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 2018

SOFT TOUCH ARTS LIMITED

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	TJ Burke (Vice Chairman) KM Hudson (Honorary Treasurer) VJ Attwood N Diamond J Crofton 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 2018

The trustees who are also directors of the charitable company present their report and financial statements for the year ended 31 March 2018.

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 1,400 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.

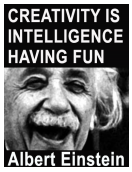
Purpose:

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, 40%. 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://www.bing.com/videos/search?q=soft+touch+arts+presentation+film+youtube&&FORM=VDVVXX.

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.

In 2016/7, we 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:

- 1,460 individuals engaged in our activities for the year ended 31 March 2018.
- These were engaged through 24 projects and programmes, 98% of which were targeted at improving health and wellbeing.
- 98% of participants came from low socio-economic backgrounds
- 585 (40%) of participants attended 3 or more times.
- 4,820 people attended events (exhibitions, performances etc) and 1,719 attended our pop up café.

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:

Continuing our groundbreaking social action film project work with young people who have experienced parental divorce. Sponsorship for the project comes from a forward-thinking family law firm Glynis Wright and Co Family Solicitors and Mediators and the Santander Foundation. This generated £6,000 to cover the project costs.

Running our first art auction - STARS in September 2017 supported by our business ambassador board. Local and national artists donated artwork and some of our young people's work was also part of the auction which raised over £7,000. We were shortlisted for an EMCEES Excellence in Arts Fundraising Award – Best Corporate Partnership category for the project.

Our push to raise our profile with the local business community has helped to make the charity's name recognised in business circles and this has been further boosted by being shortlisted for the 2018 Leicester Mercury Business Awards not for profit award and winning the Niche Business Awards 2017 Charity of the Year Award. This also led to two large local businesses making us their charity of the year – PPLPRS and Grant Thornton Leicester.

We also launched a campaign aimed at the local business community to generate income for our business mentoring scheme. Our brick campaign has raised in excess of £5,000 through sponsorship from local businesses and has enabled us to continue our successful Kickstart Mentoring Scheme which pairs a trained mentor with a young person in need for an hour a week for 6 months.

As a result of our higher profile, we are getting many more offers from individuals and businesses to run fundraising activities on our behalf and expect our % of income generated in this way to increase year on year.

Highlights of programme work include:

UpSTart

In the second year of a five year programme UpSTart is funded by the Big Lottery and covers the areas of New Parks, Beaumont Leys, Mowmacre Hill and Stocking Farm. The three-stage programme engages young people in their communities and then brings 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

The very popular Mixt-UP funding from youth music comes to an end in December 2018 with another busy year of sessions at our studios, with 4 Specialist music sessions every week, with a focus on girls, people with SEN needs, young men in Leicester prison and also a mixed drop in session with a focus on young people from estates in Leicester. We have also had a very successful Symphonize event in January at the Sue Townsend theatre which was run in partnership with the Philharmonia.

Prison work

Building on the strong connections we made last year, we have continued our work in Leicester Prison during 2017/18. To further support our work in prisons, we have recently been successful in our application for a three-year programme in association with Leicestershire Partnership NHS Trust and De Montfort University, which commenced in April 2018.

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 and Award Finalists in 2017/18

- The Niche Business Awards 'Charity of the Year' Award
- EMCEES Excellence in Arts Fundraising best Corporate Partnership Award finalist
- Leicester Mercury Business Awards 2018 Charity of the Year Finalist

FINANCIAL REVIEW

The results for the year ended 31 March 2018 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 £513,066 (2017 - £523,774). The principal funding source continued to be grant income. Total expenditure for the year amounted to £538,452 (2017 - £575,540). A breakdown of expenditure is set out in notes to the financial statements.

After transfers between funds, there was a surplus on general funds for the year totalling £39,726, a deficit on designated funds totalling £16,123 and a deficit on restricted funds totalling £48,989. This has resulted in a total decrease in funds for the year of £25,386. The funds for the charity at the year-end totalled £1,202,845 which comprise general funds of £167,496, designated funds of £362 and restricted funds of £1,034,987.

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 free reserves (unrestricted general funds less tangible fixed assets and long-term liabilities) at approximately £70,000, being three months unrestricted expenditure. Soft Touch Arts currently holds £27,191 of free reserves (see note 24). Although free reserves are currently below the reserves policy, the trustees are diversifying income generation streams to increase the level of free reserves held going forward.

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.

We have actively been seeking funding for the progress stage of our work to help young people gain creative enterprise skills in selling and marketing their creative work as a way of helping them to progress and to gain transferrable employment skills. Our Soft Sell and STARS projects will start in October 2018 and will support 50 young people each year through a tailored package of support and advice given by pro-bono business and creative mentors and advisors.

We have been invited to apply for the third time to the Rank Foundation's Time to Shine programme to bring in a young intern to help the organisation work on a strategic challenge. Our 2016/17 intern has now taken up a young ambassador role on our board and will be working with young people to shape the future direction of our programme in order to respond to local need.

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 2017:

G Brigden (Chairman)
TJ Burke (Vice Chairman)
KM Hudson (Honorary Treasurer)
VJ Attwood
N Diamond
J Crofton
D Myers – Resigned 1 September 2018
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 25 October 2017 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 and are regularly addressed at the Board meetings.

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: 12 November 2018

SOFT TOUCH ARTS LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEES OF SOFT TOUCH ARTS LIMITED

Opinion

We have audited the financial statements of Soft Touch Arts Limited (the 'charitable company') for the year ended 31 March 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the trustee's report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the Trustees Report; 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.

Responsibilities of trustees

As explained more fully in the Trustees Responsibilities Statement set out on page 7 the trustees (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 145 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

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

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

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Newby Castleman LLP 22 November 2018
Chartered Accountants
Statutory Auditor
West Walk Building
110 Regent Road
Leicester
LE1 7LT

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 2018

	Notes	Unrestricted funds general £	Unrestricted funds designated £	Restricted funds £	Total 2018 £	Total 2017 £
Income from						
Donations	**3**	17,709	-	645	18,354	12,563
Charitable activities	**4**	272,116	-	188,360	460,476	485,989
Other trading activities	**5**	13,212	-	-	13,212	7,277
Investments	**6**	13,665	-	-	13,665	12,013
Other	**7**	6,937	-	422	7,359	5,932
Total		323,639	-	189,427	513,066	523,774
Expenditure on						
Raising funds	**8**	31,195	-	-	31,195	29,645
Charitable activities	**9**	248,585	11,500	240,712	500,797	544,488
Other	**12**	-	-	6,460	6,460	1,407
Total		279,780	11,500	247,172	538,452	575,540
Net income / (expenditure)		43,859	(11,500)	(57,745)	(25,386)	(51,766)
Transfers between funds		(4,133)	(4,623)	8,756	-	-
Net movement in funds		39,726	(16,123)	(48,989)	(25,386)	(51,766)
Reconciliation of funds						
Total funds brought forward		127,770	16,485	1,083,976	1,228,231	1,279,997
Total funds carried forward	**24**	167,496	362	1,034,987	1,202,845	1,228,231

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 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	**15**		1,179,887		1,205,457
Current assets					
Debtors	**17**	164,536		131,331	
Cash at bank and in hand		134,866		140,057	
		299,402		271,388	
Liabilities					
Creditors: amounts falling due within one year	**18**	(138,852)		(104,292)	
Net current assets			160,550		167,096
Total assets less current liabilities			1,340,437		1,372,553
Creditors: amounts falling due after more than one year	**19**		(137,592)		(144,322)
Net assets			1,202,845		1,228,231
The funds of the charity					
Restricted funds	**22**		1,034,987		1,083,976
Unrestricted funds:					
Designated	**23**	362		16,485	
General		167,496		127,770	
			167,858		144,255
Total charity funds	**24**		1,202,845		1,228,231

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 2018 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 in 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.

The financial statements were approved and authorised for issue by the board of trustees on 12 November 2018 and are signed on its behalf by:

KM Hudson (Honorary Treasurer)
Trustee

Company Registration No. 02063893

The notes on pages 14 - 29 form part of these financial statements.

SOFT TOUCH ARTS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Cash flows from operating activities					
Cash generated from operations	**26**		27,354		49,188
Investing activities					
Purchase of tangible fixed assets		(21,547)		(32,677)	
Proceeds on disposal of tangible fixed assets		667		-	
Investment income		13,665		12,013	
Net cash used in investing activities			(7,215)		(20,664)
Financing activities					
Repayment of directors' loan		(7,325)		(7,152)	
Repayment of ICOF and LCC loans		(18,005)		(15,222)	
Net cash used in financing activities			(25,330)		(22,374)
Net (decrease)/increase in cash and cash equivalents			(5,191)		6,150
Cash and cash equivalents at beginning of year			140,057		133,907
Cash and cash equivalents at end of year			134,866		140,057

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: the 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.

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.

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.

1 Accounting policies **(Continued)**

Income from trading activities comprises sponsorship income and income derived from fundraising events. Income is received in exchange for supplying goods and services 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 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

1.8 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.

1.9 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 ("SOFA").

1 Accounting policies **(Continued)**

1.10 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.

1.11 Retirement benefits

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

1.12 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.

1.13 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 Income from donations

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Donations and gifts	17,709	645	18,354	12,563
Unrestricted funds				7,965
Restricted funds				4,598
				12,563

4 Income from charitable activities

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Arts activities	269,681	182,404	452,085	479,289
Catering activities	2,435	5,956	8,391	6,700
	272,116	188,360	460,476	485,989
Unrestricted funds				208,356
Restricted funds				277,633
				485,989
Income from charitable activities include the following:				
Core funding			119,501	117,810
Project grants			227,777	274,623
Project fees			113,198	93,556
			460,476	485,989

5 Income from other trading activities

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Sponsorship income	3,555	-	3,555	5,477
Fundraising events	9,657	-	9,657	1,800
	13,212	-	13,212	7,277
Unrestricted funds				6,350
Restricted funds				927
				7,277

6 Income from investments

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Rental income	13,640	-	13,640	11,968
Interest receivable	25	-	25	45
	13,665	-	13,665	12,013
Unrestricted funds				11,996
Restricted funds				17
				12,013

7 Other income

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Net gain on disposal of tangible fixed assets	432	-	432	-
Other income	6,505	422	6,927	5,932
	6,937	422	7,359	5,932
Unrestricted funds				5,880
Restricted funds				52
				5,932

8 Expenditure on raising funds

	Unrestricted funds £	Restricted funds £	Total 2018 £	Total 2017 £
Staff costs	31,195	-	31,195	29,645
Unrestricted funds				29,645
Restricted funds				-
				29,645

9 Expenditure on charitable activities

	Activities undertaken directly Note 10 £	Support Costs Note 11 £	Total 2018 £	Total 2017 £
Arts and catering activities	323,552	177,245	500,797	544,488
Unrestricted funds - general			248,585	206,519
Unrestricted funds - designated			11,500	5,006
Restricted funds			240,712	332,963
			500,797	544,488

10 Expenditure on activities undertaken directly

	2018	2017
	£	£
Staff costs	250,354	245,663
Project costs	34,137	26,030
Motor and transport costs	4,949	2,993
Project worker costs	34,112	42,352
Consultancy costs	-	34,245
	323,552	351,283

11 Expenditure on support costs

	2018	2017
	£	£
Staff costs	60,169	79,776
Depreciation	40,422	37,290
Premises costs	13,328	21,225
Motor and transport costs	2,729	3,525
Audit fees	8,850	8,100
Printing, postage and stationery	2,419	4,194
Computer costs	3,994	6,840
Telephone	1,566	2,279
Legal and professional	18,319	12,698
Loan interest and bank charges	9,732	10,157
Irrecoverable VAT	14,920	6,078
Sundry	797	1,043
	177,245	193,205
Charitable activities	177,245	193,205

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

Support costs include governance costs totalling £69,635 (2017: £76,186) 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 £8,850 (2017 - £8,100)
- other services £2,100 (2017 - £4,200)

12 Other expenditure

	Unrestricted funds	Restricted funds	Total 2018	Total 2017
Loss on disposal of tangible fixed assets	-	6,460	6,460	1,407
	-	6,460	6,460	1,407

13 Trustees

Five of the trustees received remuneration during the year totalling £140,399 (2017 - £143,339). This is as permitted by the Articles of Association and is made up as follows:

SK Norman	£26,062 (2017 - £26,062)
VJ Attwood	£29,319 (2017 - £32,577)
HD Pearson	£19,864 (2017 - £19,546)
CC Wigmore	£32,577 (2017 - £32,577)
J Crofton	£32,577 (2017 - £32,577)

Pension contributions for the above Trustees amounted to £2,517 (2017 - £4,556).

Three trustees were reimbursed a total of £970 travelling expenses (2017 - one was reimbursed £806).

14 Employees

Number of employees

The average monthly number employees during the year was:

	2018 Number	2017 Number
Directors	5	5
Project workers	4	4
Administrative workers	5	4
Sessional workers	5	4
Apprentice	-	1
Intern	2	2
Operational	-	1
	21	21

14 Employees (Continued)

Employment costs	2018	2017
	£	£
Wages and salaries	315,769	326,007
Social security costs	21,117	21,632
Other pension costs	4,832	7,445
	341,718	355,084

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

15 Tangible fixed assets

	Freehold land and buildings	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 April 2017	1,173,174	162,406	16,122	1,351,702
Additions	4,786	11,761	6,000	22,547
Disposals	-	(20,794)	(16,122)	(36,916)
At 31 March 2018	1,177,960	153,373	6,000	1,337,333
Depreciation and impairment				
At 1 April 2017	37,095	93,028	16,122	146,245
Depreciation charged in the year	22,659	17,692	71	40,422
Eliminated in respect of disposals	-	(13,099)	(16,122)	(29,221)
At 31 March 2018	59,754	97,621	71	157,446
Carrying amount				
At 31 March 2018	1,118,206	55,752	5,929	1,179,887
At 31 March 2017	1,136,079	69,378	-	1,205,457

16 Financial instruments	2018	2017
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	120,585	11,896
Carrying amount of financial liabilities		
Measured at amortised cost	235,256	229,458

Financial assets comprise trade debtors.

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

17 Debtors

	2018	2017
Amounts falling due within one year:	£	£
Trade debtors	120,585	11,896
Prepayments and accrued income	43,951	119,435
	164,536	131,331

18 Creditors: amounts falling due within one year

	Notes	2018	2017
		£	£
ICOF loan	**20**	6,166	5,808
LCC loan	**20**	-	12,250
Directors' loan accounts	**20**	617	7,325
Taxation and social security		41,188	19,156
Trade creditors		22,263	27,947
Other creditors		1,299	2,328
Accruals and deferred income		67,319	29,478
		138,852	104,292

19 Creditors: amounts falling due after more than one year

	Notes	2018	2017
		£	£
ICOF loan	**20**	137,592	143,705
Other borrowings		-	617
		137,592	144,322

20 Loans

	2018	2017
	£	£
ICOF loan	143,758	149,513
LCC loan	-	12,250
Directors' loans	617	7,942
	144,375	169,705
Payable within one year	6,783	25,383
Payable after one year	137,592	144,322
Amounts included above which fall due after five years:		
Payable by instalments	108,883	116,665

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 £4,832 (2017 - £7,445). 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:

	Balance at 1 April 2017	Movement in funds				Balance at 31 March 2018
		Income	Expenditure	Depreciation charge	Transfers	
	£	£	£	£	£	£
New Building	915,539	6,289	(15,363)	(28,423)	4,623	882,665
BIG Lottery (BIG-UP New Parks)	(1,151)	-	-	(254)	1,405	-
Arts Council England Catalyst	136	-	-	(136)	-	-
HLF - 1950s	11,400	-	-	(184)	-	11,216
Short Breaks - Capital	854	-	-	(854)	-	-
TMC - Start	118	-	(118)	-	-	-
Glen Parva	9,002	-	(2,924)	(41)	-	6,037
City Classroom Sessions	275	-	(275)	-	-	-
Mentoring - Kickstart	1,556	-	(1,556)	-	-	-
SMashing (Cat Match)	(3,325)	-	-	-	3,325	-
Mixt Up - Youth Music	35,551	39,336	(32,289)	(777)	-	41,821
Time to Shine	5,697	7,551	(12,905)	-	-	343
Leicester Prison Grant	7	-	(7)	-	-	-
Local Sustainability Fund Grant	19,032	922	(11,371)	(83)	-	8,500
Big Local - St Matthews Grant	78	-	(78)	-	-	-
YES Project	(611)	-	-	-	611	-
SMashing Cookery Sessions	12,063	475	(9,496)	(435)	-	2,607
UpSTart	42,939	100,056	(82,207)	(295)	-	60,493
Joe Orton Breaking Boundaries	24,103	880	(23,591)	(184)	(1,208)	-
Esmée Fairbairn Grant	10,713	5,545	(10,599)	(243)	-	5,416
Craft Café	-	5,511	(2,171)	(92)	-	3,248
Rank Foundation	-	11,400	(10,150)	-	-	1,250
Postcode lottery	-	8,462	-	(71)		8,391
Prison Unlocked	-	3,000	-	-	-	3,000
	1,083,976	189,427	(215,100)	(32,072)	8,756	1,034,987

22 Restricted funds **(Continued)**

Transfers have been made into restricted funds from unrestricted funds to underwrite a cash deficit on a fund. A transfer has been made from restricted funds into unrestricted funds to transfer the net book value of fixed assets after the restriction lapsed.

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.

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.

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.

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

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

Mentoring - Kickstart
Matched young people aged 14-25 with a mentor on a one-to-one basis offering support, direction and encouragement to help them make positive steps forward.

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.

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.

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

22 Restricted funds **(Continued)**

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

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

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.

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.

Craft Café
A pilot project funded by the SSE, looking at developing how we use volunteers to run a Saturday morning family arts activity.

Rank Foundation
Funding to employ a young arts worker for a year.

Postcode Lottery
Funding to purchase and refurbish a new van for street sessions.

Prison Unlocked
Prison Unlocked is a three year programme working on behalf of Leicestershire Partnership (NHS) Trust in partnership with HMP Prison and probation aiming to use art as a means to improving mental health and wellbeing. The programme will have annual exhibitions across the New Walk Museum and Soft Touch Arts sites as well as other smaller exhibitions throughout each year. De Montfort University are conducting research alongside the programme into the positive effects of art on mental health and wellbeing.

23 Designated funds

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 2017	Income	Expenditure	Transfers	Balance at 31 March 2018
	£	£	£	£	£
New Building	16,485	-	(11,500)	(4,623)	362
	16,485	-	(11,500)	(4,623)	362

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		Restricted	
	general	designated	funds	Total
	£	£	£	£
Fund balances at 31 March 2018 are represented by:				
Tangible assets	277,897	-	901,990	1,179,887
Current assets/(liabilities)	27,191	362	132,997	160,550
Long term liabilities	(137,592)	-	-	(137,592)
	167,496	362	1,034,987	1,202,845

25 Related party transactions

Remuneration of key management personnel
The remuneration of key management personnel is as follows.

	2018	2017
	£	£
Aggregate compensation	142,916	147,895

25 Related party transactions **(Continued)**

Transactions with related parties

Included in creditors note 18 and 19, are amounts due to the following directors of the company:
SK Norman £220 (2017 - £2,836)
HD Pearson £220 (2017 - £2,836)
CC Wigmore £176 (2017 - £2,270)

During the year, ER Crofton, the spouse of J Crofton, was paid £432 (2017: £972) for her services as an employee. SJ Collier, the spouse of VJ Attwood, was paid £1,728 (2017: £nil) for her services as an employee. Fixed assets totalling £1,294 (2017: £nil) were purchased from SCS, a business owned by SJ Collier.

During the year income of £982 (2017: £5,688) was received from The Mighty Creatives Limited, a company where D Myers is the commercial director. Amounts owed from this company at the year end totalled £250 (2017: £nil).

During the year business support totalling £3,815 (2017: £3,842) was paid to CASE (Co-operative and Social Enterprise), a company where K Hudson's spouse is a director. Amounts owed to this company at the year end totalled £294 (2017: £450).

No guarantees have been given or received.

26 Cash generated from operations

	2018	2017
	£	£
Deficit for the year	(25,386)	(51,766)
Adjustments for:		
Investment income	(13,665)	(12,013)
Loss on disposal of tangible fixed assets	6,028	1,407
Depreciation and impairment of tangible fixed assets	40,422	37,290
Movements in working capital:		
(Increase)/decrease in debtors	(33,205)	61,637
Increase in creditors	53,160	12,633
Cash generated from operations	27,354	49,188

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.