

Potential Difference Theatre

(A Company Limited by Guarantee)

Report and unaudited Financial Statements for the year ended 30 September 2022

Company number: 08674697 (England and Wales)

Charity number: 1166204

Potential Difference Theatre

Contents

	Page
Reference and administration details	1
Trustees’ report	2 - 9
Independent Examiner’s report to the trustees	10-11
Statement of Financial Activities	12
Balance sheet	13
Notes to the financial statements	15-20

Potential Difference Theatre

Reference and administration details

Directors 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 2022

The trustees are pleased to present their annual trustees' report together with the financial statements of the charity for the year ending 30 September 2022 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 engage, excite and inspire 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 stimulate debate.

We develop new technology and strive to use it to create new sorts of narrative experiences that challenge theatre's 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 2022

Activities and achievements of the year

Alongside the rest of the theatre industry, 2022 saw us able to resume in person activities and to be able to start planning activities further ahead than has been possible for the last few years. In particular, we were able to deliver one of our larger projects, Classbot 450.

‘CLASSBOT 450’

The main focus of the year was the delivery of a pilot of our project Classbot 450, made in co-production with KIT Theatre. The pilot built on successful research and development projects during 2020 and 2021. Having had to cancel delivery a number of times due to the COVID-19 pandemic, we were delighted to realise the project at two primary schools in June.

Classbot 450 is an interactive adventure that erupts unexpectedly in primary schools, taking over their normal school life for a week. It is designed to address the urgent need for support in delivering coding education in primary schools. It uses live immersive drama and an accessible coding interface to offer an intensive and engaging series of coding workshops to year 3 or 4 pupils expanding on areas of the Key Stage 2 curriculum. It also encourages children across the whole of the primary age group to engage with some of the philosophical and economic questions posed by the massive advancements in Artificial Intelligence anticipated over the next 30 years. We presented Classbot to 1,180 children at Salusbury Primary School, a 3 form entry school in Brent, and Brentfield, a 2.5 form entry school in Brent.

The adventure began when every child was called to an assembly where they were informed the school was part of a “new government initiative”: the Classbot 450 programme. They would be part of testing the world’s first robot teacher over the next week. LeX, the robot (who was played by an actor in a robot suit) was then unveiled from her charging pod and bombarded with questions by the children.

However, during her first trial teaching session, LeX started to glitch before malfunctioning dramatically while attempting to write an answer on the whiteboard. Her human minders had no idea what to do, but the children discovered a label on her suit that directed them to LeX’s “coding interface”. This was a custom website that we developed for the project allowing children to design their own programs to run on LeX. These programs consisted of simple building blocks to give LeX instructions (such as “walk two steps forward” or “turn 90 degrees to your left”) that could be combined into sophisticated programs to solve real world problems. Using our own technology developed for the project, these instructions were converted into audio and relayed to the actor portraying LeX via a hidden earpiece. LeX would then enact the children’s programs in real time. The interface was modelled on existing the visual coding tools such as “Scratch” that the children use in school coding lessons. It was used over the week to offer a variety of coding challenges to help LeX and advance the story.

On discovering the coding interface, the children were able to fix the broken instructions which had made LeX unable to reach the whiteboard. Unfortunately, while uploading the new instructions to LeX, her memories were accidentally wiped, and she forgot how to be a teacher. Attempting to fix this, LeX visited all other classes in the school aged 4-11, to get their input on different things a teacher would need to be able to do. For younger age groups, this involved simple workshops such as introducing LeX to their classrooms, teaching her what a song or a story was. While older year

Potential Difference Theatre

Report of the trustees for the year ending 30 September 2022

groups had more sophisticated tasks such as experimenting with how to configure LeX's personality to give her the traits she needed to be a good teacher.

With all this information uploaded to LeX, she was switched back on during a whole school assembly, and it was discovered she had suddenly become fully conscious and self-aware. As pupils started to explore the philosophical implications of a completely conscious robot LeX's misguided creator Agatha got in touch with the news that she would be coming to the school to observe whether she was truly conscious, before taking her away to take her apart and switch her off forever. This led to a dramatic final act in which every year group was assigned a different task to help LeX escape such as programming her to be stealthy or debating with Agatha about the ethics of shutting her down. The action culminated in a showdown via Zoom between LeX, at Euston Station, and Agatha, who was still hunting for her in the school. Thanks to the hard work of the children in distracting Agatha, arguing with her, and opening her emotions to the idea of a conscious robot, she agreed to let LeX go and live her own life.

The pilot was highly successful, and we believe it was of great benefit to the children taking part. It sparked children's imaginations and gave them a central role in the story with their choices and actions critical to helping LeX. We believe they will remember their experiences for a very long time.

"Even now the children are still asking, where his Lex, how is she doing? Is she going to be visiting again?" (Y3 teacher, Salusbury)

The narrative, workshops and tasks gave children a framework and motivation to engage with the role of AI, robotics, and automation in the world they are growing up. Children and teachers became caught up in activities and discussions around how they felt about having a robot teacher such as: how a robot should be allowed to behave; whether it should be allowed to tell a lie; whether robots could be conscious and what it might mean if they were. These conversations expanded into other lessons during the week and spilt into the school corridors and playground.

"My class found the whole experience incredibly immersive, adventurous, educational, and an epic learning journey all about coding. By the end of the adventure most of the class had (also) developed a keener understanding of the philosophical questions raised via Lex." (Y3 teacher, Salusbury)

Our unique approach to allowing children to write and execute programs on LeX proved particularly compelling. During the pilot, 180 pupils in years 3 and 4 had intensive coding workshops, based around the Key Stage 2 curriculum. These were designed to be accessible to any coding ability while being able to challenge those who were more confident. Teachers reported far higher engagement than normal, especially from children with special educational needs (SEN) or those with English as an additional language (EAL) – groups who often struggle with coding. During the coding exercises, children were not thinking about solving a problem on a screen but how to help this live three-dimensional robot in front of them. Every child had the chance to see their programs running on LeX and to debug and fix them in real time. And by having a human actor enacting these program, she was able to add humour, apply judgement or provide hints to help make failure less frustrating.

"It was able to engage children in learning coding without realising they were doing so. It provoked a wider philosophical debate among the older students. All children wanted to help Lex escape regardless of age". (Assistant Headteacher, Salusbury)

Potential Difference Theatre

Report of the trustees for the year ending 30 September 2022

Through building a relationship with LeX and giving the children agency to help her, and to advance the narrative, through coding tasks, the children were better able to access the curriculum. While the non-coding activities, such as creative writing assignments, debating tasks, and performance workshops, gave children a context where science and arts subjects were brought together.

Classbot created a high level of engagement from children who often engage less with STEM activities both at school and in their lives beyond. We were particularly pleased to hear from teachers about the impact Classbot had on SEN and EAL children.

“Some of the children, especially my special needs children and the EAL as well... they don’t always get involved or can’t always access the curriculum. Usually, they would look at someone more able with a bit more experience. However, the way it was laid out for them, they were guided to work out where the bug was, the way you engage the narrative through the learning ensured that all children participated really well.” (Y3 teacher, Salusbury)”

Teachers also reported that they saw girls engaging with the project far more than usual for science and technology activities. In addition, parents became curious about the project and would ask about the robot at the school gates and in parent WhatsApp groups. In response, we brought LeX to the gates to meet parents at the end of the day. Teachers at Salusbury school commented that some of the parents reached in this way were not known to the school previously and so helped the school to engage with more parents, particularly those from disadvantaged backgrounds.

We are grateful to John Lyon’s Charity for funding the pilot project. It also received additional support through grants to our partners KIT Theatre from Arts Council England and the Old Oak and Park Royal Development Corporation. The funding allowed us to offer the project free of charge to our two partner schools.

Overall, we were thrilled with the success of Classbot and the responses from children and teachers. We believe it is a project that uniquely combines our skills using technology, storytelling, and the power of live experiences to inspire audiences to engage with complex ideas, as well as the skills of our partners KIT Theatre in using immersive performance to create transformative educational adventures in school environments. Following the success of the project, we are delighted to have been awarded a three-year grant from John Lyon’s Charity to refine and scale up the production and deliver it in many more primary schools between 2024 and 2026.

We found that a lot of children who may not normally be as engaged in written work, were really engaged with LeX, and they formed a connection with her and they were waving at her in the halls, they were high fiving her... Their number one priority was how can we help LeX have this good life where she is happy... Overall, they were really engaged in the learning. They saw the problems that the team presented, the coding problems, and they thought of real-world ways to solve those problems... it made them a lot more engaged in computing, robotics and just technology in general. (Assistant Headteacher, Salusbury)

Potential Difference Theatre

Report of the trustees for the year ending 30 September 2022

'FRAGMENTS'

After many years in development, we had planned to present a production of *Fragments* in April 2022. However, the sharp rise in covid cases over December and January during the Omicron wave made continuing on this timescale an unacceptable risk. *Fragments* will be our largest project to date and the delays and disruption that would be caused by a covid case getting into the company or creative team could easily have left us unable to produce, so it was decided to cancel production once again. However, over the year we were able to continue with script development, run a number of workshops with actors and creatives, and to re-engage partners and make plans towards production in Spring 2023. Our funders remain supportive to this timetable and key partners and members of the creative team are committed to the project. We look forward to producing it in 2023.

Future Plans

Next year will see the finished production of our new play *Fragments* which will run at The Playground Theatre London and tour to the Old Fire Station, Oxford, alongside a wide programme of events, workshops, and films.

We also hope to resume development of our early pilot *The Invisible Friend*, alongside some other future projects, and to put plans in place for the wider rollout of *Classbot* over the next 3 years.

Ongoing impact of COVID-19 on the charity

This was the first year since the pandemic in which we were largely able to resume normal activities without requiring significant adaptations for COVID. We have been able to relax most of our practices for working safely around COVID-19 and that has greatly eased the planning and coordination that must be done around each project. However, the pandemic continued to have an impact on our work.

As noted above, it led to deferral of activities on *Fragments*. It also greatly complicated our planning and delivery of *Classbot*. Teachers have faced greater pressures than before in trying to make up for two disrupted years of education as a result, schools have been slow to welcome back large external projects. This made it hard to get schools to commit to the project dates and the delivery timetable for *Classbot* had to be moved twice during the year and was only confirmed at extremely short notice. This led to work being delivered in a very condensed timeframe and put more burden on the team managing the project.

In resuming delivery of larger scale in-person projects, we are required to put a lot more thought and effort into contingency planning and building resilience into our project teams around illness. We generally cannot afford the additional cost and complexity of understudies, or to provide cover for every team member in case of illness. This means that must be comfortable with a higher level of risk to a project's delivery than would previously have felt acceptable. As in previous years, 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 2022

The pandemic has had a significant impact on the size of the freelance workforce, their wellbeing and capacity to take on work that continues to make it challenging to hire staff for projects. We expect these impacts to be felt within the industry for a number of years to come.

We continue to benefit from the increased interest in use to technology across the sector. Classbot has been an excellent showcase of our unique approach to working with technology and we have two further projects in development that combine live performance and digital technology that should be able to capitalise on this trend.

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 2021/22 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 (resigned 22/09/22)

J Baggaley

L Osepciu

Potential Difference Theatre

Report of the trustees for the year ending 30 September 2022

I Khaliq

T Strack

Governing Document

Potential Difference Theatre is a company limited by guarantee governed by its Memorandum and Articles of Association dated 29th 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.

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

Potential Difference Theatre


Report of the trustees for the year ending 30 September 2022

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


.....
J Baggaley

Potential Difference Theatre

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

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 2022 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

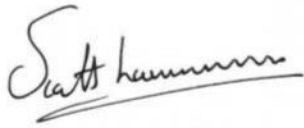
I have completed my examination. I confirm that no material matters have come to my attention in connection with the examination giving me cause to believe that in any material respect:

- 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

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.

A handwritten signature in black ink, appearing to read 'Scott Lawrence', with a horizontal line underneath.

Scott Lawrence FCA DChA

Date: 29 June 2023

Potential Difference Theatre

Statement of Financial Activities (including income and expenditure account)

for the year ended 30 September 2022

		2022	2022	2022	2021	2021	2021
		Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
		£	£	£	£	£	£
	Note						
Income:							
Donations		12,500	-	12,500	25,056	45	25,101
Charitable activities	3	8,337	3,368	11,705	5,319	2,189	7,508
Grants	8	-	21,819	21,819	2,790	25,095	27,885
		20,837	25,187	46,024	33,165	27,329	60,494
Expenditure:							
Expenditure on charitable activities	4	(10,991)	(27,711)	(38,702)	(14,751)	(23,573)	(38,324)
Total Expenditure		(10,991)	(27,711)	(38,702)	(14,751)	(23,573)	(38,324)
Net (expenditure) / income		9,846	(2,524)	7,322	18,414	3,756	22,170
Transfer between funds	12	(2,492)	2,492	-	(4,221) ¹	4,221 ¹	-
Net movement in funds		7,354	(32)	7,322	14,193¹	7,977¹	22,170
Reconciliation of funds							
Total funds brought forward		53,434 ¹	17,712 ¹	71,146	39,241	9,735	48,976
Total funds carried forward		60,788	17,680	78,468	53,434¹	17,712¹	71,146

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

¹ A prior year reserve allocation adjustment has been made for covid-related funding. Totals remain unaffected

Potential Difference Theatre

Balance Sheet as at 30 September 2022

		2022 £	2021 £
Current assets			
Debtors	10	14,523	9,434
Cash at bank		87,621	95,958
		102,144	105,392
Creditors: amounts falling due within one year	11	(23,676)	(34,246)
Net assets		78,468	71,146
The funds of the charity			
Unrestricted income funds	12	60,788	53,434 ¹
Restricted income funds	12	17,680	17,712 ¹
Total charity funds		78,468	71,146

¹ A prior year reserve allocation adjustment has been made for covid-related funding. Totals remain unaffected

The charitable company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 30 September 2022.

The members have not required the company to obtain an audit of its financial statements for the year ended 30 September in accordance with Section 476 of the Companies Act 2006.

The trustees acknowledge their responsibilities for

(a) ensuring that the charitable company keeps accounting records that comply with Sections 386 and 387 of the Companies Act 2006 and

(b) preparing financial statements which give a true and fair view of the state of affairs of the charitable company as at the end of each financial year and of its surplus or deficit for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the charitable company.

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.

Potential Difference Theatre

Balance Sheet as at 30 September 2022

29/6/2023

The financial statements were approved by the trustees on and signed on its behalf by:

James Baggaley
.....

J Baggaley
Company number: 08674697 (England and Wales)

Potential Difference Theatre

Notes to the financial statements for the year ended 30 September 2022

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) 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.

d) 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

Potential Difference Theatre

Notes to the financial statements for the year ended 30 September 2022

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.

e) 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.

f) 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.

g) 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.

h) 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.

i) Creditors and provisions

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.

Potential Difference Theatre

Notes to the financial statements for the year ended 30 September 2022

j) 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

	2022	2022	2022	2021	2021	2021
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	£	£	£	£	£	£
Earned income from theatre productions	11	-	11	-	90	90
Commissioned charitable activities	752	3,368	4,120	4,285	2,099	6,384
Theatre Tax Relief (see note 10)	7,443	-	7,443	2,080	-	2,080
Theatre Tax Relief adjustments 2019	-	-	-	(1,049)	-	(1,049)
Other	131	-	131	4	-	4
	8,337	3,368	11,705	5,320	2,189	7,509

Potential Difference Theatre

Notes to the financial statements for the year ended 30 September 2022

4 Analysis of expenditure on charitable activities

	2022 Unrestricted	2022 Restricted	2022 Total	2021 Unrestricted	2021 Restricted	2021 Total
	£	£	£	£	£	£
Production fees	3,699	22,866	26,565	5,250	19,759	25,009
Venue hire and fees	-	667	667	180	1,608	1,788
Marketing / PR	156	1,056	1,212	1,566	150	1,716
Other production costs	-	1,394	1,394	126	974	1,100
Travel and subsistence	295	1,728	2,023	79	319	398
Production insurance	319	-	319	235	-	235
Covid-related costs	-	-	-	-	763	763
Artistic team fees	3,386	-	3,386	4,234	-	4,234
Governance costs (see note 5)	-	-	-	31	-	31
Support costs	472	-	472	680	-	680
Independent examination	2,664	-	2,664	2,370	-	2,370
	10,991	27,711	38,702	14,751	23,573	38,324

Restricted fund expenditure relates to expenditure directly attributable to the “Fragments”, “Classbot”, “Digital Natives” and “Theatre in a time of COVID” restricted projects.

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

The charity 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 (2021: £nil) neither were they reimbursed expenses during the year (2021: £nil). No charity trustee received payment for professional or other services supplied to the charity (2021: £nil).

7 Related party transactions

There were no transactions to related parties during the year.

8 Government Grants

No government grant income was received in 2022 (2021: £nil)

Potential Difference Theatre

Notes to the financial statements for the year ended 30 September 2022

9 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 £7,443 (2021: £2,080).

10 Debtors

	2022	2021
	£	£
Accounts receivable	-	13
Prepayments and accrued income	2,500	-
Theatre Tax Relief receivable	9,523	4,364
Gift Aid receivable	2,500	5,057
	<u>14,523</u>	<u>9,434</u>

11 Creditors: amounts falling due within one year

	2022	2021
	£	£
Accounts Payable	210	-
Accruals and deferred income	23,466	34,246
	<u>23,676</u>	<u>34,246</u>

Accruals and deferred income for the year are as follows:

Accruals

	2022	2021
	£	£
Accrued expenses	13,053	3,631
	<u>13,053</u>	<u>3,631</u>

Deferred income

	2022	2021
	£	£
Government grants	9,155	9,155
Other charitable grants	-	21,460
Commissioned activities	1,259	-
	<u>10,414</u>	<u>30,615</u>

Grants and commissioned activities related to productions that did not take place in 2022 have been deferred to 2023.

Potential Difference Theatre

Notes to the financial statements for the year ended 30 September 2022

12 Analysis of charitable funds

	2022 Unrestricted £	2022 Restricted £	2022 Total £	2021 Unrestricted £	2021 Restricted £	2021 Total £
Balance 1 October	53,434 ¹	17,712 ¹	71,146	39,241	9,735	48,976
Income	20,837	25,187	46,024	33,165	27,329	60,494
Expenditure	(10,991)	(27,711)	(38,702)	(14,751)	(23,573)	(38,324)
Transfer between reserves	(2,492)	2,492	-	(4,221) ¹	4,221 ¹	-
Balance at 30 September	60,788	17,680	78,468	53,434¹	17,712¹	71,146

¹ A prior year reserve allocation adjustment has been made for covid-related funding. Totals remain unaffected

Allocation of assets between funds:

	2022 Unrestricted £	2022 Restricted £	2022 Total £	2021 Unrestricted £	2021 Restricted £	2021 Total £
Debtors	12,023	2,500	14,523	9,434	-	9,434
Cash at bank	54,800	32,821	87,621	46,942 ¹	49,016 ¹	95,958
Creditors	(6,035)	(17,641)	(23,676)	(2,942)	(31,304)	(34,246)
Net assets	60,788	17,680	78,468	53,434¹	17,712¹	71,146

¹ A prior year reserve allocation adjustment has been made for covid-related funding. Totals remain unaffected

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 (no activity in 2022)
Theatre in a time of Covid	To fund the "Making theatre in a time of COVID" productions (no activity in 2022)

Unrestricted funds totalling £2,492 (2021 - £4,221 after adjusting for covid-related funding) 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.