes both own donations and donations from trusts and companies related to trustees.

During the year and post the year-end, Councillors Anne Marie Humphreys and Bernard Sharp were elected representatives of local authorities which are major funders of the Royal Exchange Theatre Company Limited.