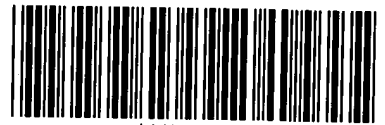


THE PALACE THEATRE WATFORD LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2021**

Company Registration No. 3218719 (England and Wales)

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Directors

Chair	Deborah Lincoln
Governance Committee	Karen Collett * (resigned 22 March 2021)
	Kenny Dada
	Anne Fenton
Governance Committee	John Hunt
Governance Committee	Mark Lawrence
	Carol Lingwood
	Binita Mehta-Parmar
	John Pritchard (resigned 23 September 2020)
Governance Committee	Georgina Rae
	Brett Spencer
	Patrick Stoddart
	Jayne Trotman
	Timothy Williams *

* Directors nominated by Watford Borough Council.

Secretary

Jamie Arden

Registered Office

20 Clarendon Road
Watford
Herts WD17 1JZ

Bankers

National Westminster Bank plc
72-74 High Street
Watford
Herts WD17 2BQ

Auditors

PKF Littlejohn LLP
15 Westferry Circus
Canary Wharf
London E14 4HD

Charity Registration number 1056950

Company Registration number 3218719

The Directors of the Charitable Company present herewith their Annual Report, together with the audited Financial Statements for the year ended 31 March 2021. This report is intended to fulfil the requirements both of Section 234 of the Companies Act 2006 and of the Charities Act 2011. The Directors have adopted the provisions of the Statement of Recommended Practice "Accounting and Reporting by Charities" in preparing the annual report and financial statements of the charity.

Reference and Administrative Details

The Palace Theatre Watford Limited is a charitable company limited by guarantee and governed by a Memorandum and Articles of Association dated 17 May 1996.

Public Benefit

The Trustees confirm that they have had regard to the guidance on public benefit issued by the Charity Commission when considering the objectives and activities of the Charitable Company.

Board of Directors

The Directors and Trustees from 1 April 2020 to the date of the signing of the Financial Statements were as shown on page 2. The Directors shall have power at any time to appoint any person to be a Director, but so that the total number of Directors shall not at any time exceed the number fixed in accordance with the Articles. Any Director so appointed shall hold office only until the following Annual General Meeting, and shall then be eligible for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. Two Directors are nominated by Watford Borough Council. (There are specific requirements associated with the rotation of Directors, the terms of which are stated in the Memorandum and Articles of Association).

Trustees receive ongoing training, including attendance at an annual away day.

The Directors and Trustees delegate the day to day running of the organisation to:

- Brigid Larmour – Artistic Director and Chief Executive
- Jamie Arden – Executive Director and Company Secretary
- Andrew Phillips – Director of Finance

Powers of the Company

The Directors take this opportunity to confirm that under Clause 3 of the Charitable Company's Memorandum of Association, it is empowered to carry out the activities reviewed in the Annual Report including, but not limited to, the beneficial investment of the Charitable Company's funds.

Strategic Objectives

From April 2018 Watford Palace Theatre (WPT) entered into our new 4 year Business Plan 2018-2022.

WATFORD PALACE THEATRE MISSION AND VISION STATEMENT 2018-2022

WPT Mission

Great stories that entertain, provoke and inspire, on our stage and in our streets.

WPT Vision

Everyone's welcome at the Palace. We aim to inspire and entertain through high-quality, inventive and ambitious drama, new plays, musicals, dance and family shows; free outdoor festivals; diverse stand-up; and a much-loved traditional pantomime.

See yourself on our stage. We want our shows to look like our audience: reflecting our diverse community, and fully representing women. We encourage and celebrate creativity in our town, giving a platform to our communities and our young people.

See it here first. We are proud that our locally produced shows and home grown talent have toured nationally and internationally, been seen on BBC iPlayer, won awards and transferred to the West End.

WATFORD PALACE THEATRE - INSPIRATION ON YOUR DOORSTEP

Strategic Objectives

For the next four years 2018-2022, the charities strategic objectives are as follows:

STRATEGIC OBJECTIVE ONE

- **STRIVE FOR EXCELLENCE**

To increase the quality, diversity and impact of the work produced at WPT

STRATEGIC OBJECTIVE TWO

- **THINK LOCAL AND BE DIVERSE**

Develop work for a local audience and further diversify the audience and participant demographic.

STRATEGIC OBJECTIVE THREE

- **BE FINANCIALLY RESOURCEFUL, RESILIENT, SUSTAINABLE AND ENTREPRENEURIAL**

Significantly increase and diversify contributed and earned income to provide organisational resilience

STRATEGIC OBJECTIVE FOUR

- **PARTICIPATE – BE COLLABORATIVE & CREATIVE IN PROMOTION & AUDIENCE DEVELOPMENT**

Develop a stronger relationship with the community to promote and provide opportunities to participate with the work made at the venue.

Achievements against Objectives

Just a few weeks before the new financial year began on 1 April 2020, the Theatre had to close its doors as the country entered its first Covid 19 pandemic lockdown and entered a time of unprecedented challenges. The Charity met these with resilience and imagination (Strategic Objective 3), responding to priorities now recognised as key across the industry.

The organisation rapidly adapted ways of thinking and working, pivoting decisively towards the new Arts Council England strategic priorities for 2023 onwards in LET'S CREATE, through in-depth Leadership Team discussions of strategy and values, and supporting Watford Borough Council's local agenda (Strategic Objective 2).

Our Initial 'on the hoof' digital response to lockdown was our Palace@Home strand, including zoom play-readings in partnership with Pitlochry Festival Theatre, with actors in England and Scotland, the writer in Ireland, and audiences as far afield as America and the Orkneys. As the extent of the crisis became clear, this was superseded by a tailored programme inviting local freelancers to propose projects for specific target audiences, with WPT marketing expertise offered as support in kind.

STRATEGIC OBJECTIVE 1: STRIVE FOR EXCELLENCE**To increase the quality, diversity and impact of the work produced at WPT**

Secured Cultural Recovery Fund support of £248,481 to move from survival mode to inclusive creativity, enabling work to make the building Covid secure, and major new creative initiatives:

- Underwriting risk for an alternative Christmas experience, replacing the cancelled pantomime
- The Three Counties Freelancer Callout, an open callout to local freelancers – whose situation was precarious - offering tailored support for new projects. Planned to be the Spring season on our stage, but adapted in response to the second lockdown and delivered over a longer period on various live, digital and hybrid platforms. We received applications from 60 groups or individuals and supported a dozen of them. Our support has helped freelancers secure matching investment from other local and national sources.

STRATEGIC OBJECTIVE 2: THINK LOCAL AND BE DIVERSE**Develop work for a local audience and further diversify the audience and participant demographic.**

- Looked outwards to our local community as a leader in Watford's cultural strategy, and to the Three Counties
- Active role in Watford Borough Council's 'Watford Together' initiative
- Taking action to become more inclusive in response to global reflections on racism
- Investing in local freelance talent and exploring new platforms and styles of creative work

STRATEGIC OBJECTIVE 3: BE FINANCIALLY RESOURCEFUL, RESILIENT, SUSTAINABLE AND ENTREPRENEURIAL**Significantly increase and diversify contributed and earned income to provide organisational resilience.**

- Acted decisively to secure financial stability, manage risk, and secure additional funding
- Removed pantomime income from annual budget expectations a full quarter earlier than most theatres
- All full time staff apart from the Executive Team put on flexible furlough, with no redundancies made – in contrast to sector peers
- Managed staff time cost-effectively and secured furlough income through HMRC's Coronavirus Job Retention Scheme
- Protected jobs, supporting casual workers, using furlough time to invest in online training
- Migrated all operations online smoothly as per business continuity planning
- Secured £315,000 investment from Garfield Weston Foundation in new Take Part youth and community activities with local partners, designed to support young people, who have been so severely affected by the pandemic
- Hired out the building for Covid secure filming, generating income while closed to the public – two music videos, one TV sitcom, two short films and a feature film
- Vacancies occurring were not replaced, but duties covered flexibly by other team members
- Redeployed in-house skills, eg redeveloped the bar to increase profitably while closed to the public
- Shared best practice and support through the network of Mid -Scale Theatres
- Covid secure team met weekly to assess risks and responses, not relying passively on Government or industry advice
- Sustainability Group meeting monthly to lead a transition to more sustainable ways of working

STRATEGIC OBJECTIVE 4**PARTICIPATE – BE COLLABORATIVE & CREATIVE IN PROMOTION & AUDIENCE DEVELOPMENT**

Develop a stronger relationship with the community to promote and provide opportunities to participate with the work made at the venue.

- Moved swiftly to create Palace@Home digital output, with a focus on wellbeing
- Active role in WBC Watford Together initiative
- Moved all participation work online swiftly in order to give continuity and support to users
- Secured £315,000 investment from Garfield Weston Foundation in new Take Part youth and community activities with local partners, designed to support young people, who have been so severely affected by the pandemic
- Retained PR consultant, and Chief Executive appeared on ITV News at Ten as well as other media appearances

The activities described above demonstrate that public benefit is being provided by the Charity.

Financial Review

The Statement of Financial Activities shows a surplus of £544,151 (2020 - deficit of £172,066) for the financial year. This comprises a surplus before transfers on unrestricted funds of £207,957 (2020 - deficit of £73,625) and a surplus on restricted funds of £336,194 (2020 - deficit of £98,441). The Directors note that this surplus is declared after recognising depreciation charges of £315,814 (being £213,975 applied to restricted funds, and £101,839 applied to unrestricted funds).

As at the year ended 31 March 2021, new and exceptional income sources have been recognised, resulting from successful applications for Covid-19 related and other support, being Restricted Grants from Arts Council England's Cultural Recovery Fund of £248,481; and The Garfield Weston Foundation of £315,000. Much of the related expenditure will actually take place in the period from 1 April 2021 due to the extended periods of lockdown causing further delay to the Theatre's re-opening.

Income also includes HMRC's Coronavirus Job Retention Scheme monies of £388,852 which has been recognised in the same period as the wage expenditure for furloughed staff that it supported.

Financial Position in the Context of Ongoing Commitments and Obligations

The Balance Sheet shows net assets of £6,099,671 at 31 March 2021 (2020 - £5,555,520). As at the same date, Revenue subsidy amounting to £231,957 and £805,118 for the following 12 month period has been confirmed by Watford Borough Council and Arts Council England respectively. An agreed budget for the year to 31 March 2022 has been approved by the Board of Directors.

Subsidiary Undertakings

The Charitable Company's wholly owned subsidiaries, The Palace Theatre Watford Bar Limited and The Palace Theatre Watford Productions Limited, remained dormant throughout the year.

Investment Policy

The Charitable Company holds surplus cash on a deposit account to receive a rate of interest commensurate with an appropriate level of security, whilst not restricting access for operational purposes or payment of box office to touring companies and hires. Where sufficient surplus cash remains available after due consideration for longer term liabilities, the Charitable Company utilises other relatively low risk financial products (such as Fixed Rate Bonds) to maximise income.

Parent Charitable Company's Reserves Policy

The Trustees have reviewed the Charitable Company's needs for reserves in line with the guidance issued by the Charity Commission and have agreed the following reserves policy: the target level of unrestricted reserves is based on 10% of typical box office income and six weeks running costs. At the last calculation, the target is to hold free reserves of £250,000. The unrestricted general reserve (see page 13) stood at £250,792 on 31 March 2021 (2020 - £250,232). This policy is reviewed annually by the Trustees.

Risk Assessment

The Trustees have examined and prioritised the most critical risks to the Charitable Company and, as a result, are confident that they have in place sufficient accountability and focussed action to protect the objectives of the Charitable Company. A risk register has been produced and is reviewed by the Leadership Team, and updated by the Executive Director every two months for consideration by the Board. The major risk identified concerns the funding of the Charitable Company. Arts Council England and Watford Borough Council have the right under Service Level Agreements to withdraw funding and/or request repayment of funds should those funds be applied to purposes other than the stated charitable objectives. The Charitable Company has put in place a range of mitigatory measures. The Board operates a separate governance committee, with its own Chair, to maintain a transparent and objective overview.

The Covid epidemic represented the biggest risk to the Charitable Company's survival in recent years. However our Reserves policy, the leanness of the staff team, and a policy of keeping establishment costs within the total of grant income received, meant the Charitable Company was able to survive this year.

Plans for future periods

As we emerge from the Coronavirus pandemic and slowly return to our ability to reopen and serve the people of Watford and beyond, our Future Plans include:

- Creating a new website and brand
- Creating a new vision for Take Part / Youth & Community
- Investing in making a Covid Secure Front of House area and a 'Digitally Capable' and Covid Resilient stage
- Developing a brand-new vision for the Palace Theatre to ensure that the building and cultural infrastructure is fit for purpose in the medium to longer term
- Securing a new Scenic Workshop and Store; Creating a new Artistic Vision, Mission, and Core Purpose
- Delivering our Artistic Programme Indoors/Outdoors/Online/On the road

Statement of Trustees' Responsibilities

The Trustees (who are also Directors of The Palace Theatre Watford for the purposes of company law) are responsible for preparing the Trustees' Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company and Charity law requires the Trustees to prepare Financial Statements for each financial year. Under that law the Trustees have elected to prepare the Financial Statements in accordance with the Charities' Statement of Recommended Practice, Accounting and Reporting by Charities issued in March 2015 and United Kingdom Financial Reporting and Accounting Standards. Under Company and Charity 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 affairs of the Charitable Company and of the incoming resources and application of resources, including the income and expenditure of the Charitable Company (and the Group) for that period. In preparing these Financial Statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities' SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards 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 Company will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Charitable Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charitable Company (and the Group) and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with company law, as the Company's Directors, we confirm that:

- so far as we are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- as the Directors of the Company, we have taken all steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

PKF Littlejohn LLP are appointed as auditors to the Charitable Company and have indicated their willingness to continue in office.

This report was approved by order of the Board of Directors and signed on its behalf by:



Deborah Lincoln
Chair

13/12/2021

Independent Auditors' Report to the Members of The Palace Theatre Watford Limited**Opinion**

We have audited the financial statements of The Palace Theatre Watford Limited (the 'charitable company') for the year ended 31 March 2021 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2021 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report of the Trustees, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information contained within the Annual Report of the Trustees. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Annual Report of the Trustees (which includes the Directors' report) prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Annual Report of the Trustees (which includes the Directors' report) has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Annual Report of the Trustees.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Trustees

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the charitable company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, sector research and application of cumulative audit knowledge and experience.

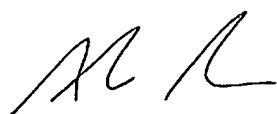
- We determined the principal laws and regulations relevant to the charitable company in this regard to be those arising from the Companies Act 2006, Charities Act 2011, Charities (Accounts and Reports) Regulations 2008, Financial Reporting Standard 102 and the Charities SORP.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the charity with those laws and regulations. These procedures included, but were not limited to enquiries of Trustees, review of minutes and review of legal and regulatory correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that there was a potential for management bias in the recognition of revenue. We addressed this through reviewing revenue in the year for evidence of entitlement and at the year end to ensure accounted for in the correct period.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

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



Alastair Duke (Senior Statutory Auditor)

For and on behalf of PKF Littlejohn LLP

Statutory Auditor

15 Westferry Circus

Canary Wharf

London E14 4HD

Date: 21 December 2021

THE PALACE THEATRE WATFORD LIMITED
**STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED 31 MARCH 2021**

	Note	2021 Unrestricted funds £	2021 Restricted funds £	2021 Total funds £	2020 Total funds £
Incoming Resources					
Grants receivable and fees	4	1,043,519	563,481	1,607,000	1,035,415
Donations and gifts		22,479	2,068	24,547	136,958
Bank interest		1,069	-	1,069	2,948
Ancillary trading activities		367	-	367	86,712
Coronavirus Job Retention Scheme		388,852	-	388,852	-
		<u>1,456,286</u>	<u>565,549</u>	<u>2,021,835</u>	<u>1,262,033</u>
Charitable Activities					
Production	4	15,324	-	15,324	813,424
Participation	4	11,857	-	11,857	37,760
Other	4	9,639	-	9,639	151,115
		<u>36,820</u>	<u>-</u>	<u>36,820</u>	<u>1,002,299</u>
Total Income		<u>1,493,106</u>	<u>565,549</u>	<u>2,058,655</u>	<u>2,264,332</u>
Expenditure on:					
Raising funds		1,507	286	1,793	4,372
Charitable Activities					
Production	6	1,103,399	196,999	1,300,398	2,333,244
Participation	6	180,243	32,070	212,313	98,782
		<u>1,285,149</u>	<u>229,355</u>	<u>1,514,504</u>	<u>2,436,398</u>
Total Expenditure		<u>1,285,149</u>	<u>229,355</u>	<u>1,514,504</u>	<u>2,436,398</u>
Net Income/(Expenditure)	3	207,957	336,194	544,151	(172,066)
Transfers between funds	13	33,841	(33,841)	-	-
Total funds brought forward		<u>557,402</u>	<u>4,998,118</u>	<u>5,555,520</u>	<u>5,727,586</u>
Total funds carried forward		<u>799,200</u>	<u>5,300,471</u>	<u>6,099,671</u>	<u>5,555,520</u>

All income and expenditure derives from continuing activities.

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

The Accounting Policies and Notes on pages 15 to 25 form part of these Financial Statements.

THE PALACE THEATRE WATFORD LIMITED
(Company Registration number 3218719)

BALANCE SHEET
YEAR ENDED 31 MARCH 2021

	Note	2021 £	2020 £
Fixed Assets			
Tangible assets	7	4,709,639	5,018,951
Investments	8	200	200
		<hr/>	<hr/>
		4,709,839	5,019,151
		<hr/>	<hr/>
Current Assets			
Stock	9	2,564	6,207
Debtors	10	217,714	289,958
Cash at bank and in hand		1,313,010	481,257
		<hr/>	<hr/>
		1,533,288	777,422
Creditors: amounts falling due within one year	11	(143,456)	(241,053)
		<hr/>	<hr/>
Net Current Assets		1,389,832	536,369
		<hr/>	<hr/>
Net Assets		6,099,671	5,555,520
		<hr/>	<hr/>
Income Funds			
Restricted Funds	13	5,300,471	4,998,118
Unrestricted Funds			
General		250,792	250,232
Designated	12	548,408	307,170
		<hr/>	<hr/>
Total Unrestricted Funds		799,200	557,402
		<hr/>	<hr/>
Total Charity Funds		6,099,671	5,555,520
		<hr/>	<hr/>

Approved by the Board on 13 December 2022 and signed on its behalf by:



Deborah Lincoln
Chair

The Accounting Policies and Notes on pages 15 to 25 form part of these Financial Statements.

THE PALACE THEATRE WATFORD LIMITED
**STATEMENT OF CASHFLOWS
YEAR ENDED 31 MARCH 2021**

	2021 £	2020 £
Cash flow provided from operating activities	837,187	58,836
Cash flow from investing activities		
Payments to acquire tangible fixed assets	(6,503)	(18,185)
Interest receivable	1,069	2,948
	<hr/>	<hr/>
Net cash flow (used in) investing activities	(5,434)	(15,237)
	<hr/>	<hr/>
Change in cash and cash equivalents in the year	831,753	41,599
Cash and cash equivalents at start of year	481,257	439,658
	<hr/>	<hr/>
Cash and cash equivalents at end of year	1,313,010	481,257
	<hr/>	<hr/>
Reconciliation of net income to net cash flow from operating activities		
Net income/(expenditure) for year	544,151	(172,066)
Interest receivable	(1,069)	(2,948)
Depreciation of tangible fixed assets	315,815	308,661
Decrease in stock	3,643	485
Decrease in debtors	72,244	11,184
(Decrease) in creditors	(97,597)	(88,480)
	<hr/>	<hr/>
Net cash flow provided from operating activities	837,187	56,836
	<hr/>	<hr/>

The Accounting Policies and Notes on pages 15 to 25 form part of these Financial Statements.

1. General information and basis of preparation

The Palace Theatre Watford Limited is a company limited by guarantee in the United Kingdom. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity. The address of the registered office is given in the charity information on page 2 of these financial statements. The nature of the charity's operations and principal activities are set out in the Report of the Trustees.

The charity constitutes a public benefit entity as defined by FRS 102. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011, the Companies Act 2006* and UK Generally Accepted Practice as it applies from 1 January 2019.

The financial statements are prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are prepared in sterling which is the functional currency of the charity.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Going Concern

It is the opinion of the Directors/Trustees that the use of the going concern basis of accounting is appropriate because:

- there are no material uncertainties relating to events or conditions that may cast significant doubt about the ability of the Charitable Company to continue as a going concern;
- there is reasonable expectation that the Charitable Company has adequate resources to continue in operational existence for the foreseeable future.

2. Accounting Policies**2.1 Funds****Unrestricted Designated Funds**

Refurbishment Depreciation Fund - costs related to small scale repairs and renovations, and the associated depreciation.

Future Production and Artistic projects - to hold grant and other monies for use on future productions and artistic projects.

Building and visitor experience - to hold grant and other monies to cover building contingency expenses and for physical improvements to enhance the visitor experience.

Façade Renovation Fund - costs related to the renovation of the building façade and the associated depreciation.

Lighting Desk Depreciation Fund - the depreciation cost of the lighting desk acquired in November 2012.

Resilience Projects Fund - to hold grant and other monies to fund one-off mid/long term impact projects related to the Charitable Company's strategic resilience.

Bar Refit Depreciation Fund - costs related to the renovation of the Bar / Cafe areas, and the associated depreciation

VAT Project Fund - fees and other expenses in relation to a review of the Theatre's historic VAT treatment, and subsequent claim for a refund from HMRC

2. Accounting Policies (continued)**Restricted Funds**

Theatre refurbishment fund - funds received/receivable specifically for the cost of the refurbishment of the Theatre.

Catalyst Arts Fund - funds received/receivable specifically in relation to the Arts Council England's Catalyst Arts Capacity building and match funding scheme, to support organisations in building their fundraising capacity and capability over a three-year period.

ACE Capital Fund - funding towards capital works to enhance rehearsal facilities, to improve energy efficiency and to replace essential specialist equipment.

New Writing Fund - funding towards investment in writing new work.

Merchant of Venice - donations received to support our future production of Shakespeare's The Merchant of Venice (a creative response to anti-Semitism in Britain, set in the London of the 1930s).

Arts Council Cultural Recovery Fund – the government's Culture Recovery Fund, supporting cultural organisations through the impact of the Covid-19 pandemic.

Garfield Weston Foundation - grant received from the Weston Culture Fund to support out Take Part youth and community programmes.

Fund Transfers

Transfers are made between funds as and when the Trustees deem them necessary, within the limits of any restrictions that are in place.

2.2 Incoming Resources

Voluntary income including donations, gifts and grants that provide core funding or are of a general nature are recognised where there is entitlement, probability of receipt and the amount can be measured with sufficient reliability. Such income is only deferred where the donor has specified that the grant or donation must be used in a future accounting period.

Investment income is recognised on a receivable basis.

Income from charitable activities includes:

- income derived from theatrical productions which is accounted for in the period in which the productions take place;
- grant income to support education and youth activities which is recognised where there is entitlement, certainty of receipt and the amount can be reliably measured.

2.3 Resources Expended

Expenditure is recognised when a liability is incurred.

Charitable activities include expenditure associated with the staging of theatrical productions and participation activities. These include both the direct costs and support costs relating to these activities. Expenditure on materials for set, props and costumes are accounted for in the Consolidated Statement of Financial Activities (SOFA) of the period of the production. None of this expenditure is capitalised, as sets are either disposed of, or sold on within the same financial year, or very shortly after the financial year end.

Support costs represent central function costs, governance costs and overheads and have been allocated between the activities of productions and participation using an apportionment percentage calculated by comparing the direct costs attributable to each of those categories in the year.

2. Accounting Policies (continued)**2.4 Tangible Fixed Assets**

Fixed assets (other than those relating to productions - see above) are stated at historical cost. Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:

Plant, equipment and machinery	10% - 25% straight line
Information technology	10% - 33% straight line
Leasehold improvements	2.5% - 20% straight line
Long leasehold property	2.5% straight line

2.5 Stock

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete or slow moving items.

2.6 Leased assets and obligations

All operating lease rentals are charged to the SOFA on a straight line basis over the lease term.

2.7 New Writing Arrangements

These are advance costs incurred for possible future shows where the Charitable Company commissions a writer to work on a production which may or may not eventually be produced. The costs are written off to the SOFA in the year in which they are incurred.

2.8 Pensions

The Charitable Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Charitable Company to the fund in respect of the year.

2.9 Taxation

The Charitable Company is exempt from Corporation Tax as all of its income is charitable and is applied for charitable purposes. The Charitable Company is registered for Value Added Tax (VAT); irrecoverable VAT (where applicable) is included in the cost of those items to which it relates.

3. Net Income/(Expenditure)	2021	2020
	£	£
This is stated after charging:		
Auditors' remuneration	8,888	8,490
Depreciation	315,815	308,661
Operating leases - land and buildings	-	24,048
	<hr/>	<hr/>
4. Incoming Resources	2021	2020
	£	£
Grants Receivable and fees		
Unrestricted income from:		
Arts Council England - grant	805,118	790,571
Service provision fees - Watford Borough Council	238,401	244,844
Restricted income from:		
Arts Council England – Cultural Recovery Fund grant	248,481	-
Garfield Weston Foundation – grant	315,000	-
	<hr/>	<hr/>
	1,607,000	1,035,415
	<hr/>	<hr/>
Incoming Resources from Charitable Activities		
Production:		
Box office income - produced	921	428,652
Box office income – co produced	-	22,276
Box office income - presented	6,056	72,528
Other production income	24	168,889
Film sales	598	29,657
Hire fees income	7,725	65,172
Front of house sales	-	26,249
	<hr/>	<hr/>
	15,324	813,423
Participation:		
Educational activities	8,457	31,564
External funding	3,400	6,196
	<hr/>	<hr/>
	11,857	37,760
Other:		
Tax relief	6,418	113,516
Sundry income	3,221	37,599
	<hr/>	<hr/>
	9,639	151,115
	<hr/>	<hr/>
Total income from charitable activities	36,820	1,002,299
	<hr/>	<hr/>

Income from grants receivable and fees was £1,607,000 (2020 - £1,035,415) of which £563,481 (2020 - £ NIL) was attributable to restricted funds and £1,043,519 (2020 - £1,035,415) was attributable to unrestricted funds.

Income from charitable activities was £36,820 (2020 - £1,002,299) of which £ NIL (2020 - £ NIL) was attributable to restricted funds and £36,820 (2020 - £1,002,299) was attributable to unrestricted funds.

5. Employee Information - Staff Costs	2021 £	2020 £
Establishment salaries	671,778	740,439
Establishment social security costs	59,621	66,436
Establishment pension costs	15,269	15,278
Non-establishment salaries	169,897	349,735
Non-establishment social security costs	1,158	2,852
Non-establishment pension costs	1,573	5,057
	<hr/>	<hr/>
	919,296	1,179,797
	<hr/>	<hr/>

One employee (2020 – one) received emoluments between £60,000 and £70,000. The total amount of employee benefits received by key management personnel, considered to be the Executive Team, during the year was £177,006 (2020 - £202,061).

Average Monthly Number of Employees during the Year

	Part-time Casual/seasonal	
	2021	2020
Establishment	25	27
Non Establishment	37	29
	<hr/>	<hr/>

Transactions with Directors

The Directors of the Charitable Company received no remuneration or reimbursement of expenses in the year (2020 - £nil).

6. Total Resources Expended

6.1 Analysis of Charitable Expenditure

	Direct costs £	Support costs £	Total 2021 £	Total 2020 £
Production	98,732	1,201,666	1,300,398	2,333,244
Participation	16,693	195,620	212,313	98,782
	<hr/>	<hr/>	<hr/>	<hr/>
	115,425	1,397,286	1,512,711	2,432,026
	<hr/>	<hr/>	<hr/>	<hr/>

Charitable expenditure was £1,512,711 (2020 - £2,432,026) of which £229,069 (2020 - £216,138) was attributable to restricted funds and £1,283,642 (2020 - £2,215,888) was attributable to unrestricted funds.

6. Total Resources Expended (continued)

6.2 Analysis of Support Costs

	Charitable Activities £	Governance costs £	Total 2021 £	Total 2020 £
Wages	866,127	-	866,127	854,855
Establishment	92,033	-	92,033	173,757
Administration	93,047	-	93,047	100,264
Marketing and box office	35,200	-	35,200	67,592
Depreciation	299,173	-	299,173	291,379
Bank charges and interest	2,372	-	2,372	3,841
Legal and accountancy fees	-	446	446	2,987
Board	-	-	-	320
Audit	-	8,888	8,888	8,540
	<u>1,387,952</u>	<u>9,334</u>	<u>1,397,286</u>	<u>1,503,535</u>

Support costs are allocated as shown in the table above and then further apportioned between the two charitable activities undertaken.

Support costs are allocated on a basis consistent with the use of resources.

7. Tangible Assets

	Leasehold improvement projects £	Equipment £	Plant and machinery £	Long leasehold property £	Total £
Cost					
At 1 April 2020	407,808	721,554	349,984	7,819,178	9,298,524
Additions	-	6,503	-	-	6,503
	<u>407,808</u>	<u>728,057</u>	<u>349,984</u>	<u>7,819,178</u>	<u>9,305,027</u>
At 31 March 2021	407,808	728,057	349,984	7,819,178	9,305,027
	<u>407,808</u>	<u>728,057</u>	<u>349,984</u>	<u>7,819,178</u>	<u>9,305,027</u>
Depreciation					
At 1 April 2020	321,975	594,456	334,748	3,028,394	4,279,573
Charge for the year	58,013	57,368	4,955	195,479	315,815
	<u>379,988</u>	<u>651,824</u>	<u>339,703</u>	<u>3,223,873</u>	<u>4,595,388</u>
At 31 March 2021	379,988	651,824	339,703	3,223,873	4,595,388
	<u>379,988</u>	<u>651,824</u>	<u>339,703</u>	<u>3,223,873</u>	<u>4,595,388</u>
Net Book Value					
At 31 March 2021	27,820	76,233	10,281	4,595,305	4,709,639
	<u>27,820</u>	<u>76,233</u>	<u>10,281</u>	<u>4,595,305</u>	<u>4,709,639</u>
At 31 March 2020	85,833	127,098	15,236	4,790,784	5,018,951
	<u>85,833</u>	<u>127,098</u>	<u>15,236</u>	<u>4,790,784</u>	<u>5,018,951</u>

8. Investment – subsidiary trading companies	2021 £	2020 £
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Shares in group undertakings:

Cost at 1 April and at 31 March	200	200
	<u> </u>	<u> </u>

The Charitable Company owns 100% of the ordinary share capital of The Palace Theatre Watford Productions Limited, which is incorporated in England and Wales. The subsidiary company was dormant during the year.

The Charitable Company owns 100% of the ordinary share capital of The Palace Theatre Watford Bar Limited, which is incorporated in England and Wales. The Charitable Company has 100% control over this subsidiary company. This subsidiary company has been dormant from 1 April 2015, but previously operated to provide working capital finance for the charitable parent Charitable Company by covenanting distributable profits to The Palace Theatre Watford Limited. The subsidiary company operated catering facilities at the theatre.

9. Stocks	£	£
Stock	2,564	6,207
	<u> </u>	<u> </u>

10. Debtors

Trade debtors	6,453	21,505
Prepayments and accrued income	211,261	268,453
	<u> </u>	<u> </u>
	217,714	289,958
	<u> </u>	<u> </u>

11. Creditors: Amounts falling due within one year

Trade creditors	26,236	57,219
Amounts due to subsidiary companies	200	200
Social security and other taxes	14,536	17,021
Other creditors	22,357	20,077
Accruals and deferred income	80,127	146,536
	<u> </u>	<u> </u>
	143,456	241,053
	<u> </u>	<u> </u>

Included in accruals and deferred income is deferred income of £19,970 (2020 - £65,972) which comprises advance ticket sales. £65,972 was released to the SOFA in the year to 31 March 2021 and £19,970 will be released to the SOFA in the year to 31 March 2022.

Included in other creditors are defined contribution pension liabilities of £3,078.51 all of which has been funded by unrestricted funds.

12. Unrestricted Designated Funds

The income funds of the Charitable Company include the following designated funds which have been set aside out of unrestricted funds by the Trustees for specific purposes:

	Balance at 1 April 2020 £	Incoming resources £	Outgoing expenditure £	Transfers £	Balance at 31 March 2021 £
General Funds	250,231	1,493,106	(1,259,387)	(233,159)	250,792
Designated Funds					
Refurbishment Fund	8,989	-	(1,123)	-	7,866
Future Production & Artistic Projects	136,316	-	-	87,000	223,316
Building and Visitor Experience	74,443	-	-	87,000	161,443
Facade Renovation	14,357	-	(14,357)	-	-
Lighting Desk Depreciation	7,604	-	(3,801)	-	3,803
Resilience Project Fund	40,255	-	-	93,000	133,255
Bar Refit Depreciation Fund	5,831	-	(5,831)	-	-
VAT Project Fund	19,375	-	(650)	-	18,725
	307,170	-	(25,762)	267,000	548,408
Unrestricted Funds	557,402	1,493,106	(1,285,149)	33,841	799,200

	Balance at 1 April 2019 £	Incoming resources £	Outgoing expenditure £	Transfers £	Balance at 31 March 2020 £
General Funds	250,644	2,144,962	(2,194,873)	49,500	250,233
Designated Funds					
Refurbishment Fund	10,112	-	(1,123)	-	8,989
Future Production & Artistic Projects	174,915	1,401	-	(40,000)	136,316
Building and Visitor Experience	74,443	-	-	-	74,443
Facade Renovation	28,715	-	(14,358)	-	14,357
Lighting Desk Depreciation	11,405	-	(3,801)	-	7,604
Resilience Project Fund	46,755	-	-	(6,500)	40,255
Bar Refit Depreciation Fund	11,664	-	(5,833)	-	5,831
VAT Project Fund	19,375	-	-	-	19,375
	377,384	1,401	(25,115)	(46,500)	307,170
Unrestricted Funds	628,027	2,146,363	(2,219,988)	3,000	557,402

A description of the designated funds can be found at note 2.1.

13. Restricted Fund

The income funds of the Charitable Company include the following restricted funds where the donor has specified the purpose for which the fund is to be used:

	Balance at 1 April 2020 £	Incoming resources £	Outgoing expenditure £	Transfers £	Balance at 31 March 2021 £
Theatre Refurbishment Fund	4,790,784	-	(195,479)	-	4,595,305
Catalyst Arts Fund	15,763	2,068	(2,786)	-	15,045
Arts Council England Capital Fund	77,570	-	(18,496)	-	59,074
New Writing Fund	478	-	-	-	478
Merchant of Venice	113,523	-	-	-	113,523
Arts Council Cultural Recovery Fund	-	248,481	(12,594)	(33,841)	202,046
Garfield Weston Foundation	-	315,000	-	-	315,000
	<u>4,998,118</u>	<u>565,549</u>	<u>(229,355)</u>	<u>(33,841)</u>	<u>5,300,471</u>

	Balance at 1 April 2019 £	Incoming resources £	Outgoing expenditure £	Transfers £	Balance at 31 March 2020 £
Theatre Refurbishment Fund	4,986,263	-	(195,479)	-	4,790,784
Catalyst Arts Fund	16,752	2,304	(293)	(3,000)	15,763
Arts Council England Capital Fund	96,066	-	(18,496)	-	77,570
New Writing Fund	478	-	-	-	478
Merchant of Venice	-	115,665	(2,142)	-	113,523
	<u>5,099,559</u>	<u>117,969</u>	<u>(216,410)</u>	<u>(3,000)</u>	<u>4,998,118</u>

A description of the restricted funds can be found at note 2.1.

14. Allocation of Net Assets between Funds

	General fund	Designated fund	Restricted fund	Total 2021
	£	£	£	£
Tangible fixed assets	43,591	11,669	4,654,379	4,709,639
Investments	200	-	-	200
Current assets	350,457	536,739	646,092	1,533,288
Current liabilities	(143,456)	-	-	(143,456)
Net assets	250,792	548,408	5,300,471	6,099,671
	General fund	Designated fund	Restricted fund	Total 2020
	£	£	£	£
Tangible fixed assets	113,816	36,781	4,868,354	5,018,951
Investments	200	-	-	200
Current assets	377,269	270,389	129,764	777,422
Current liabilities	(241,053)	-	-	(241,053)
Net assets	250,232	307,170	4,998,118	5,555,520

15. Revenue Commitments

The Charitable Company's annual obligation under an operating lease is as follows, analysed according to the date of the first review of the lease.

	2021 Land and Buildings £	2020 Land and Buildings £
Operating lease which expires:		
Within 1 year	-	12,024

16. Capital Commitments

There were no contracted capital commitments at 31 March 2021. (2020 - none).

17. Related Party Relationships and Transactions

During the year, the following Trustees have been connected with organisations that have made payments to the Charitable Company:

Councillor Karen Collett and Councillor Timothy Williams – Watford Borough Council – Service provision fees of £238,401 (2020: £244,844) and further funding of £nil (2020 - £85,000).

Deborah Lincoln – Warner Bros International – sponsorship NIL (2020: £3,000).)

Dan Baxter – Watford Bid Limited – Vice Chair – Marketing Expense £NIL (2020: £1,500) and Sponsorship Income £NIL (2020: £2,500)