

# Potential Difference Theatre

(A Company Limited by Guarantee)

## Report and unaudited Financial Statements for the year ended 30 September 2020

Company number: 08674697 (England and Wales)

Charity number: 1166204

# Potential Difference Theatre

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# Potential Difference Theatre

## Reference and administration details

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Directors                      S Hitch  
                                      L Osepciu  
                                      I Khaliq  
                                      T Strack  
                                      J Baggaley (Chair)

Registered office          160 Wynford Road  
                                      London  
                                      N1 9SW

Independent Examiner   Scott Lawrence  
                                      Hazlewoods LLP  
                                      Windsor House  
                                      Bayshill Rd  
                                      Cheltenham GL50 3AT

Charity number            1166204  
Company number          08674697

# Potential Difference Theatre

## Report of the trustees for the year ending 30 September 2020

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The trustees are pleased to present their annual trustees' report together with the financial statements of the charity for the year ending 30 September 2020 which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, 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 (FRS 102).

### **Our purposes**

The purpose of the charity is:

To advance the arts for the public benefit by the promotion in particular, but not exclusively, of the art of drama.

### **Mission Statement**

Potential Difference's mission is to use the power of theatre and storytelling to inspire, excite and engage people about science, philosophy and technology. Each project we make sparks from a concept that has a significant impact on our lives and is full of theatrical potential.

We seek out extraordinary writers, theatre-makers and designers and bring them together with technologists, academics and specialists to inform and inspire each other's practice. Through this unusual creative process, we aim to craft stories that are intellectually and viscerally engaging and that challenge the divide between the sciences and the arts.

We curate a programme of events and online material to facilitate conversations and provoke debate.

We also develop new technology and strive to use it to create new sorts of narrative experiences that challenge theatres boundaries and reach new audiences.

The trustees have referred to Section 17 of the Charities Act 2011 and to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing our aims and objectives and in planning our future activities. In particular, the trustees consider how planned activities will contribute to the aims and objectives they have set.

# Potential Difference Theatre

Report of the trustees for the year ending 30 September 2020

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## **Activities and achievements of the year**

2020 was an immensely busy year for Potential Difference. Clearly, the year was dominated by the challenges posed by the COVID-19 pandemic and the need to protect our existing projects and the freelance artists with whom we were working. However, the year also presented us with opportunities for new projects, new ways of working and reaching audiences, and saw us greatly increase our project outputs.

### DIGITAL NATIVES

Between October and January, we started development on Digital Natives. This is an ambitious project exploring how to make a live immersive performance for online audiences. Instead of simply trying to capture a conventional performance online, we envisage Digital Natives as a hybrid new form of interactive storytelling – one that draws on the techniques from immersive theatre and narrative-led video games to create a new format that embraces new possibilities for live performance.

In January, we had a week of early writing workshops supported by The Lowry, Salford. This brought together 4 writers, a director and a dramaturg. The team explored key questions around structure, narrative and audience agency. We also worked with actors to put together low-tech experiments in how audience members could interact with live performers to shape a scene. We were delighted to work with writers Ross Sutherland, Pamela Carter, Nosa Eke and Sarah Grochala and dramaturg Will Drew – an outstanding team of writers with diverse experience across theatre, film and interactive media.

As a result of the COVID-19 pandemic, the landscape for online performance has entirely shifted. It has revealed the enormous potential impact of digital performance in reaching audiences with limited access to culture or live performance. However, digital performance is very much in its infancy, and we passionately believe in the potential for Digital Natives to bring a new sort of live experience to a wide range of audiences. We have received funding from Arts Council England as part of an Emergency Recovery Grant to facilitate further workshops in order to deliver three very small proof of concept performances next year.

### CLASSBOT 450

Between November and January 2020, we began development of Classbot 450 – a unique immersive adventure for primary school children as part of a co-production with KIT Theatre and our first full production for young people.

Classbot 450 has grown out of an acute awareness of a growing digital divide facing young people. We are racing towards a future where coding, technology and Artificial Intelligence will play a huge part in people's lives. However, children from socially disadvantaged backgrounds with less access to technology at home have fewer opportunities to develop interest and expertise in coding. If this isn't addressed, there's a risk of those children facing life-long disadvantage in their professional lives. COVID-19 has exacerbated this issue, with pupils without access to home technology facing additional barriers to engagement with online learning. At the same time, many primary teachers find the coding elements of the Curriculum inaccessible as these were introduced after they had completed their training and with the originally planned teacher training element removed due to

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Report of the trustees for the year ending 30 September 2020

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budgetary cuts. The Curriculum also lacks an exploration of the wider social and philosophical challenges posed by the role Artificial Intelligence is expected to play in the world pupils will reach adulthood in.

Classbot 450 aims to inspire young people to learn computer programming using live immersive theatre. Settling down to what they think will be a normal day at school; students will be surprised when an unexpected visitor from the 'Department of Experimental Affairs' arrives in their classroom informing them that they have been enlisted to participate in 'a new government teaching initiative'. A large crate will then arrive, revealing a one-of-a-kind humanoid robot teacher: ClassBot 450 LX, or LeX for short. LeX will be portrayed by an actor in a professionally engineered suit. Unfortunately, when pupils test LeX, she will dramatically malfunction and it will be down to pupils to delve into LeX's source code, discover what's wrong and fix her.

We envisage Classbot as a week-long immersive performance taking place in partner schools. As the story unfolds, pupils will be introduced to the basics of algorithms, logical thinking and coding while also exploring the philosophical and economic questions posed by advancements in Artificial Intelligence anticipated over the next 50 years.

We were grateful to receive a grant from John Lyon's Charity which allowed us to do a period of research and development working with Leopold Primary School and Stonebridge Primary School in Brent. We observed coding lessons, researched existing coding tools, and developed plans for the story of the piece, the character of LeX, and the technology that will allow young people to program her. This culminated in two hour-long sessions in which students were introduced to LeX – trying out low-tech programming exercises, and wrestling with philosophical questions about how to determine if something is "alive" and the implications of sentient robots. These sessions were delivered to 360 pupils between years 1 and 6 at our two schools.

We were delighted with the response to these sessions and engagement from students exceeded our expectations. Following the success of the R&D, we were thrilled to receive a further grant from John Lyon's Charity towards further developing the project and delivering a week-long pilot at three schools next year.

***"I like Lex because she is really fun and nice. She looked like a human. She is cool. I am mind blown."*** - Year 4 Pupil at Leopold Primary School

***"Wow! What can I say? The buzz around the school is so exciting. Thank you so much, the teachers were amazed and the feedback from the parents was great as well. They actually thought it was a robot! Brilliant."*** - Head of School, Leopold Primary School

***"I could see they really enjoyed the lesson... they listened to the robot teacher - it was amazing... one of the girls, she's normally really quiet in the class. And she wanted to cuddle the robot....This project will help them develop this way of thinking, writing algorithms, following instructions, creating instructions and then removing the mistakes"*** - Computing lead at Stonebridge Primary School

# Potential Difference Theatre

Report of the trustees for the year ending 30 September 2020

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## FRAGMENTS

Between January and March, we prepared for the premiere of our next major production Fragments, which we are developing in collaboration with Dr Laura Swift of the Open University. Inspired by the vast collections of ancient papyrus held in museums around the world, FRAGMENTS follows three present-day archaeologists who attempt to decipher and paste together a handful of unstudied papyrus fragments like a jigsaw puzzle. As they do their painstaking work, they unwittingly invoke the Muse who swirls into their office with raucous songs, shadow puppetry and mayhem as she brings their fragments – which are, in fact, fragments of a lost revenge tragedy by Euripides – to life.

We were grateful to receive a project grant from Arts Council England as well as support from the Royal Borough of Kensington and Chelsea's Arts Grant's Scheme towards presenting the world premiere. This was originally scheduled for April 2020, however, the production was postponed due to the COVID-19 pandemic shortly before the start of rehearsals.

The postponement of FRAGMENTS opened up more time to develop the script, design, staging and songs in relation to the key themes of how we experience fragmentation in our own lives. We are very grateful to receive support from Arts Council England through their Emergency Response Grants, as well as support from the Open University, which has enabled us to continue working with the cast and creative team to develop the script, design and songs over the rest of the year with several days of in-person workshops scheduled for October 2020.

At present, we are working towards producing FRAGMENTS in Spring 2022 at the Playground Theatre, London and the Old Fire Station, Oxford. Thanks to the partnerships we have been able to establish over the long lifetime of developing the project, we plan to present a programme of online and in person activities, panel discussions and videos in partnership with the British Library, British Museum, the Hellenic Society, and the Sackler Library in Oxford.

## YOU ARE A PUPPETEER

During the first lockdown, we made a three-part online puppetry workshop series which was released on YouTube. These films featured the work of two outstanding puppeteers who had been due to work on Fragments - Jess Mabel Jones and Lori Hopkins. They were aimed at children and families and designed to be done from home using readily available objects and materials. The films covered techniques of turning everyday objects into puppets, making a puppet from paper, and creating scenes and landscapes from shadows.

We were delighted with the finished films and the response on social media. The films have allowed us to create a small presence on YouTube that we hope to build on in the coming year, as well as to build on our experience of filming and digital production. They have been watched over 3,000 times and have been linked to by several learning resources. The success and reach of the films has inspired us to develop an ongoing online workshop series alongside our conventional workshop practice. We hope this will remove some of the barriers to accessing creative opportunities around our productions.

# Potential Difference Theatre

Report of the trustees for the year ending 30 September 2020

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## ‘MAKING THEATRE IN A TIME OF COVID’

In July we started a new collaboration with Dr Laura Swift of the Open University and the team of our postponed production Fragments. ‘Making Theatre in a Time of Covid’ is a research project funded by a Special Research Grant from the British Academy awarded to Dr Swift to investigate the role of live performance during the pandemic. It investigates what is unique about live performance, and what is lost when it cannot take place.

We were able to offer this opportunity to everyone who had been scheduled to work on Fragments. The project started with a series of online discussions between Laura Swift and our multi-disciplinary team of performers, musicians, designers, puppeteers, writers and composers. These conversations reflected on the loss of being able to gather and share a live experience with other people and what that meant for the performing arts. They sought to distil what is unique about live performance and imagine new ways in for recreating live shared experiences amidst COVID restrictions.

At the end of these conversations, we invited the artists to devise a performance in response to all these ideas. We asked them to be inspired by whatever sorts of stories and experiences they felt would most capture what they missed about live theatre. The finished performance will be presented in early November 2020, and will be made around whatever stage of COVID restrictions are present at that time. We intend to be present it as an outdoor, socially distanced performance in the grounds of The Actors’ Church, Covent Garden. It will be part of the nation-wide ‘Signal Fires’ festival and will see us working alongside over 40 UK touring companies.

We feel incredibly lucky to be able to present a piece of live, in-person work during the pandemic and hope that it will be a small beacon of hope and joy for audiences who are able to attend and for the artists involved.

The project will form part of ongoing research by Dr Swift which will be submitted to theatre journals after the project concludes.

## Other activities during the COVID-19 pandemic

Alongside the main programme of work this year, we’ve worked incredibly hard to do what we can to support the freelance theatre makers we work with and the larger theatre community.

- We ran a weekly series of peer support calls for all the freelancers we work with, to share knowledge and advice, offer links to funding opportunities and bursaries and to review individual funding applications from any of the team.
- We were one of over 30 organisations to take part in the North Star Project instigated by the New Diorama Theatre. This was a scheme to read and feedback on applications to the Arts Councils Emergency Response Grant scheme for individuals who had never before received support from the Arts Council.
- We set up the “PD Helpdesk” – a free service for offering technical advice and support to artists and organisations on how to collaborate online or use technology in their work. To date we have helped 7 organisations with real-time collaboration, livestreaming setup and all sorts of unusual questions for innovative online performance. The PD helpdesk is also



# Potential Difference Theatre

## Report of the trustees for the year ending 30 September 2020

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supported by our Arts Council Emergency Response Grant and we intend to keep it running while there are COVID restrictions in place.

We have worked hard to offer what financial support we can to our team of freelance artists. We honoured all contracts we had in place, and offered hardship payments towards artists we had not yet contracted who had been intending to work on projects that were postponed. And we are very proud to have provided over 100 days of paid work to 16 freelance theatre-makers since the start of the pandemic.

### Developing the organisation

This year we have been pleased to welcome a new associate producer to the Potential Difference team – Natalie Allison, who is working alongside associate producer Kendall Masson and artistic director Russell Bender to support the projects, fundraising and operations of the company. This has allowed us to greatly increase our output of work as well as continue to improve our organisational systems. It will also greatly help us develop our long-term strategy.

This has been a very challenging year for freelance artists. We have worked hard to foster a culture of kindness, patience, and clear, frequent communication, and we are committed to working to make this a part of our organisational culture long after the pandemic is over.

### **Future Plans**

We anticipate that 2021 will be another busy year for the charity. Our plans include:

- Our research project “Making Theatre in a time of COVID” will culminate in public performances of “Signal Fires: The Actors’ Church”
- Our first public prototypes as part of Digital Natives
- The full pilot of Classbot 450 at 3 primary schools in Brent

Alongside ongoing work to bring Fragments back and starting to develop new projects.

### **Ongoing impact of COVID-19 on the charity**

We have been extremely fortunate with our fundraising efforts since the pandemic. This, in combination with our interest and expertise in using technology as part of our work, has enabled us to continue delivering projects despite lockdowns and other disruption caused by the pandemic.

We have developed a very detailed set of practices for working safely around COVID-19. We continue to test and refine these with each new project and update them based on emerging research on best practice, and changes to legislation. These have significantly increased the amount of planning and coordination that must be done whenever we work in person rather than virtually. It has also increased the costs of rehearsal space to allow us to hire larger, better ventilated spaces and staffing for extra cleaning and dedicated COVID monitors. However, it has put us in a strong position for continuing to work safely around changing restrictions in the future.

In delivering each project, the artistic director and associate producers assess the risks that COVID-19 might pose to the viability of that project such as changing restrictions, a key team member needing to isolate, or a key venue or partner needing to withdraw. We draw up contingency plans to minimise potential losses arising from such scenarios.

# Potential Difference Theatre

## Report of the trustees for the year ending 30 September 2020

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Clearly it will continue to be very challenging to plan larger projects or to make plans with longer timescales while there are any restrictions in place or any threat of further restrictions being introduced. As noted above, the pandemic has led to deferral of activities to Classbot and Fragments. We remain in frequent communication with project partners and our funders have communicated that they are supportive to changes in project schedules.

The trustees have considered detailed forecast and budgets for rescheduled projects and are of the opinion that the Charity has sufficient reserves to continue for the foreseeable future and to continue meeting our charitable objectives. We are grateful to the support we received from Arts Council England's Emergency Response Grants scheme. We have not needed to access any other Government support and do not anticipate needing to do so.

### **Financial review**

The trustees are pleased to report that 2019/20 saw the charity generate a surplus from its charitable activities which will be reinvested in future charitable activities. The principal funding sources were donations and from grants to finance the various projects, as detailed above and disclosed in the notes to the financial statements.

We understand the requirements under Charity regulations to disclose our involvement in fundraising. The Charity is not involved in such activities as monies are predominantly generated from grants and any donations received do not incur fundraising costs.

### **Reserves policy**

The Potential Difference Reserves Policy is to maintain sufficient level of reserves to enable normal unavoidable operating costs to be met over a period of up to twelve months and to take account of potential risks and contingencies that may arise from time to time. The Trustees regularly monitor and review the effectiveness of the policy in the light of the changing funding and financial climate and other risks.

The trustees have reviewed the reserves policy in the light of COVID-19 and consider that it remains adequate.

### **Directors and trustees**

The directors of the charitable company (the charity) are its trustees for the purpose of charity law.

The trustees serving during the year and since the year end were as follows:

S Hitch

F Sang (resigned 01/06/21)

J Baggaley

L Osepciu

I Khaliq (appointed 27/02/2021)

# Potential Difference Theatre

Report of the trustees for the year ending 30 September 2020

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T Strack (appointed 27/02/2021)

## **Governing Document**

Potential Difference Theatre is a company limited by guarantee governed by its Memorandum and Articles of Association dated 29<sup>th</sup> October 2015. It was registered as a charity with the Charity Commission on 24 March 2016.

## **Appointment of trustees**

The directors of the charitable company ("the charity") are its trustees for the purpose of charity law and throughout this report are collectively referred to as the trustees.

As set out in the Articles of Association, the trustees must be at least three and no more than seven in number. They can be appointed at any time throughout the year and stand for re-election at the AGM. Rotation of directors is by one third of the longest serving directors retiring at the AGM with no disbar to reappointment. Policies and procedures adopted for the induction and training of trustees are ongoing and incorporated indirectly into the regular trustees meetings.

## **Organisation**

The trustees oversee the charitable purpose and mission and approve structure and strategy. The board normally meets quarterly covering development and finance. The trustees have delegated the responsibility of managing the day-to-day operations of the charity to the Artistic Director.

## **Related parties and co-operation with other organisations**

None of our trustees receive remuneration or other benefit from their work with the charity. Any connection between a trustee or senior manager of the charity with a production company, contracted actor, performer or exhibitor must be disclosed to the full board of trustees in the same way as any other contractual relationship with a related party.

A summary of transactions with all related parties is set out in note 7 to the financial statements.

# Potential Difference Theatre

Report of the trustees for the year ending 30 September 2020

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## Risk management

The trustees have a risk management strategy which comprises:

- an annual review of the principal risks and uncertainties that the charity faces;
- the establishment of policies, systems and procedures to mitigate those risks identified in the annual review; and
- the implementation of procedures designed to minimise or manage any potential impact on the charity should those risks materialise.

This work has identified that financial sustainability is the major financial risk for the charity. A key element in the management of financial risk is a regular review of available liquid funds to settle debts as they fall due, and active management of trade debtors and creditors balances to ensure sufficient working capital by the charity.

Attention has also been focussed on non-financial risks arising from fire, health and safety of artists and audience, management of performing rights and ensuring equal opportunities. These risks are 'managed by having robust policies and procedures in place, and engaging experienced practitioners to oversee the risk management for each project in these operational areas.

These accounts are prepared in accordance with the special provisions of Part 15 of the Companies Act relating to small companies.

By order of the board of trustees



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J Baggaley

6 September 2021

# Potential Difference Theatre

## Independent Examiner's report to the trustees of Potential Difference Theatre

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### **Independent Examiner's Report to the Trustees of Potential Difference Theatre**

I report to the trustees (who are also Directors for the purpose of company law) on my examination of the financial statements of Potential Difference Theatre ('the charitable company') for the year ended 30 September 2020 which comprise the Statement of Financial Activities, the Balance Sheet and related notes.

This report is made solely to the charity's trustees, as a body, in accordance with section 145 of the Charities Act 2011. My work has been undertaken so that I might state to the charity's trustees those matters I am required to state to them in this report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for my work, for this report, or for the opinions I have formed.

### **Responsibilities and basis of report**

As the trustees of charitable company you are responsible for the preparation of the financial statements in accordance with the requirements of the Companies Act 2006 ('the 2006 Act').

Having satisfied myself that the financial statements of the charitable company are not required to be audited under Part 16 of the Act and are eligible for independent examination, I report in respect of my examination of the charitable company's financial statements carried out under section 145 of the Charities Act 2011 ('the 2011 Act') and in carrying out my examination I have followed all the applicable Directions given by the Charity Commission under section 145(5)(b) of the 2011 Act.

An independent examination does not involve gathering all the evidence that would be required in an audit and consequently does not cover all the matters that an auditor considers in giving their opinion on the financial statements. The planning and conduct of an audit goes beyond the limited assurance that an independent examination can provide. Consequently I express no opinion as to whether the financial statements present a 'true and fair' view and my report is limited to those specific matters set out in the independent examiner's statement.

### **Independent examiner's statement**

I have completed my examination. I confirm that no material matters have come to my attention in connection with the examination giving me cause to believe that in any material respect:

- accounting records were not kept in respect of the charitable company as required by section 386 of the 2006 Act; or
- the financial statements do not accord with those records; or
- the financial statements do not comply with the accounting requirements of section 396 of the 2006 Act other than any requirement that the financial statements give a 'true and fair view which is not a matter considered as part of an independent examination; or
- the financial statements have not been prepared in accordance with the methods and principles of the Statement of Recommended Practice for accounting and reporting by charities applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

# Potential Difference Theatre

## Independent Examiner's report to the trustees of Potential Difference Theatre

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I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the financial statements to be reached.



.....

Scott Lawrence FCA DChA

Date: 14 September 2021

# Potential Difference Theatre

## Statement of Financial Activities (including income and expenditure account)

for the year ended 30 September 2020

		2020 Unrestricted £	2020 Restricted £	2020 Total £	2019 Unrestricted £	2019 Restricted £	2019 Total £
	<b>Note</b>						
<b>Income:</b>							
Donations		25,000	2,471	27,471	14,775	-	14,775
Charitable activities	<b>3</b>	3,342	2,383	5,725	1,763	-	1,763
Grants	<b>9</b>	3,897	26,231	30,128	-	4,818	4,818
		<b>32,239</b>	<b>31,085</b>	<b>63,324</b>	<b>16,538</b>	<b>4,818</b>	<b>21,356</b>
<b>Expenditure:</b>							
Expenditure on charitable activities	<b>4</b>	(10,262)	(31,435)	(41,697)	(4,577)	(4,835)	(9,412)
Total Expenditure		<b>(10,262)</b>	<b>(31,435)</b>	<b>(41,697)</b>	<b>(4,577)</b>	<b>(4,835)</b>	<b>(9,412)</b>
<b>Net (expenditure) / income</b>		<b>21,977</b>	<b>(350)</b>	<b>21,627</b>	<b>11,961</b>	<b>(17)</b>	<b>11,944</b>
Transfer between funds		(8,174)	8,174	-	(503)	503	-
<b>Net movement in funds</b>		<b>13,803</b>	<b>7,824</b>	<b>21,627</b>	<b>11,458</b>	<b>486</b>	<b>11,944</b>
<b>Reconciliation of funds</b>							
Total funds brought forward		25,438	1,911	27,349	13,980	1,425	15,405
<b>Total funds carried forward</b>		<b>39,241</b>	<b>9,735</b>	<b>48,976</b>	<b>25,438</b>	<b>1,911</b>	<b>27,349</b>

The statement of financial activities includes all gains and losses recognised in the year.  
All income and expenditure derive from continuing activities.

# Potential Difference Theatre

## Balance Sheet as at 30 September 2020

		2020 £	2019 £
	<b>Note</b>		
<b>Current assets</b>			
Debtors	<b>11</b>	4,878	5,002
Cash at bank		84,050	23,816
		<u>88,928</u>	<u>28,818</u>
Creditors: amounts falling due within one year	<b>12</b>	(39,952)	(1,469)
<b>Net assets</b>		<u>48,976</u>	<u>27,349</u>
<b>The funds of the charity</b>			
Unrestricted income funds	<b>13</b>	39,242	25,438
Restricted income funds	<b>13</b>	9,735	1,911
<b>Total charity funds</b>		<u>48,976</u>	<u>27,349</u>

For the financial year ended 30 September 2020 the company was entitled to exemption from audit under Section 477 of the Companies Act 2006 relating to small companies.

Trustees' responsibilities (i) The Trustees have not required the company to obtain an audit of its financial statements for the period in question in accordance with Section 476; (ii) The Trustees acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of the financial statements.

Under Section 454 of the Companies Act 2006, on a voluntary basis, the trustees can amend these financial statements if they subsequently prove to be defective.

These financial statements have been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006 and with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

The notes at pages 15 to 20 form part of these accounts.

The financial statements were approved by the trustees on 6<sup>th</sup> September 2021 and signed on its behalf by:



J Baggaley

Company number: 08674697 (England and Wales)



# Potential Difference Theatre

Notes to the financial statements for the year ended 30 September 2020

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## **1 Accounting Policies**

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

### **a) Basis of preparation**

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

Potential Difference Theatre meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

The charity has taken advantage of the exemption to prepare a Statement of Cash Flows as per the Charity SORP (FRS 102).

### **b) Going concern**

The Trustees have assessed the going concern status of the Charity and have considered the available cash on hand and available unrestricted funds at the point of approving the financial statements, reviewed detailed forecasts, that take into account the impact of COVID-19 on the planned projects for the forthcoming 12 months and the availability of grants in response to the pandemic.

Having given consideration to the above the Trustees consider that the Charity has sufficient reserves to meet its liabilities and have prepared the financial statements on a going concern basis.

### **c) Restatement of comparators**

Note 3 has been restated to enable comparability of the current year due to reclassification of Theatre Tax Relief received. This has had no impact on the closing funds for that period.

### **d) Income**

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Income received in advance of a theatrical performance or provision of other specified service it is deferred until the criteria for income recognition are met.

# Potential Difference Theatre

## Notes to the financial statements for the year ended 30 September 2020

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### e) Donated services and facilities

Donated professional services and donated facilities are recognised as income when the charity has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use by the charity of the item is probable and that economic benefit can be measured reliably.

On receipt, donated professional services and donated facilities are recognised on the basis of the value of the gift to the charity which is the amount the charity would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

### f) Fund accounting

Unrestricted funds are available to spend on activities that further any of the purposes of charity. Designated funds are unrestricted funds of the charity which the trustees have decided at their discretion to set aside to use for a specific purpose. Restricted funds are donations or grants which the donor/grantor has specified are to be solely used for particular areas of the Company's work or for specific artistic projects being undertaken by the Company.

### g) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

- Expenditure on charitable activities includes the costs of performances, exhibitions and other educational activities undertaken to further the purposes of the charity and their associated support costs.
- Other expenditure represents those items not falling into any other heading.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

### h) Governance and support costs

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include back office costs, finance, and governance costs which support the Company's artistic programmes and activities.

All expenditure is allocated against charitable activities.

### i) Cash at bank and in hand

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

### j) Creditors and provisions

## Potential Difference Theatre

### Notes to the financial statements for the year ended 30 September 2020

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

#### k) Financial instruments

The Company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

## 2 Legal status of the Company

The Company is a company limited by guarantee and has no share capital. 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.

## 3 Income from charitable activities and other income

	2020 Unrestricted	2020 Restricted	2020 Total	2019 Unrestricted Restated	2019 Restricted	2019 Total Restated
	£	£	£	£	£	£
Earned income from theatre productions	-	-	-	-	-	-
Commission	-	2,383	2,383	-	-	-
Creative technology fees	-	-	-	-	-	-
Theatre Tax Relief (see note 10)	3,334	-	3,334	1,760	-	1,760
Theatre Tax Relief adjustments 2018	-	-	-	2463	-	2,463
Other	8	-	8	3	-	3
	<b>3,342</b>	<b>2,383</b>	<b>5,725</b>	<b>4,226</b>	<b>-</b>	<b>4,226</b>

# Potential Difference Theatre

Notes to the financial statements for the year ended 30 September 2020

## 4 Analysis of expenditure on charitable activities

	2020	2020	2020	2019	2019	2019
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	£	£	£	£	£	£
Production fees	3,500	21,128	24,628	-	3,355	3,355
Venue hire and fees	-	2,898	2,898	-	707	707
Marketing / PR	285	3,284	3,569	-	240	240
Production materials	90	1,195	1,285	-	44	44
Travel and subsistence	22	2,292	2,315	-	380	380
Production insurance	382	-	382	-	109	109
Covid-related costs	3,077	638	3,715	-	-	-
Artistic team fees	2,303	-	2,303	3,727	-	3,727
Governance costs (see note 5)	18	-	18	45	-	45
Support costs	585	-	585	805	-	805
Independent examination	-	-	-	-	-	-
	<b>10,262</b>	<b>31,435</b>	<b>41,697</b>	<b>4,577</b>	<b>4,835</b>	<b>9,412</b>

Restricted fund expenditure relates to expenditure directly attributable to the Fragments project.

The Independent Examination is provided free of charge. The estimated benefit in kind is £2,500 (2019: £nil). This has not been recognised with the Statement of Financial Activity. No Independent Examination was required in the prior year.

Artistic team fees includes time spent in management of the charitable company but predominantly relate to seed development of projects.

During the current and prior year, the charity benefited from the time of a volunteer who supported with minute taking at board meetings and a few administrative tasks.

During the current and prior year, the charity benefited from the time of a number of volunteer academics who gave their time for free in both consulting and speaking at talks hosted by the charity. The charity also benefitted from the significant contribution of Dr Laura Swift of the Open University, in her work in co-writing and other work on Fragments.

## 5 Analysis of governance costs

The Company considers that all appropriate governance related costs have been attributed to governance.

## 6 Trustee remuneration

The charity trustees were not paid nor did they receive any other benefits from employment with the Company in the year (2019: £nil) neither were they reimbursed expenses during the year (2019: £nil). No charity trustee received payment for professional or other services supplied to the charity (2019: £nil).

# Potential Difference Theatre

Notes to the financial statements for the year ended 30 September 2020

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## 7 Related party transactions

There were no transactions to related parties during the year.

## 8 Hardship Payments

During the year due to the exceptional circumstances of the pandemic a number of hardship payments were made to actors to ensure they could continue in the profession. This amount totalled £3,077 (2019: £nil).

## 9 Government Grants

Included within grant income is performance related grants received from the Arts Council England of £14,240 (2019: £nil) to fund the artistic and theatrical programme of the Potential Difference Theatre.

## 10 Corporation Taxation

The charity is exempt from tax on income and gains falling within section 505 of the Taxes Act 1988 or section 252 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects.

The charity has accrued recoverable Theatre Tax Relief of £3,334 (2019: £697).

## 11 Debtors

	2020	2019
	£	£
Accounts receivable	-	82
Prepayments and accrued income	847	-
Theatre Tax Relief receivable	4,031	4,920
	<u>4,878</u>	<u>5,002</u>

## 12 Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	-	-
Accruals and deferred income	39,952	1,469
	<u>39,952</u>	<u>1,469</u>

Accruals and deferred income for the year are as follows:

### Accruals

	2020	2019
	£	£
Accrued expenses	2,188	1,469
	<u>2,188</u>	<u>1,469</u>

# Potential Difference Theatre

## Notes to the financial statements for the year ended 30 September 2020

### Deferred income

	2020	2019
	£	£
Government grants	12,522	-
Other charitable grants	25,242	-
	<u>37,765</u>	<u>-</u>

Grants related to productions that did not take place in 2020 have been deferred to 2021.

### 13 Analysis of charitable funds

	2020 Unrestricted £	2020 Restricted £	2020 Total £	2019 Unrestricted £	2019 Restricted £	2019 Total £
Balance 1 October	25,438	1,911	27,349	13,980	1,425	15,405
Income	32,239	31,085	63,324	16,538	4,818	21,356
Expenditure	(10,262)	(31,435)	(41,697)	(4,577)	(4,835)	(9,412)
Transfer between reserves	(8,174)	8,174	-	(503)	503	-
Balance at 30 September	<u>39,241</u>	<u>9,735</u>	<u>48,976</u>	<u>25,438</u>	<u>1,911</u>	<u>27,349</u>

Allocation of assets between funds:

	2020 Unrestricted £	2020 Restricted £	2020 Total £	2019 Unrestricted £	2019 Restricted £	2019 Total £
Debtors	4,031	847	4,878	4,920	82	5,002
Cash at bank	50,726	33,324	84,050	21,752	2,064	23,816
Creditors	(15,516)	(24,436)	(39,952)	(1,234)	(235)	(1,469)
Net assets	<u>39,241</u>	<u>9,735</u>	<u>48,976</u>	<u>25,438</u>	<u>1,911</u>	<u>27,349</u>

Name of restricted fund	Description, nature and purposes of the fund
Fragments fund	To fund the Fragments production.
Classbot	To fund the Classbot production.
Digital Natives	To fund the Digital Natives production

Unrestricted funds totalling £8,174 (2019 - £503) have been transferred to the restricted fund in relation to core budget expenditure allocated to the restricted funds and in relation to general reserves applied to restricted fund activities.