Charity Registration No. 1147318

Company Registration No. 02063893 (England and Wales)

SOFT TOUCH ARTS LIMITED

TRUSTEES REPORT
AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 MARCH 2017

SOFT TOUCH ARTS LIMITED

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	G Brigden (Chairman) TJ Burke (Vice Chairman) KM Hudson (Honorary Treasurer) VJ Attwood N Diamond J Crofton D Myers SK Norman HD Pearson CR Spence CC Wigmore
Charity number	1147318
Company number	02063893
Principal address	50 New Walk Leicester LE1 6TF
Registered office	50 New Walk Leicester LE1 6TF
Auditor	Newby Castleman LLP West Walk Building 110 Regent Road Leicester LE1 7LT
Bankers	National Westminster Bank Plc 1 Granby Street Leicester LE1 6EJ

SOFT TOUCH ARTS LIMITED

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SOFT TOUCH ARTS LIMITED

TRUSTEES' REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The trustees who are also directors of the charitable company present their report and financial statements for the year ended 31 March 2017.

The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the charity's governing document, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), Accounting and Reporting by Charities: Statement of Recommended Practice for charities applying FRS 102, the Charities Act 2011, the Companies Act 2006 and UK Generally Accepted Accounting Practice.

OBJECTIVES AND ACTIVITIES

The charity's objects per the Articles of Association are as follows:

1. To advance the education of the public in the appreciation and practice of the arts.

2. To relieve the needs of those who are most disadvantaged in society by way of social and economic deprivation, mental and physical disability and vulnerable physical circumstance, such as being in care or homeless, through participation in the arts, in particular but not exclusively through the creation of music, film and video, multimedia installations, sculpture, drama and graphic designs with the aim of improving their quality of life.

3. To advance education, learning and personal development for the public benefit in particular but not limited to promoting the development of skills and aptitudes (such as creative expression, self-confidence, group working and communication) through participation in the arts in all their forms.

History and Background of Soft Touch Arts
Soft Touch Arts was formed in 1986 by a group of 4 like-minded creative and passionate young people that understood how powerful the arts and creativity could be as a way to support disadvantaged young people to access alternative opportunities to develop self-belief, skills and a sense of purpose.

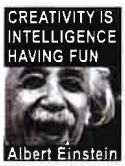
This ethos still runs true today and Soft Touch Arts has grown into a well-respected, award-winning charity that supports around 1,600 young people with challenges in their lives each year (mainly in the 13-25 age group); to access creative projects which help them with personal and social development, improved well-being, life skills and progression with education and employment goals.

Our vision:
For children, young people and families in Leicester and Leicestershire to enjoy happy and healthy lives and make a positive contribution to their community.

Purpose:
Create opportunity for and change the lives of the most disadvantaged young people in Leicester city and Leicestershire using creative engagement & progression opportunities.

Mission:
- Inspire and engage young people with challenges that are holding them back by involving them in enjoyable high-quality creative experiences.
- Support individual development and progression through in-depth creative projects which facilitate individual wellbeing, learning and development of personal and social skills.
- Unlock untapped potential, hidden depths and talent, and facilitate positive progression through mentoring, volunteering and work experience.

Our Values



Our values of creativity, respect, integrity, co-operation and caring, shape the way we engage children and young people who are struggling because of the life challenges they face. Experience and evaluation show that the creative processes we use (music, art, film, fashion, craft, cooking) are fun, inspiring and help people to feel good about themselves. The quality of the process, with creativity at its heart, along with the engagement skills of our staff, fosters trust, unlocks self-belief and untapped talent and inspires young people to feel valued as members of their communities and to aspire to a more positive future.

The need/case for support

If you don't have the security of a happy and stable home or have problems relating to others it can be difficult to view the future positively and know how to move forward. It can seem easier to withdraw from or fight against society. Leicester has one of the highest levels of child poverty in England, 36%. Children that live in poverty are more likely to leave school without 5 good GCSEs, and have low aspirations and an uncertain or insecure future in terms of finding employment. They are at increased risk of teenage pregnancy, drug use and anti-social behaviour. They have multiple challenges at an important transition point in their lives where their more privileged peers are far more likely to go into further education or find jobs.

Our Model of Working – Access – Develop – Progress

We have a 3-stage process which takes young people with challenging lives on a developmental journey; through accessing positive and inspiring activities, developing creative and life skills and giving them opportunities to progress in a positive way. To do this we work with a range of funders and partners from the public sector and business community, to ensure we have robust support mechanisms and progression opportunities for each young person we work with.

What we do

The young people we work with have chaotic home lives, are in the care system, have mental health and behaviour issues, learning or physical disabilities, have been in trouble or in prison, or live in homes with very low incomes. They struggle to access activities that benefit their personal development, health and wellbeing and have often missed out on, or been failed by mainstream education.

Soft Touch Arts has been using creative projects to engage and bring out the best in young people that the system has failed in Leicestershire since 1986. Our creative projects unlock creativity, facilitate self-expression and a sense of purpose, and support the development of personal and social skills. We support young people to have a more positive outlook and introduce them to new and inspiring opportunities, people and places.

Our work has kept young people out of prison, helped them re-engage with education, gives them employability skills and improves health and wellbeing and social and communication skills. You can see what young people say about the impact of our work here https://binged.it/2oyD0MD.
In 2015 we opened Leicester's first youth arts and heritage centre, the result of a £1.2 million fundraising and development campaign. We now have a fantastic creative resource for programme delivery and to help the charity to be more sustainable through generating income to reinvest into our core work and be less reliant on grant and public sector funding. However, the opportunities the building brings, is tempered by the challenge in having development time for a director to put into place new ways of working and generating income to make our charity more sustainable.

This year we have reviewed our strategic vision and set a 10-year mission to be more focused in our delivery to ensure that young people have the opportunity to engage in longer-term personal development opportunities. Our Access – Develop – Progress model will underpin our fundraising strategy and operation from 2017 onwards. Our current challenge is to secure more resources and generate income in our 'progress stage' to give young people opportunities to grow through work experience, mentoring and involvement in creative enterprise activities.

Public Benefit Statement
The trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the charity's aim and objectives.

The charity provides public benefit through the services provided to disadvantaged young people in Leicester city and Leicestershire.

ACHIEVEMENTS AND PERFORMANCE

Headline statistics;

- 1,658 individuals engaged in our activities for the year ended 31 March 2017.
- 3,339 attended events (exhibitions, performances etc).
- 781 (47.1%) of participants attended 3 or more times.

Capacity Building Work
We were successful in obtaining funding for two capacity building projects through the year. The Local Sustainability Fund was awarded by the Big Lottery against strong competition and has enabled us to really concentrate on our strategy for the next 10 years, which includes developing and starting to implement a succession plan for the salaried directors. We have been supported in this work by a consultant from Eastside Primetimers. The grant enabled us to employ an Operations Manager for 9 months as well providing backfill to enable one of the directors to concentrate on this piece of important work.

Capacity building funding was included with the award of funding for the UPSTart programme from the Big Lottery. An initial consultation identified that this piece of work should concentrate on the future of financial management for the organisation as a part of succession planning. Working together with a financial consultant from Eastside Primetimers, the part-time role of Financial Manager has been identified and funding for this has been found within original budgets.

Programme work
Demand for our work has continued to be high. We continue to work on expanding our sources of income as traditional sources such as grants, local authority commissions get scarcer. Examples of this include:

- Sponsorship of the 30th Year Celebration exhibition from four different organisations.
- Sponsorship from Glynis Wright & Co Family Solicitors & Mediators to work with young people to produce the 'Pulled Both Ways' films encouraging separating parents to recognise the impact on their children of separation and encouraging mediation as a positive approach.

Highlights of programme work include:

UpSTart
UpSTart is a five-year Big Lottery funded follow-up to the Big Up programme, covering the areas of New Parks, Beaumont Leys, Mowmacre Hill and Stocking Farm. The three stage programme aimed to engage young people in their communities and then bring them to Soft Touch Arts to develop and progress. The programme offered opportunities as well, for example; to undertake creative activities leading to exhibitions or performances, learning new skills through working in the Soft Touch Arts Smashing café, having a mentor, gaining an Arts Award accreditation, and opportunities to volunteer and be ambassadors for Soft Touch Arts.

Creative Studio
The Creative Studio alternative education programme has continued to expand over the current year with more and more young people from an expanding range of organisations being referred to the programme.

The programme provides alternative education for individuals or small groups of young people who are either not currently attending mainstream education or will benefit from the individual attention. Most of the young people are quite vulnerable and react positively to the range of creative activities on offer, the informal and safe environment, and the skills and care of the Soft Touch Arts staff.

Mixt-Up Symphonise project
The Symphonise project was delivered in partnership with the Philharmonia Orchestra as a part of the three-year Mixt-Up music programme. 20 young people from three schools came together for an intensive week, working with Soft Touch Arts and Philharmonia musicians in a blend of classical and contemporary styles to create three movements of music inspired by the life and work of Beethoven. Some were performing using instruments they had not played before this project. The project culminated in a performance at the New Walk Museum and Art Gallery in Leicester to a packed and highly appreciative audience.

Prison work
Work with young prisoners at Glen Parva YOI has continued through the year with an exhibition held at Soft Touch Arts in the summer and work submitted to the annual Koestler Awards for prison art. Unfortunately the prison has now been closed and a twenty year plus relationship has come to an end. However, we have, for the first time, also been working in Leicester Prison and have made strong connections there. We are currently submitting an application for a three-year programme of prison work in association with Leicestershire Partnership NHS Trust and De Montfort University.

sMASHing
Our professional kitchen has enabled the sMASHing project to take place with funding from the Esmée Fairbairn Foundation. A weekly café open to the public gives young people the opportunity to learn a wide variety of skills from cooking to waiting and front of house. The café is attracting regular clientele as well as new customers each week and any profit gets put back into Soft Touch Arts.

Fundraising activities
Work has continued to diversify income streams. Soft Touch Arts was successful in having Arts Council National Portfolio Organisation funding renewed for a further three years which is very welcome, but there is still a lot of other income that needs to be raised. We have continued to be successful in most of our grant applications despite increasing competition, and the Creative Studio programme in particular has ensured that we continue to bring in a healthy amount of fee income. The Business Panel has been active in running a number of different fundraising activities on our behalf. Work on gaining sponsorship and donations has proved fruitful and space is being rented on a regular basis.

Awards
Soft Touch Arts has been successful in gaining several awards in our 30th year. These are:

- The East Midlands Chamber of Commerce Social Impact Award.
- The Niche Business Awards 'Shaping Tomorrows Leaders' Award
- The Royal Institute of Chartered Surveyors East Midlands Community Benefit Award (for 50 New Walk)

We were also successful in gaining funding twice from the Rank Foundation's 'Time to Shine' scheme which enables us to employ two interns at the living wage.

FINANCIAL REVIEW

The results for the year ended 31 March 2017 are shown in the Statement of Financial Activities on page 10. This, together with the balance sheet on page 11, should be read in conjunction with the related notes which have been prepared in accordance with the Charities SORP (FRS 102).

Total income for the year amounted to £523,774 (2016 - £734,009). The principal funding source continued to be grant income. Total expenditure for the year amounted to £575,540 (2016 - £529,388). A breakdown of expenditure is set out in notes to the financial statements.

After transfers between funds, there was a deficit on general funds for the year totalling £1,196, a deficit on designated funds totalling £5,006 and a deficit on restricted funds totalling £45,564. This has resulted in a total decrease in funds for the year of £51,766.

Reserves
Reserves are needed to cover any immediate drop in income caused by external unforeseeable circumstances. It is the policy of the board of trustees to maintain unrestricted general reserves equivalent to three months unrestricted expenditure. Soft Touch Arts currently holds £127,770 of unrestricted general reserves, which is in excess of the policy requirement of approximately £60,000. However the charity's free reserves (unrestricted general funds less tangible fixed assets and long term liabilities – see note 24) are currently in deficit and total £9,087. The trustees are aware of this and are working to rectify the situation.

PLANS FOR THE FUTURE

Tailored programmes of creative activities for young people will continue as our core activity. Work continues on our succession planning and strategic vision. The new three-stage model is being put into place and we are working with a consultant on a more 'fit for purpose' fundraising strategy.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Soft Touch Arts Limited is a company limited by guarantee and is governed by its Memorandum and Articles of Association. It is a charity registered with the Charity Commission. The charity is based in Leicester and aims to engage with and change the lives of disadvantaged young people through the use of arts, media and music activities.

The following trustees / directors have served since 1 April 2016:

G Brigden (Chairman)
TJ Burke (Vice Chairman)
KM Hudson (Honorary Treasurer)
VJ Attwood
N Diamond
J Crofton
D Myers
SK Norman
HD Pearson
CR Spence
CC Wigmore

VJ Attwood, J Crofton, SK Norman, HD Pearson and CC Wigmore are the only salaried directors. These salaried directors deliver projects as well as operating as the charity's executive directors. The board meet on a periodic basis to make decisions on strategy and direct the management of the charity's affairs. The Articles of Association set out the required quota of salaried and voluntary directors at any one meeting of the board.

The trustees are appointed in accordance with the company's Articles of Association and are chosen to bring in the various knowledge, skills and experience required to meet the charity's objectives. New trustees are given a full induction programme when they join and are offered training opportunities.

At the AGM the board elects a Chairman, Vice Chairman and Treasurer for an annual term. On 17 November 2016 G Brigden was reappointed Chairman, TJ Burke was reappointed Vice Chairman, and K Hudson was reappointed Honorary Treasurer.

Risk Management
The trustees have identified and reviewed the major risks to which the charity is exposed and procedures have been established to mitigate these risks.

The main key risks for the charity:

- Long term funding – opportunities for grant and fee based income is continuing to decline coupled with greater competition for these funds and increased demand for our services. The core funding we receive from Arts Council England and Leicester City Council is also continually under threat to either reduce or be cut completely. We have been working for several years now on a strategy to diversify and widen our income together with a detailed long-term fundraising strategy, which is reviewed and updated regularly.

- Sudden changes to access certain sources of funding, for example the end of access to European funding, changes in policy about education resulting in the end of funding for the Creative Studio programme.

- Succession planning not going to plan or not being enacted on time, leaving a gap in knowledge and skills as the salaried directors retire.

STATEMENT OF TRUSTEES' RESPONSIBILITES

The trustees (who are also directors of Soft Touch Arts Limited 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 law requires the trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure of the charitable company 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 in the Charities SORP (FRS 102);
- 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping adequate 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

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

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

AUDITORS

A resolution to reappoint Newby Castleman as our auditors will be put to members at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

On behalf of the board of trustees

.....
KM Hudson (Honorary Treasurer)
Trustee

Date 6.11.17

SOFT TOUCH ARTS LIMITED

INDEPENDENT AUDITOR'S REPORT
TO THE TRUSTEES OF SOFT TOUCH ARTS LIMITED

We have audited the financial statements of Soft Touch Arts Limited for the year ended 31 March 2017 set out on pages 10 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the charitable company's trustees, as a body, in accordance with regulations made under section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charitable company's trustees those matters we are required to state to them in an auditors' 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 trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor
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.

The trustees have elected for the financial statements to be audited in accordance with the Charities Act 2011 rather than the Companies Act 2006. Accordingly we have been appointed as auditors under section 145 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements.
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 2017 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE TRUSTEES OF SOFT TOUCH ARTS LIMITED

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustees' Report is inconsistent in any material respect with the financial statements; or
- the charitable company has not kept adequate accounting records; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Newby Castleman LLP

Newby Castleman LLP
Chartered Accountants
Statutory Auditor
West Walk Building
110 Regent Road
Leicester
LE1 7LT

8 December 2017

Newby Castleman LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

SOFT TOUCH ARTS LIMITED

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Unrestricted funds general £	Unrestricted funds designated £	Restricted funds £	Total 2017 £	Total 2016 £
Income from						
Donations	**3**	7,965	-	4,598	12,563	43,265
Charitable activities	**4**	208,356	-	277,633	485,989	673,959
Other trading activities	**5**	6,350	-	927	7,277	7,400
Investments	**6**	11,996	-	17	12,013	7,379
Other	**7**	5,880	-	52	5,932	2,006
Total		240,547	-	283,227	523,774	734,009
Expenditure on						
Raising funds	**8**	29,645	-	-	29,645	31,216
Charitable activities	**9**	206,519	5,006	332,963	544,488	498,172
Other	**14**	1,407	-	-	1,407	-
Total		237,571	5,006	332,963	575,540	529,388
Net income / (expenditure)		2,976	(5,006)	(49,736)	(51,766)	204,621
Transfers between funds		(4,172)	-	4,172	-	-
Net movement in funds		(1,196)	(5,006)	(45,564)	(51,766)	204,621
Reconciliation of funds						
Total funds brought forward		128,966	21,491	1,129,540	1,279,997	1,075,376
Total funds carried forward	**24**	127,770	16,485	1,083,976	1,228,231	1,279,997

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

All income and expenditure derive from continuing activities.

SOFT TOUCH ARTS LIMITED

BALANCE SHEET

AS AT 31 MARCH 2017

	Notes	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Tangible assets	**15**		1,205,457		1,211,477
Current assets					
Debtors	**17**	131,331		192,968	
Cash at bank and in hand		140,057		133,907	
		271,388		326,875	
Liabilities					
Creditors: amounts falling due within one year	**18**	(104,292)		(91,148)	
Net current assets			167,096		235,727
Total assets less current liabilities			1,372,553		1,447,204
Creditors: amounts falling due after more than one year	**19**		(144,322)		(167,207)
Net assets			1,228,231		1,279,997
The funds of the charity					
Restricted funds	**22**		1,083,976		1,129,540
Unrestricted funds:					
Designated	**23**	16,485		21,491	
General		127,770		128,966	
			144,255		150,457
Total charity funds	**24**		1,228,231		1,279,997

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

For the year ending 31 March 2017 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies but as this company is a charity, it is subject to audit under the Charities Act 2011.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question with accordance with section 476;
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

SOFT TOUCH ARTS LIMITED

BALANCE SHEET (CONTINUED)

AS AT 31 MARCH 2017

The financial statements were approved and authorised for issue by the board of trustees on 6 November 2017 and are signed on its behalf by:

KM Hudson (Honorary Treasurer)
Trustee

Company Registration No. 02063893

The notes on pages 14 - 31 form part of these financial statements.

SOFT TOUCH ARTS LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017		2016	
		£	£	£	£
Cash flows from operating activities					
Cash generated from operations	**26**		49,188		52,171
Investing activities					
Purchase of tangible fixed assets		(32,677)		(140,359)	
Proceeds on disposal of tangible fixed assets		-		248	
Investment income		12,013		7,379	
Net cash used in investing activities			(20,664)		(132,732)
Financing activities					
Repayment of directors' loan		(7,152)		(6,982)	
Repayment of ICOF and LCC loans		(15,222)		(12,456)	
Net cash used in financing activities			(22,374)		(19,438)
Net increase/(decrease) in cash and cash equivalents			6,150		(99,999)
Cash and cash equivalents at beginning of year			133,907		233,906
Cash and cash equivalents at end of year			140,057		133,907

1 Accounting policies

Charity information

Soft Touch Arts Limited is a private company limited by guarantee incorporated in England and Wales. 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 and place of business is given in the legal and administrative information page of these financial statements.

1.1 Basis of preparation

The charity is a Public Benefit Entity as defined by FRS 102. These financial statements have been prepared in accordance with: the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), Accounting and Reporting by Charities: Statement of Recommended Practice for charities applying FRS 102, the Charities Act 2011, the Companies Act 2006 and UK Generally Accepted Accounting Practice.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

These financial statements for the year ended 31 March 2017 are the first financial statements of Soft Touch Arts Limited prepared in accordance with FRS 102 and the Charities SORP FRS 102. The date of transition to FRS 102 was 1 April 2015. The reported financial position and financial performance for the previous period are not materially affected by the transition to FRS 102.

1.2 Going concern

At the time of approving the financial statements, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus the trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of their charitable objectives unless the funds have been designated for other purposes.

Designated funds comprise unrestricted funds which have been set aside at the discretion of the trustees for specific purposes. The purposes and uses of the designated funds are set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

1.4 Income recognition

Income is recognised when the charity is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

Cash donations are recognised on receipt. Other donations are recognised once the charity has been notified of the donation, unless performance conditions require deferral of the amount. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

1 Accounting policies **(Continued)**

Income from charitable activities includes income received from local authorities and other grant providers. Income from these categories is recognised at fair value when the charity has entitlement after any performance conditions have been met, it is probable that the income will be received and the amount can be measured with reliability. If entitlement is not met, then the amounts are deferred.

Income from trading activities comprises sponsorship income and income derived from fundraising events. Income is received in exchange for supplying goods and service and is recognised when entitlement occurs.

Investment income is earned through holding assets for investment purposes. It comprises bank interest and rental income, which are recognised on an accruals basis.

1.5 Expenditure recognition

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs relating to the category. Expenditure is recognised when there is a legal or constructive obligation to make payments to third parties, it is probable that settlement will be required and the amount of the obligation can be measured reliably. It is recognised under the following headings:

- Costs of raising funds - includes costs incurred in seeking donations, grants and fundraising.
- Expenditure on charitable activities - includes individual project costs to further the deliverance of the objectives of the charity.

Irrecoverable VAT is charged against the category of resources expensed for which it was incurred.

1.6 Support costs

Support costs are those that assist the work of the charity but do not directly represent charitable activities and costs of raising funds and include office costs, governance costs, and administrative payroll costs. They are incurred directly in support of expenditure on the objects of the charity. Support costs are allocated to costs of raising funds and expenditure on charitable activities on a basis consistent with use of the resources.

The analysis of these costs is included in note 11.

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Freehold land	Not depreciated
Freehold buildings	2% per annum of cost
Fixtures, fittings & equipment	10% per annum of net book value, straight line over 7 years & straight line over 3 years
Motor vehicles	20% per annum of net book value

1 Accounting policies **(Continued)**

1.8 Impairment of fixed assets

At each reporting end date, the charity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset, or the asset's cash generating unit, is estimated and compared to the carrying amount in order to determine the extent of the impairment loss (if any). Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in the Statement of Financial Activities (SOFA) unless the asset is carried at a revalued amount where the impairment loss is a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the SOFA, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments with original maturities of three months or less.

1.10 Financial instruments

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Debtors and creditors with no stated interest rate and receivable or payable within one year are measured at transaction price. Any losses arising from impairment are recognised in the Statement of Financial Activities.

1.11 Employee benefits

When employees have rendered service to the charity, short-term employee benefits to which the employees are entitled are recognised at the undiscounted amount expected to be paid in exchange for that service.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to the SOFA on a straight line basis over the term of the relevant lease.

1.14 Taxation

Soft Touch Arts Limited is a registered charity and no taxation provision is required as its income from charitable activities falls within the various exemptions available to registered charities.

2 Critical accounting estimates and judgements

In the application of the charity's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty
The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Valuation of land and buildings
The valuation of land and buildings has been assessed by the trustees, who consider that the value in use by the charity is consistent with the value included in the accounts.

3 Donations

	Unrestricted funds £	Restricted funds £	Total 2017 £	Total 2016 £
Donations	7,965	4,598	12,563	43,265
Unrestricted funds				29,842
Restricted funds				13,423
				43,265

4 Charitable activities

	Unrestricted funds £	Restricted funds £	Total 2017 £	Total 2016 £
Arts activities	207,993	271,296	479,289	668,198
Catering activities	363	6,337	6,700	5,761
	208,356	277,633	485,989	673,959
Unrestricted funds				224,261
Restricted funds				449,698
				673,959
Income from charitable activities include the following:				
Core funding			117,810	116,871
Project grants			274,623	444,869
Project fees			93,556	112,219
			485,989	673,959

5 Other trading activities

	Unrestricted funds £	Restricted funds £	Total 2017 £	Total 2016 £
Sponsorship income	4,550	927	5,477	6,200
Fundraising events	1,800	-	1,800	1,200
	6,350	927	7,277	7,400
Unrestricted funds				1,200
Restricted funds				6,200
				7,400

6 Investments

	Unrestricted funds £	Restricted funds £	Total 2017 £	Total 2016 £
Rental income	11,951	17	11,968	7,350
Interest receivable	45	-	45	29
	11,996	17	12,013	7,379
Unrestricted funds				7,379
Restricted funds				-
				7,379

7 Other

	Unrestricted funds £	Restricted funds £	Total 2017 £	Total 2016 £
Net gain on disposal of tangible fixed assets	-	-	-	234
Other income	5,880	52	5,932	1,772
	5,880	52	5,932	2,006
Unrestricted funds				1,772
Restricted funds				234
				2,006

8 Raising funds

	Unrestricted funds £	Restricted funds £	Total 2017 £	Total 2016 £
Staff costs	29,645	-	29,645	31,216
Unrestricted funds				31,216
Restricted funds				-
				31,216

9 Charitable activities

	Activities undertaken directly Note 10 £	Support Costs Note 11 £	Total 2017 £	Total 2016 £
Arts and catering activities	351,283	193,205	544,488	498,172
Unrestricted funds - general			206,519	183,539
Unrestricted funds - designated			5,006	-
Restricted funds			332,963	314,633
			544,488	498,172

10 Activities undertaken directly

	2017 £	2016 £
Staff costs	245,663	228,658
Project costs	26,030	40,116
Motor and transport costs	2,993	3,891
Project worker costs	42,352	46,122
Consultancy costs	34,245	-
	351,283	318,787

11 Support costs

	2017 £	2016 £
Staff costs	79,776	68,086
Depreciation	37,290	37,377
Premises costs	21,225	13,357
Motor and transport costs	3,525	5,759
Audit fees	8,100	6,600
Printing, postage and stationery	4,194	5,860
Computer costs	6,840	8,872
Telephone	2,279	2,312
Legal and professional	12,698	14,626
Loan interest and bank charges	10,157	10,788
Irrecoverable VAT	6,078	4,373
Sundry	1,043	1,375
	193,205	179,385
Charitable activities	193,205	179,385

All support costs have been allocated to charitable activities based on their usage.

Support costs include governance costs totalling £76,186 (2016: £80,083) which comprise a proportion of staff costs and audit fees.

The amount charged to the SOFA in respect of auditor's remuneration was:
- statutory audit £8,100 (2016 - £6,600)
- other services £4,200 (2016 - £4,200)

12 Trustees

Five of the trustees received remuneration during the year totalling £143,339 (2016 - £145,177). This is as permitted by the Articles of Association and is made up as follows:

SK Norman	£26,062 (2016 - £26,062)
VJ Attwood	£32,577 (2016 - £32,577)
HD Pearson	£19,546 (2016 - £21,384)
CC Wigmore	£32,577 (2016 - £32,577)
J Crofton	£32,577 (2016 - £32,577)

Pension contributions for the above Trustees amounted to £4,556 (2016 - £7,618)

One trustee was reimbursed a total of £806 travelling expenses (2016 - one was reimbursed £361).

13 Employees

Number of employees

The average monthly number employees during the year was:

	2017 Number	2016 Number
Directors	5	5
Project workers	4	4
Administrative workers	4	4
Sessional workers	4	3
Apprentice	1	1
Intern	2	2
Operational	1	-
	21	19

Employment costs	2017 £	2016 £
Wages and salaries	326,007	297,352
Social security costs	21,632	20,255
Other pension costs	7,445	10,353
	355,084	327,960

There were no employees whose annual remuneration was £60,000 or more.

14 Other

	2017 £	2016 £
Loss on disposal of tangible fixed assets	1,407	-

15 Tangible fixed assets

	Freehold land and buildings	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 April 2016	1,161,974	161,290	20,463	1,343,727
Additions	21,959	10,718	-	32,677
Disposals	-	(20,361)	(4,341)	(24,702)
At 31 March 2017	1,183,933	151,647	16,122	1,351,702
Depreciation and impairment				
At 1 April 2016	20,035	94,783	17,432	132,250
Depreciation charged in the year	17,060	17,927	2,303	37,290
Eliminated in respect of disposals	-	(19,682)	(3,613)	(23,295)
At 31 March 2017	37,095	93,028	16,122	146,245
Carrying amount				
At 31 March 2017	1,146,838	58,619	-	1,205,457
At 31 March 2016	1,141,939	66,507	3,031	1,211,477

16 Financial instruments

	2017	2016
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	11,896	31,002
Carrying amount of financial liabilities		
Measured at amortised cost	229,458	244,036

Financial assets comprise trade debtors.

Financial liabilities comprise trade creditors, other creditors, accruals and deferred income and other borrowings.

17 Debtors

	2017	2016
Amounts falling due within one year:	£	£
Trade debtors	11,896	31,002
Prepayments and accrued income	119,435	161,966
	131,331	192,968

18 Creditors: amounts falling due within one year

	Notes	2017 £	2016 £
ICOF loan	20	5,808	5,470
LCC loan	20	12,250	12,250
Directors' loan accounts	20	7,325	7,152
Taxation and social security		19,156	14,319
Trade creditors		27,947	24,524
Other creditors		2,328	-
Accruals and deferred income		29,478	27,433
		104,292	91,148

19 Creditors: amounts falling due after more than one year

	Notes	2017 £	2016 £
ICOF loan	20	143,705	149,465
LCC loan	20	-	9,800
Directors' loan accounts	20	617	7,942
		144,322	167,207

20 Loans

	2017 £	2016 £
ICOF loan	149,513	154,935
LCC loan	12,250	22,050
Directors' loans	7,942	15,094
	169,705	192,079
Payable within one year	25,383	24,872
Payable after one year	144,322	167,207

Amounts included above which fall due after five years:

Payable by instalments	116,665	123,995

The loans are secured by a first legal charge over the freehold land and property and a fixed and floating charge over all other assets.

21 Retirement benefit schemes

Defined contribution schemes
The charity operates a defined contribution pension scheme for all qualifying employees.

The charge to the SOFA in respect of defined contribution schemes was £7,445 (2016 - £10,353). This expenditure has been allocated to support costs and unrestricted general funds.

22 Restricted funds

The funds of the charity include restricted funds held for specific purposes:

		Movement in funds				
	Balance at 1 April 2016	Income	Expenditure	Depreciation charge	Transfers	Balance at 31 March 2017
	£	£	£	£	£	£
New Building	935,253	9,827	(4,440)	(25,101)	-	915,539
BIG Lottery (BIG-UP New Parks)	6,990	27,730	(37,618)	(253)	2,000	(1,151)
Arts Council England Catalyst	12,526	-	-	(136)	(12,254)	136
Youth Music (Back on Track)	415	-	-	-	(415)	-
HLF - 1950's	11,400	-	-	-	-	11,400
Short Breaks - Capital	1,707	-	-	(853)	-	854
Glen Parva	2,356	7,258	(4,995)	-	4,383	9,002
Game Over 2	4	-	-	-	(4)	-
Musical Van	2,303	-	-	(2,303)	-	-
UK Online	70	-	-	(70)	-	-
TMC Start	2,075	6,349	(8,306)	-	-	118
Generation Art Grant (Cat Match)	(1,306)	17	(66)	-	1,355	-
Mentoring - Kickstart	7,099	1,105	(6,648)	-	-	1,556
SMashing (Cat Match)	(2,664)	4,567	(4,990)	(238)	-	(3,325)
Refab	1,566	4,785	(6,346)	-	(5)	-
Pulled Both Ways (Cat Match)	126	1,600	(1,726)	-	-	-
Mixt Up - Youth Music	39,546	37,015	(40,262)	(748)	-	35,551
Time to Shine	4,633	18,302	(17,238)	-	-	5,697

Continued overleaf

22 Restricted funds **(Continued)**

	Balance at 1 April 2016	Movement in funds			Transfers	Balance at 31 March 2017
		Income	Expenditure	Depreciation charge		
	£	£	£	£	£	£
County Cooking	(1,437)	6,408	(5,083)	-	112	-
Local Sustainability Fund Grant	89,116	-	(72,084)	-	2,000	19,032
Esmée Fairbairn Grant	17,762	6,000	(13,049)	-	-	10,713
LUV Leicester Highcross	-	500	(500)	-	-	-
City Classroom Sessions	-	375	(100)	-	-	275
Leicester Prison Grant	-	3,236	(3,229)	-	-	7
Big Local - St Matthews Grant	-	4,762	(4,684)	-	-	78
Samba Drumming	-	5,000	(5,000)	-	-	-
YES Grant	-	11,639	(12,250)	-	-	(611)
Smashing Cookery Sessions	-	15,536	(3,277)	(196)	-	12,063
UpSTart	-	85,016	(42,077)	-	-	42,939
Joe Orton Breaking Boundaries	-	26,200	(2,097)	-	-	24,103
30th Years 1980's (Cat Match)	-	-	(4,000)	-	4,000	-
Creative Studio Exhibition (Cat Match)	-	-	(3,000)	-	3,000	-
	1,129,540	283,227	(303,065)	(29,898)	4,172	1,083,976

22 Restricted funds **(Continued)**

The restricted funds that reflect a deficit at the year end have arisen because expenditure has been allocated to these projects in advance of income being received. Transfers have arisen in restricted funds to either allocate Catalyst Match funding to new projects or to underwrite a cash deficit on a fund from unrestricted funds.

New building
Part funding received in respect of the new Soft Touch Arts building.

BIG Lottery (BIG-UP New Parks)
5 year community development programme in New Parks ward in Leicester engaging young people and adults through creative activities.

Arts Council England Catalyst
3 years of funding from Arts Council England for regularly funding organisations to support research into gaining alternative sources of funding.

Youth Music (Back on Track)
Music workshops for young people to engage them through music to get their lives back on track.

HLF - 1950's
Heritage project working with young people to create an exhibition looking at the similarities and differences between being young in the 1950's and today.

Short Breaks - Capital
Funding from Leicestershire County Council to provide specialist equipment for people with disabilities in the new Soft Touch Arts building.

Glen Parva
Arts workshop with young prisoners at the Glen Parva Youth Offending Institute.

Game Over 2
Funding from the Police and Crime Commissioner's Office to fund a series of workshops in schools on the topic of misbehaviour and the consequences of crime.

Musical Van
Funding to purchase and refurbish a new van to convert into a mobile music and arts studio.

UK Online
Funding to engage people in using technology who would not normally use it.

TMC Start
This restricted fund can be subdivided into four separate restricted funds:
1) Start - weekly drop-in arts and music session for referred young people with a range of different issues who would not attend mainstream provision providing a safe and supportive environment.
2) Discover in a Day - funding to support young people in an arts award project.
3) Business Development - funding to develop the business.
4) Interns - funding to recruit interns.

Generation Art Grant (Cat Match)
A partnership project with Leicester New Walk Museum as a part of a national childrens art exhibition.

22 Restricted funds **(Continued)**

SMashing (Cat Match)
2 year programme enabling young people to develop cooking and front of house skills whilst running a café at Soft Touch Arts.

Refab
Upcycling project aimed at creating a social enterprise for the young people involved.

Pulled Both Ways (Cat Match)
Video produced with young people from New College and Leicester High School about the impact of parental separation on young people.

Mixt up - Youth Music
3 year music programme bringing together different young people and musical styles using both in-house and outreach projects.

Time to Shine
Funding to employ a young marketing intern for a year.

County Cooking
Working with three groups of vulnerable/disadvantaged county based people to learn about healthy eating and cooking.

Local Sustainability Fund Grant
Funding from the Big Lottery for one year to implement organisation change and access professional advice.

Esmée Fairbairn Grant
Funding for 2 years towards the salary of a sessional chef to lead the development of food focused social enterprises known as Smashing, which enables young people to develop cooking and front of house skills whilst running a cafe at Soft Touch Arts.

Luv Leicester Highcross
Funding to run an exhibition of young peoples artwork in an empty shop in Highcross.

City Classroom Sessions
A Mighty Creatives initiative using the arts to connect young people with their city.

Leicester Prison Grant
Grant from the Community Development Foundation to enable the first Soft Touch Arts project in Leicester Prison.

Big Local - St Matthews Grant
Grant to deliver various arts and music activities in the St Matthews area of Leicester.

Samba Drumming
Audience development funding linked to Leicester City Festival to draw a more diverse audience to attend the festival.

22 Restricted funds (Continued)

YES Grant
Three year European funding for a consortium of 9 organisations in Leicester supporting local disadvantaged young people to overcome challenges and barriers preventing them from finding a job or continuing in education.

Smashing Cookery Sessions
The Esmée Fairbairn Trust has provided two years of funding to enable Soft Touch Arts to run a weekly training café enabling young people to learn a variety of skills.

UpSTart
The UpSTart programme has five years of funding from the Big Lottery targeting young people from the New Parks, Beaumont Leys, stocking Farm and Mowmacre Hill areas of Leicester. The programme has three phrases of engagement, development, and progression for participating young people.

Joe Orton Breaking Boundaries
Heritage Lottery funded project working with young people from Saffron Lane and beyond to create an exhibition celebrating the life and work of the famous Leicester playwright commemorating 50 years since his death.

30th Years 1980's (Cat Match)
2016 was the 30th birthday of Soft Touch Arts and a number of different events were held to celebrate this including an exhibition and a fundraising 'I love the 80's' night.

Creative Studio Exhibition (Cat Match)
Showcasing the outcomes of work produced in creative studio alternative education sessions.

23 Unrestricted designated fund

The funds of the charity include the following designated fund which has been set aside out of unrestricted funds by the trustees for specific purposes:

		Movement in funds		
	Balance at 1 April 2016	Income	Expenditure	Balance at 31 March 2017
	£	£	£	£
New Building	21,491	-	(5,006)	16,485
	21,491	-	(5,006)	16,485

New building
Monies set aside by the Trustees for use in respect of the new Soft Touch Arts building.

24 Analysis of net assets between funds

	Unrestricted funds general £	Unrestricted funds designated £	Restricted funds £	Total £
Fund balances at 31 March 2017 are represented by:				
Tangible assets	281,179	-	924,278	1,205,457
Current assets/(liabilities)	(9,087)	16,485	159,698	167,096
Long term liabilities	(144,322)	-	-	(144,322)
	127,770	16,485	1,083,976	1,228,231

25 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows.

	2017 £	2016 £
Aggregate compensation	147,895	152,795

Transactions with related parties

Included in creditors note 18 and 19, are amounts due to the following directors of the company:
SK Norman £2,836 (2016 - £5,390)
HD Pearson £2,836 (2016 - £5,390)
CC Wigmore £2,270 (2016 - £4,314)

During the year ER Crofton, the spouse of J Crofton, was paid £972 (2016: £2,491) for her services as an employee.

During the year income of £5,688 (2016: £13,760) was received from The Mighty Creatives Limited, a company where D Myers is the commercial director.

No guarantees have been given or received.

26	Cash generated from operations	2017 £	2016 £
	(Deficit)/surpus for the year	(51,766)	204,621
	Adjustments for:		
	Investment income	(12,013)	(7,379)
	Loss/(gain) on disposal of tangible fixed assets	1,407	(234)
	Depreciation and impairment of tangible fixed assets	37,290	37,377
	Movements in working capital:		
	Decrease/(increase) in debtors	61,637	(110,092)
	Increase/(decrease) in creditors	12,633	(72,122)
	Cash generated from operations	49,188	52,171

27 Controlling party

Soft Touch Arts Limited is a company limited by guarantee and not having a share capital; it is incorporated under the Companies Act and governed by the Memorandum and Articles of Association of the company. The Trustees of the company are elected members and act as directors of the company and are deemed to be the controlling party of the company.