

THE CORPORATION OF THE HALL
OF ARTS AND SCIENCES

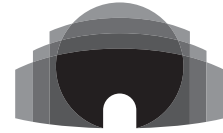


Royal Albert Hall

ANNUAL REPORT AND CONSOLIDATED ACCOUNTS

31 DECEMBER 2014





Royal Albert Hall

The Corporation of the Hall of Arts and Sciences

Annual Report and Consolidated Accounts

31 December 2014

Charity Registration Number
254543

Patron

Her Majesty The Queen

Elected Council members

President

Senior Vice-President & Honorary Treasurer

Vice- President

Vice- President

L Baroukh MA CFA

Dr M Bloch PhD

Mrs Ken Craig

J Crystal

P R Denison-Pender FCCA ASIP

D A G Elyan MA FCIS FRSA

I Henderson CBE BSc (Est Man) FRICS

M Jackson MA FCA

Mrs Anthony Travis BA FRSA

J G A Azis MA FRSA

E Dangoor BSc

M B M Williams FSA

J Max BSc Hons SFDR MRICS

I McCulloch

Mrs Michael Moore

J Moynihan OBE

A Ratcliffe FRICS FRSA

M T Schnebli FInstD FBIM

R C Waterbury MA

Appointed Council members

G F Bowden TD MA FRICS

(Appointed by the Secretary of State for Culture, Media and Sport)

S Corbyn FRICS

(Appointed by the Royal Commission for the Exhibition of 1851)

Sir Michael Dixon

(Appointed by the Trustees of the Natural History Museum)

Professor Colin Lawson MA (Oxon) MA PhD DMus FRCM FLCM

(Appointed by the Council of the Royal College of Music)

JS Neilson MA CPFA

(Appointed by the Governors of the Imperial College of Science, Technology and Medicine)

Honorary Vice Presidents

C G Clive BSc MBA

C P Fairweather FCA

D J Goldstone CBE LLB

H Gould OBE JP BA DL FCA

The Lady Grade

The Lady Wolfson

Secretary to the Corporation

Julie Hope

Executive

Chief Executive

Chief Operating and Financial Officer

Director of Business Development

Director of Events

Director of External Affairs

Director of Operations

Chris Cotton

James Ainscough

Philip Marshall

Lucy Noble

Sarah Woods

Amanda Squires

None of the members of the Executive Team are Directors of the Corporation under the Companies Act 2006

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Report of the Council Year to 31 December 2014

Report of the Council Year to 31 December 2014

The Council presents its statutory report together with the consolidated accounts of the Corporation of the Hall of Arts and Sciences (“the Corporation” or “the Hall”) for the year ended 31 December 2014.

The accounts have been prepared in accordance with the accounting policies set out on pages 34 to 38 of the attached accounts and the provisions of the Corporation’s Royal Charter, its Constitution prescribed by the Royal Albert Hall Act 1966, applicable laws and the requirements of the Statement of Recommended Practice on “Accounting and Reporting by Charities” issued in March 2005.

Information on structure, governance and management, including details on the constitution, members and training, Council responsibilities, organisational structure and risk management are provided under Reference and Administrative Details on pages 21 to 27.

Charitable Objects

The objects of the Corporation are to maintain the Royal Albert Hall, a Grade I listed building of historical and cultural significance and, through its use, to promote the understanding, appreciation and enjoyment of the Arts and Sciences.

Our Vision

Our vision is to achieve maximum public benefit by continuing to enhance the Hall’s unrivalled history of performance on the world’s most famous stage, offering all our stakeholders the very best possible experiences and making the most of all commercial opportunities.

Business Plan 2012-2016

All that the Hall does seeks to enlarge upon the already extensive public benefit it provides in the pursuit of its charitable purposes. The Hall is held in trust for the nation by the Corporation, and it is the Corporation’s duty – through the Council and the Hall’s executive – to maintain and further enhance this great building and by its use to promote the Arts and Sciences. This dual undertaking is formidable and is only made possible by the operational surpluses that it is able to achieve.

The Hall hosts up to 400 performances each year in the main auditorium and more than 300 other performances, events and exhibitions elsewhere inside and outside the building, receiving over 1.7 million visitors a year.

The Hall maintains a strong reputation with artists, patrons and the music industry alike. As a result the Hall continues to host exceptional events to sell-out audiences, reaching millions globally via broadcast and other media.

Business Plan 2012-2016 (continued)

This on-going success has been recognised within the industry, including winning Pollstar International Theatre of the Year 13 times in the last 22 years, the Live UK Award for Best Venue Teamwork in 2010 and 2011 and the London Live Music Venue of the Year award at the 2012 London Lifestyle Awards. Most recently, at both the 2013 and 2015 International Live Music Conferences the Royal Albert Hall won the Arthur Award for “First Venue To Come Into Your Head”.

The Hall’s current 5-year business plan identifies the action that is needed to maintain the Hall’s pre-eminent position as a world class arts and entertainments venue and to continue to maximise the contribution it makes to the community it serves.

The main purpose of the plan is to achieve growth in order to fund the essential major building development works that will need to be undertaken within and beyond the plan period. This work will significantly enhance the experience of artists and audiences alike through improvements to existing spaces, creating new back stage accommodation and replacing much of our building services’ infrastructure and plant. The improvements aim to ensure the Hall continues to successfully operate in a modern, highly competitive environment as we look forward to our 150 year anniversary in 2021. The budgeted cost is £37 million.

The business plan objectives further aim to ensure we remain: world class, innovative, ground breaking, forward thinking, energetic, accessible and exceptional and recognised as such outside the Hall. The objectives are encapsulated in three broad themes:

Growth

Over recent years the Hall has got busier with more shows in more spaces on more days. For this to continue, in a sustainable way, the Hall’s revenue needs to rise faster than its costs.

To maintain this growth the plan considers amongst other things:

- Continued enhancement of the performance programme
- Further development of commercial opportunities
- Review of the Hall’s policies, operational practices and procedures
- On-going building enhancements
- Customer service improvements, including our online / digital services

Access

Despite more shows on more days than ever before, public access to the Hall remains restricted for much of the day.

Business Plan 2012-2016 (continued)

Access (continued)

If the inside of the Hall, as well as the entertainment and the services offered, are to be seen as relevant, contemporary and an exciting destination, as well as an historical one, then access and openness needs to be improved and visible.

Profile

We work with tens of thousands of people each year, spending hundreds of thousands of our own funds helping them and other charities to put on incredible events and to raise many millions of pounds each year. In furthering these aims and objectives, the Members of Council, as the charity trustees, confirm that they have complied with the requirements set out in the Charities Act 2011 to have due regard to the Charity Commission's published general guidance on public benefit.

Our role and dedication to so successfully achieving our public benefit objectives needs to be better explained and promoted much more widely, together with generating increased public access to the Hall's archives, our education partnerships, community outreach programme and our brand in general.

Major Achievements in 2014

The Hall's major achievements in 2014 are set out below and correspond to the main Business Plan themes for 2012-2016.

Investment in the building

The largest visible project in 2014 was the replacement of Café Consort with Verdi, the Hall's new Italian Kitchen restaurant. Carried out in partnership with our caterers, Rhubarb Food Design, the project cost £1.1m and has been an immediate success. Verdi is the only restaurant at the Hall open seven days a week to the general public, not just concert-goers. With free live music on Friday evenings it has proved highly popular since opening in April 2014.

This major project was dwarfed by progress in the almost-invisible yet highly significant £8m+ cooling and steam heating replacement projects. Between January and June the chillers in the basement were replaced with much more efficient machinery, doubling the chilling capacity for the main auditorium in time for the summer. In addition the steam heating replacement works commenced at the same time. Work takes place overnight and, by the time the project is completed in July 2015, the Hall will have an efficient and controllable low-temperature-hot-water heating system.

Major Achievements in 2014 (continued)

Investment in the building (continued)

Despite the intensity of the project work during 2014, the ongoing maintenance regime has stepped up a gear yet again, with a total spend in the year of £1m. For three consecutive nights in April the Hall shut down fully to enable the replacement and maintenance of critical electrical/power supply components. Other projects included repair/replace key components in the lifts, water system works, roof cable reels, the Hall's access control technology, redecoration (including a refurbishment of our Moët Champagne Bar) and many other smaller but no less important aspects of the Hall's core facilities.

As a tribute to the Hall's unrivalled performance history over the last 142 years, a specially-commissioned mural by Sir Peter Blake, entitled "Appearing at the Royal Albert Hall", was installed in the heart of the Zvi and Ofra Meitar Porch and Foyer. The piece is a montage of over 400 stars who have taken to the world's most famous stage from its opening in 1871 to the present day, featuring everyone from music legends Bob Dylan, David Bowie and Jimi Hendrix, to pivotal figures in world history such as Albert Einstein, Sir Winston Churchill and Muhammad Ali. Visitors can learn more about the Hall's performance history on special interactive screens.

Growth

The Hall has had its highest ever auditorium show count in 2014, with 397 performances. The schedule has been as varied as ever with artists as diverse as Ed Sheeran, Coldplay, Paloma Faith, Damon Albarn, Sir Simon Rattle, James Taylor, Shreya Ghoshal, Yanni, Russell Howard, Sir Michael Caine, CBeebies, the first ever BBC Sport Prom and Joey from War Horse performing with the BBC Concert Orchestra.

With free music in the new Verdi restaurant every Friday evening and a new record of over 300 non-auditorium events (most with low ticket prices), the Hall has kept its commitment to present more free music and more shows with affordable ticket prices.

Elements of the Hall's business model have been reviewed, with the show lighting service and the sound services contracts both enhanced in order to improve the quality of what we deliver to our clients whilst at the same time increasing revenue. New corporate partnerships have also been established with Tag Heuer, Cafédirect and Twinings which, along with contractual renewals of current partnerships, have improved our retail offer as well as generating much needed revenue.

Major Achievements in 2014 (continued)

Growth (continued)

The ever increasing levels of activity at the Hall (shows, education projects, maintenance, building development etc.) have required growth in certain support areas. The Building Services Team have received particular attention this year: the Hall has invested in a larger workforce which, along with a new rostering model, will hopefully enable our skilled personnel to cope better with the daily demands on their time and increase the level of planned preventative maintenance. This will pay dividends in the future.

The Hall has spent 2014 scoping and developing its new website, which should be launched in the first half of 2015. The site will offer audiences access to information and visual assets from the Archive as well as offering those wishing to book tickets or seeking information an improved experience.

Access

The Royal Albert Hall is dedicated to giving access to all (to enjoy performances and to enjoy the grade 1 listed building) by investing in and running a thriving Education & Outreach programme, daily tours and an ever-expanding non-auditorium performance schedule alongside its main auditorium events.

Archive

2014 has seen the continuing digitisation of the Hall's Archive, including the completion of the database which records details of every event that has taken place at the Hall since 1871 and the digitisation of programme covers and posters. These will be made available online in due course. In addition a new initiative was launched to allow the public to learn more about stories held within the Hall's archive, which included in 2014 a talk on World War One and how it affected the Hall and the people who worked there.

Tours

A new tour product was launched in 2014; A History of the Proms Tour which achieved its aim of widening the reach of visitors who attend tours and we plan to launch further specialist tours to provide a broader appeal of content in 2015.

The Hall welcomed visitors as part of the UK 'Open House' weekend attracting 1700 visitors to a free "open route" tour of the building.

Major Achievements in 2014 (continued)

Access (continued)

Education & Outreach Programme

In early 2014, in partnership with Samsung, the Hall opened a new Digital Classroom within the venue, which now hosts a unique cross-curriculum music programme for children aged 7 to 14, focusing on the role of music in science and maths. The practical workshops use laptops, tablets, cameras, a green screen and other technology in combination with music to help children learn maths and science in a fun and innovative way.

The Friendship Matinee was held for the second year in a row with a performance of the film music from John Williams with the RPO. 2,500 tickets were sold (at very low prices); well over double last year. The audience, most of whom (coming via various charities and community based organisations across London and further afield) had never been to an event at the Hall before, thoroughly enjoyed the experience.

The team launched Songbook, which takes mini Royal Albert Hall concerts into various community centres and homes for the elderly. The response has been fantastic and we aim to grow the programme beyond the 40 concerts put on in 2014.

The Junior Classical Coffee mornings have continued, in association with the Royal College of Music, who we continue to support. Martin James-Bartlett, winner of Young Musician of the year in 2014 performed at one of these concerts.

The Hall's in-house music group, Albert's Band, took time out from performing at family events in the Hall to visit Camp Bestival again this year to present a very successful outreach project, reaching 1,000 participants at a time.

In September we entered our third year as a strategic partner in the Tri-Borough hub and work has commenced to arrange the celebration concert here at the Hall next June.

The Hall saw a world record breaking education project by hosting a massed Samba concert. Young people from the Tri-Borough schools music hub contributed towards this fantastic event and made it into the record books.

'Albert Session' shows in the main auditorium with Jake Bugg, First Aid Kit and the classical artist Alison Balsom have combined performance with various educational activities from song writing workshops through to Q&A sessions.

Major Achievements in 2014 (continued)

Access (continued)

Education & Outreach Programme (continued)

The Hall launched a series of Careers Workshops this year where sixth-form and GCSE students came to find out what a 'Day in the Life' at the Hall would be like, with various members of staff presenting and working with them. The Hall has also put on Q&A sessions with major industry names, for those hoping to forge careers in the sector.

Profile

The Hall has continued to develop how it engages with patrons and supporters; directly, through social channels and a wide range of other digital platforms along with more traditional media. Working with Good Relations, the Hall's communication programme in the first half of 2014 generated 144 pieces of media coverage, reaching nearly 6 million people with the Hall's key messages. This represents a fourfold increase on the same period last year and is only a fraction of the total number of articles, reviews, interviews, stories, tweets and general positive PR enjoyed by the Hall.

The charity will carry on communicating its achievements and participation opportunities to the public at large, against the backdrop of the ongoing major fundraising campaign.

Financial review

The results for the period are set out in the consolidated statement of financial activities on page 30. The accounting policies on pages 34 to 38 set out the basis on which these financial statements have been prepared.

Total incoming resources increased by £1,650,000 (6.4%) on the previous year to £27,583,000. Total resources expended increased by £2,015,000 (10.0%) to £22,117,000. Therefore net incoming resources for the year, of £5,466,000, was £365,000 lower than prior year. After other recognised gains and losses there was a transfer to reserves of £5,264,000 (compared to £5,666,000 in 2013).

Voluntary income exceeded £1million for the second year in a row. The Hall's trustees continue to be grateful for the ongoing support and generosity of individual donors and trusts and are committed to the continued growth of the Hall's fundraising operations, the cost of which has increased from £196,000 to £241,000 following an expansion of the team.

Financial review (continued)

Interest receivable of £325,000 in 2014 was £302,000 lower than prior year, despite having a higher average cash balance during the year, due to the consistently low fixed-term interest rates that the Hall was able to access during the year.

Total rentals and ticket sales/commission income rose by 4.2% to £16,609,000. This was partly due to the Hall setting a new record main-auditorium show count of 397 (390 in 2013). In addition the Hall earned more per event in 2014 than prior year as a result of the high-profile and popular calendar of events and the continuing profitability of the own- and co-promoted events.

Income from the Members' annual contribution, of £1,787,000 again includes a 'Supplementary Seat Rate' towards the Major Building Development programme. This will generate £2.3 million between 2012 and 2017 in addition to the £1.4 million per annum collected through the Annual Seat Rate. This on-going financial support represents just one of the ways in which the Members' firm commitment to the charity's success is demonstrated, alongside the return of tickets to the Hall's Box Office for sale, in order to provide greater access by the public to events, the donation of tickets to charitable causes and the flexibility they afford the Hall in the lettings that it is able to contract.

The Hall's catering partner "rhubarb" has achieved very strong sales yet again, through their consistently high standards and wide variety of food and beverage offers. 2014 was the first full year of operation since the Hall brought the merchandise operation back in-house. As a result concession income has increased by 4.7% to £2,182,000.

Income from hospitality and sponsorship sales grew again, by 9.3%, to £2,280,000. This has been driven in particular by growth in the number and commitment of the Hall's sponsorship partners.

Other incoming resources (a category which includes a wide range of ancillary income streams including facility fees, tour proceeds and retail income) has increased by £1,161,000 to £3,386,000. The Hall's lighting, sound, filming and recording facilities were in high demand from promoters, tour numbers increased yet again and there was a modest increase in the Hall's booking fees.

Resources expended increased by £2,015,000 (10.0%) on the previous year to £22,117,000.

The Hall continues to increase investment in the building. The total spent on maintaining and developing the Hall increased by £247,000 to £5,653,000.

Financial review (continued)

The £1,678,000 increase in expenditure on promoting the arts and sciences is driven mostly by:

- the higher show count in the year (397 vs 390 in 2013),
- employment costs (which account for approximately two thirds of the Hall's operating expenditure), including the annual inflationary pay award to staff at the start of the year and the continued investment in the size of our staff team in order to effectively run the ever-growing number and complexity of events within the building,
- higher production costs for the Hall's own-/co-promoted productions,
- £317,000 (£288,000 in 2013) was spent on Education projects (this does not include the salary and other costs of the Education team), encouraging young peoples' participation in the Arts and Sciences. The Hall works with many partner organisations in order to maximise the impact of its own resources (see "Access" above, pages 8-10).

Included across both sections is the Hall's depreciation charge for the year which more than doubled to £887,000 as a result of the higher level of capital investment.

Reserves Policy and Financial Position

The Hall's reserves are required to help ensure the continuity of its operations in the event of an unexpected fall in income or some other unforeseen event, and to ensure it is able to provide for the long term maintenance requirements of the building, and fund further improvements.

For the years 2012 – 2016 Council has adopted the reserves policy set out below which is designed to ensure that funds are available to meet both foreseeable demands and the unexpected in the years ahead:

- ◆ To adhere to the long term resourcing plan for the plant and fabric fund, so that it has sufficient funds to meet the cost of major expenditure necessary to maintain the fabric of the building and to replace its plant and equipment over the long term. Transfers to this fund are based on the 20 year maintenance plan, estimated to cost over £30 million in total, that was developed for the Hall by a firm of consulting surveyors and implemented in 2008;
- ◆ To maintain the education and programming fund at £400,000, to ensure that such initiatives are not affected by any adverse short term financial setbacks the Corporation may encounter;

Financial review (continued)

Reserves Policy and Financial Position (continued)

- ◆ To maintain a contingency fund to enable the organisation to continue operating if the auditorium has to temporarily close due to unforeseen circumstances, set at a level equivalent to three months of operating expenditure;
- ◆ The balance of reserves is deemed to be free reserves. Within this a Major Building Development Fund has been designated to hold and control all financial resources for the Hall's Major Building Development programme, currently estimated to have a total cost of £37 million. All available free reserves (other than a rolling balance of £1 million to be retained in the general reserve, plus a further £2 million held in anticipation of steps, over the next few years, to secure the long-term benefits of the now-frozen defined benefit pension scheme via the purchase of bulk annuity contracts) will be attributed to this, the Hall's primary goal in the 2012-2016 Business Plan. The movements in the Major Building Development Fund during the year are shown in the table below. The direct project costs in 2014 related to the steam heating and chiller replacement projects and the new Verdi Italian Kitchen which are described in more detail on page 6. The fund balance at year-end is £9,306,000. Just over £5 million of this is budgeted to be spent in 2015, of which £3,056,000 was already contracted by year-end (and is therefore included as part of the capital commitments figure in note 8).

	All prior years £'000	2014 £'000	Total £'000
Donations Received	1,515	951	2,466
Supplementary Seat Rate	750	383	1,133
Earned Income	14,363	1,883	16,246
Total Incoming Resources	16,628	3,217	19,845
Direct Project Costs	(3,078)	(5,947)	(9,025)
Project and Fundraising Fees	(1,342)	(172)	(1,514)
Total Expenditure	(4,420)	(6,119)	(10,539)
Balance as at 31 December	12,208	(2,902)	9,306

Council believes it had fully complied with the above reserves policy as at 31 December 2014.

Financial review (continued)

Reserves Policy and Financial Position (continued)

As at 31 December 2014, the reserves position can be summarised as follows:

- ◆ £586,000 had been allocated to the plant and fabric fund
- ◆ £400,000 had been brought forward in the education and programming fund
- ◆ £101,000 had been allocated to the contingency fund
- ◆ £2,902,000 had been utilised from the major building development fund
- ◆ The free reserves stood at £3,042,000

Pension fund

As reported in earlier years and in common with many businesses, when calculated on a solvency basis the assets of the final salary pension scheme are insufficient to meet the liabilities represented by the past service of the Scheme members. The Corporation is committed to funding this deficit. The current schedule of contributions requires payment by the Hall to the Scheme of £192,000 per annum for ten years up to and including 2020 (rising at an annual inflation rate of 3.2%) and the Hall's obligations in this regard have been fully met in 2014.

The final salary section of the scheme had its triennial valuation at the end of March 2012, the results for which indicated an improvement of the funding level to 93% (compared to 73% at the previous triennial) with a deficit of £576,000 (compared to £1,777,000 at the previous triennial), due to the Hall's deficit reduction contributions, asset portfolio growth and falling discount rates over the 3 year period. The Hall and trustees of the pension scheme are committed to a funding programme, up to and including 2020, intended to eliminate this deficit and its volatility.

The Corporation has previously taken steps to limit future pension funding risk. The final salary section of the Scheme was closed to new entrants in 1997, and rates of contribution by the Corporation and its employees have been increased. To further alleviate funding difficulties, the benefits accruing to members of this section of the Scheme in respect of future service were reduced at the beginning of 2003, following consultation with active members of the Scheme, the trustees and actuaries.

During 2014 the Corporation consulted with the 10 remaining active members of the Scheme, as a result of which they voluntarily transferred out of the Scheme into the Hall's DC pension scheme. Therefore as at 31 December 2014 the Scheme became a frozen scheme, meaning that from 2015 onwards no further benefits will accrue to any of the members.

Financial review (continued)

Investment policy

Cash investments are held in order to fund the Hall's long term commitment to maintaining and developing the building and to ensure that the risk of unforeseen circumstances does not prevent the Hall from taking a long term view when planning and investing in the operations of the venue, including the Education and Outreach programme.

The Royal Albert Hall Trust has an investment policy in place to safeguard the funds of the charity by making secure investments and, within the limits that this implies, to generate the best return possible from these funds in order to assist the Trust to carry out its purposes. The trustees of the Trust have wide powers conferred on them enabling them to invest in stocks, shares, land and buildings of whatsoever nature at their absolute discretion as they deem appropriate. To that end, with the exception of amounts expected to be passed to the Corporation within the next 12 months (held in short term interest-bearing cash deposits to ensure flexibility), the assets of the Trust are invested in unit-linked funds managed by a reputable City investment manager. The investment objective in relation to these assets is to maximise total return from income and capital growth within this risk category.

The Royal Albert Hall Trust currently has no investments but its investment policy remains unchanged.

Major Objectives for 2015

The Hall's major objectives for 2015 are set out below and correspond to the main Business Plan themes outlined above.

Investment in the building

The Hall will invest over £6m in the building during 2015.

The steam heating replacement works, which commenced in 2014, will continue overnight and, by the time the project is completed in July 2015, the Hall will have an efficient and controllable low-temperature-hot-water heating system. In order to get even more out of this new system and the recent cooling improvements, the Hall will undertake a major renewal of the 'building management system' which controls most of the Hall's core facility systems.

Planning permission will be sought during the year for the excavation of new basement space under the south west quadrant of the Hall's site and preparatory works will be carried out (including re-directing some utility routes and providing alternative internal/external routes for outside broadcast connectivity).

Major Objectives for 2015 (continued)

Investment in the building (continued)

Elsewhere in the building it is planned to:

- Make improvements to the loggia box floor/steps in order to make the space more flexible and to improve the health and safety environment, along with the creation of one additional loggia box for public use.
- Refresh the West Arena Foyer bar, visually and operationally, in conjunction with our partner Heineken.
- Develop designs for a major refurbishment of the North Circle Bar, in partnership with Shepherd Neame, to improve the ambience, fully reveal the spectacular views of Kensington Gardens, increase the speed of service and create a new small-scale performance space.
- Implement improvements to the Hall's accessibility in order to create a better experience for patrons with disabilities.
- Install low-energy lighting in the Circle corridor and auditorium, in order to improve the character of these spaces and reduce the Hall's energy consumption.
- Improve the toilet facilities through better ventilation and a rolling programme of refurbishments based on a standard design.
- Add further resilience to the Hall's incoming mains water infrastructure in order to reduce the Hall's exposure to water supply failure.
- Plan and embark upon a major lift refurbishment/replacement strategy, which will be logistically challenging given how critical the lifts are to the Hall's 24-hour operations.
- Carry out many smaller projects including a refresh of our corridor artwork, CCTV and PA upgrades, auditorium floor surface replacement, refurbishment of fire doors, plasterwork and offices, replacement of key infrastructure elements and a project on the roof which will be fixing the holes where the rain gets in.

The Hall has very few days without performance or rehearsal; it is a huge logistical challenge to fit this volume of projects into the schedule alongside all the day-to-day maintenance, painting and repairs that are also needed. Work is carried out round the clock in order to ensure that the Hall's fabric and infrastructure continues to be enhanced without impacting the calendar of events.

Major Objectives for 2015 (continued)

Growth

As ever, growth at the Hall (financial, audiences, artistic etc.) is driven first and foremost by the calendar of events. The majority of the Hall's main auditorium shows are already contracted for 2015 – the strength and diversity of the performances planned for the year is impressive. In addition, for the first time ever, the Hall is budgeting for over 500 events in other spaces within the building (a mixture of performances, education events and corporate hirings).

Looking further ahead, the Hall will continue to refresh and develop its world class programme, with an increasing emphasis on supporting young artists, creating new works, enhancing the Hall's creative and artistic credibility and linking main auditorium performances with the Education and Outreach programme.

The Hall needs to generate a commercial return overall from its operations each year in order to continue funding the programme of major building projects and the Education and Outreach work. The Hall has put in place the following key strategies to improve its commercial revenues during the year:

- A new website will be launched in early summer, the primary purpose of which is to increase sales through an improved purchasing experience, higher capacity and more integrated selling opportunities. In addition, the seatholders' ticket return process will be automated with on-line access in order to maximise the number of returned tickets that the Hall's box office can sell and reduce reliance on paper systems.
- The corporate sales team will also benefit from the new website's capabilities with box hospitality packages to be sold on-line for the first time. In addition the team aims to increase the number of events where the Hall can create hospitality packages and to continue developing the corporate partnerships which not only provide annual income but also direct investment for our building refurbishments alongside mutually beneficial brand / profile development.
- The Hall, in partnership with its in-house caterer "rhubarb", will drive catering revenue with a focus on increasing and completely filling restaurant capacity, attracting more customers to arrive early and enjoy the bars and restaurants, improving the interval ordering / purchasing experience and by better tailoring the offers to our differing audiences and to attract other customers outside show times.
- The retail and merchandise team will develop product lines that sell through outlets other than at the Hall and will drive merchandise sales via own-sourced products and better partnership with the merchandisers who accompany the shows at the Hall.

Major Objectives for 2015 (continued)

Growth (continued)

The Hall's overall financial return is not just enhanced through increasing sales but also by a continuous process of improving operational efficiency. In conjunction with this, the Hall faces a growing need to increase the cost base of its operational teams in order to keep pace with the growing event activity and the ever-increasing challenges of using a Victorian building as a modern-day venue. The following key actions are planned for 2015:

- The Hall has enlarged the Building Services team and aims to establish an effective ongoing preventative maintenance strategy, in tandem with a new asset condition survey, to ensure all of the Hall's plant and equipment is correctly and regularly maintained in a planned rather than reactive manner.
- Further investment is needed to ensure that the Hall's equipment remains up-to-date, especially within the auditorium (new steel deck risers, stage lighting, backstage décor etc.) and IT (including work to ensure that we get the best value from our current technologies and software, particularly the core ticketing package Tessitura plus the HR and payroll systems). Total investment in the year will be nearly £0.5 million.
- The Hall will complete and implement the roster and service-level changes arising from the stewarding review, with associated training and system enhancements. Other operational areas at the Hall plus a wide range of service contracts will have similar review processes during the year to ensure they provide best value for money.
- The Hall intends to invest in its staff across all departments, with a new and innovative internal communication and training programme, an improved benefits package, the development of more formal apprenticeship, internship and work-experience opportunities and a general drive to better support, equip and empower managers and their teams.

Access

The Royal Albert Hall is dedicated to giving access to all by running a thriving Education and Outreach programme working with children, teachers, young people, families and community groups. We deliver a wide range of exciting opportunities linked to the Hall's calendar of events and the unique characteristics of the building. These include specially created tours, workshops, projects and schools matinees.

Major Objectives for 2015 (continued)

Access (continued)

2015 will see the Education and Outreach activities extend to cover all age ranges from 0 to 100+ and in partnership with Nordoff Robbins the Hall will begin to host music therapy sessions every week, reaching out to people of all ages, with a range of conditions, in order to improve physical health and ability, address emotional and behavioural difficulties, develop communication and social skills and increase creativity, self-esteem and confidence.

Most of the Hall's established Education and Outreach programmes will continue and grow during 2015, providing a wide variety of participation opportunities including the Songbook initiative, which takes musical performances to elderly audiences in homes throughout Greater London, schools music workshops with Albert's Band, music-themed maths and science lessons in the Samsung Digital Classroom and careers workshops.

The Hall works in long-term partnerships with many organisations, including the Royal College of Music and the local Tri-borough Music Hub, Music for Youth, Dance Proms and the National Youth Choirs of Great Britain, in order to maximise the quality and reach of the programmes it delivers.

We have also been delighted to see main-stage artists support our Education and Outreach activities in 2014 and aim to develop this form of partnership in 2015 and beyond.

The Hall's new website will make the archive database available to online users, who will be able to research performances and performers across the Hall's 144-year history. Work continues to digitise the programme images and other physical assets so that they too can be made available online. Alongside this major database and digitisation work, the Archive team will continue to deliver talks and "show-and-tell" events, give media interviews, refresh the physical archive displays around the Hall, contribute to the Hall's Education, marketing and commercial activities, assist with hundreds of research queries and a lot more besides.

2015 will see the launch of the "Secret History" tour of the Hall which, along with the Grand Tour, the "Story of the Proms" tour and other new bespoke tours, should increase visitor numbers, meaning that more people will have the opportunity to learn about and enjoy the building and its unique history.

Profile

It is vital that the Hall continues to boost its public profile, particularly to ensure that awareness of the Education and Outreach events reach the widest possible number of potential participants and also, of course, to maximise the Hall's ability to fundraise for these and the major building projects.

Major Objectives for 2015 (continued)

Profile (continued)

The Hall has a multi-channel communications plan for 2015 which aims to broadcast the key messages and stories that the Hall should be telling its stakeholders. This will be driven by the internal marketing team in partnership with the Hall's communication agency.

2015 has begun with the launch of a new visual identity, including a new logo, which, along with the new website and communications plan will add to the promotion and clarity of the Hall's profile and ensure that the Hall has a stronger visual digital presence.

Structure, governance and management

Constitution

The Corporation was incorporated under a Royal Charter dated 8 April 1867, two further supplemental Charters and four Acts of Parliament with a membership comprising owners of 'permanent' seats in the Hall. The constitution is set out in Schedule 2 of the Royal Albert Hall Act 1966. The Corporation is a registered charity (Charity Registration No. 254543).

Council members

Members of Council constitute trustees of the Corporation for the purposes of the Charities Act 2011.

The following Council members served during 2014:

Council members

President of the Corporation:

Mrs Anthony Travis BA FRSA

Other elected members:

J G A Azis MA FRSA

L Baroukh MA FCA

Dr M Bloch PhD

Mrs Ken Craig

J Crystal

E Dangoor BSc

P R Denison-Pender FCCA ASIP

D A G Elyan MA FCIS FRSA

Mrs Colleen Harris MVO MCIPR FRSA

retired from Council 29 May 2014

I Henderson CBE BSc (Est Man) FRICS

M Jackson MA FCA

I McCulloch

elected to Council 29 May 2014

J Max BSc Hons SFDR MRICS

Mrs Michael Moore

J Moynihan OBE

A Ratcliffe FRICS FRSA

M T Schnebli FInstD FBIM

R C Waterbury MA

M B M Williams FSA

Structure, governance and management (continued)

Council members (continued)

Council members

Appointed members:

G F Bowden TD MA FRICS

S Corbyn FRICS

Sir Michael Dixon

Professor Colin Lawson MA (Oxon) MA PhD DMus FRCM FLCM

JS Neilson MA CPFA

Appointment of members of Council

In accordance with the Corporation's governing constitution, the Council, which is the Corporation's governing body, comprises 18 members of the Corporation (i.e. seatholders) and five independent members, one being appointed by each of the Secretary of State for Culture, Media and Sport; the trustees of the Natural History Museum; the governors of the Imperial College of Science, Technology and Medicine; the Council of the Royal College of Music and the Royal Commission of the Exhibition of 1851.

The 18 members of Council who are also Members of the Corporation are elected at Annual General Meetings. The Members of the Corporation, also at the AGM, appoint a President who is eligible to stand for re-election every year for a maximum term of six years, at which point the President retires from office.

The Corporation's Governance and Nominations Committee meets as required to consider how the Council should fill any vacancies, having regard to the need to achieve a balance of skills, experience and specialist knowledge within the Council. The Members of the Committee then meet potential candidates before putting their recommendations to Council for approval.

The Council appoints the Secretary to the Corporation, who is responsible for all governance and administrative aspects of the Council's affairs and for company secretarial duties.

Council members' Induction and Training

The Secretary to the Corporation provides all new members of Council with an induction programme which includes a full briefing on the purposes of the Charity and its provision of public benefit; the Corporation's constitutional structure; their obligations as trustees under charity law; and the Corporation's organisational structure and decision making processes. This is supplemented by a half day structured induction session with senior members of the Corporation's management team covering all key aspects of the Corporation's activities.

Structure, governance and management (continued)

Statement of Council's responsibilities

The Council is responsible for preparing the annual report and accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the Council to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Corporation and the group and of their incoming resources and application of resources for that period. In preparing these accounts, the Council is required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in the Charities SORP;
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards have been followed, subject to any 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 Corporation will continue in operation.

The Council is responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions, disclose with reasonable accuracy at any time the financial position of the Corporation and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charities (Accounts and Reports) Regulations 2008 and the provisions of the Corporation's constitution. It is also responsible for safeguarding the assets of the Corporation and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Organisation

The direction and control of the Corporation is determined by Council, which meets at least five times a year. The role of Council is to direct the Corporation's strategy in pursuit of its charitable objectives, to set policies and to ensure that the Charity is properly and effectively managed. The following sub-committees of Council have been established to deal with specific aspects of the work of the Corporation as defined in their terms of reference, which are set out in abridged form below. Meetings of the Council and of various Committees are attended by the Hall's Chief Executive, and variously by other members of the management team and the Secretary of the Corporation. A comprehensive Manual of Governance has been produced that regulates the conduct of Council business and the conduct of members of Council, collectively and individually.

Structure, governance and management (continued)

Organisation (continued)

◆ *Finance and Business Development Committee*

The Committee considers and makes recommendations to the Council on: the annual income and expenditure budget; longer term business plans and capital expenditure programmes; and the Auditors' Annual Report. It is responsible for: monitoring the financial performance of the Corporation against budget and business plans; ensuring proper financial and accounting controls; compliance with statutory requirements and risk management. It is responsible for consideration of any matters raised by the auditors.

The Honorary Treasurer, Jonathan Azis, chairs this committee which meets at least four times a year. Other members during the year were Peter Denison-Pender, David Elyan, Michael Jackson and Richard Waterbury.

◆ *Seat Rate Committee*

The Seat Rate Committee has two purposes:

1. to review the purpose of the seat rate, as set out in legislation, and the consequent principles upon which it should be calculated, and to advise Council accordingly; and
2. annually, to recommend to Council the level of the seat rate that the Members will be invited to approve at the next Annual General Meeting.

The Committee's members are the Honorary Treasurer, Jonathan Azis (non-voting Chairman) and the five independent Appointed Members of Council (Gerald Bowden, Sir Michael Dixon, Stuart Corbyn, Professor Colin Lawson and John Neilson).

◆ *Fabric Committee*

The Committee advises Council on all matters relating to the preservation, maintenance and further improvement of the Hall and its setting. Ian Henderson chairs this Committee which meets at least five times a year. Other members during the year were Jonathan Azis, Gerald Bowden, Stuart Corbyn, Anthony Ratcliffe and Martin Williams, with Lawrence Hurst and Giles Downes serving as co-opted members.

◆ *Development Funding Group*

The Group advised Council on the Hall's strategy to generate financial support from individuals, Trusts and the business sector, and the cultivation of potential benefactors. Mrs Michael Moore chaired this group which meets at least four times a year. Other members during the year were Lin Craig, Peter Denison-Pender, James Max, Mark Schnebli, Chris Cotton and Vaughan Rees.

Structure, governance and management (continued)

Organisation (continued)

◆ *Development Funding Group (continued)*

In 2014 Council replaced the Development Funding Group with a Development Funding Board and is extremely grateful that Lord Magan, who has a wealth of experience leading major fundraising campaigns, is chairing the Board.

◆ *Public Benefit and Education Committee*

The Committee advises Council and monitors on its behalf activities designed to fulfil the Hall's public benefit and education remit, including the conservation and further enhancement of the Hall's Archive. Mrs Colleen Harris chaired this committee, which usually meets at least four times a year, until May 2014. Mrs Michael Moore is now Chairman. Other members during the year were Elie Dangoor, Professor Colin Lawson, Larry Viner (co-opted), Wendy Max (co-opted) and Satya Crystal (co-opted).

Mrs Michael Moore has Trustee responsibility for the Hall's child protection policies and through the Chief Executive, Ms Alison Tobe (Head of Human Resources) is responsible for the implementation of the procedures and policy as Child Protection Officer.

◆ *Programming and Marketing Committee*

The Committee advises Council and monitors on its behalf the Hall's Programming and Marketing activities and the extent to which they meet the Hall's purposes and financial objectives. Elie Dangoor chairs this Committee which meets at least four times a year. Other members during the year were Colleen Harris (until the 2014 AGM), Monica Bloch, James Max, Mark Schnebli and James Murphy (co-opted).

◆ *Governance and Nominations Committee*

Committee advises Council on matters relating to the governance of the Corporation, the conduct of the affairs of Council and the membership of Council and its Committees. The Committee is chaired by the President and meets as necessary. Other members during the year were the Treasurer Jonathan Azis, Vice-Presidents Elie Dangoor, and Martin Williams, plus Gerald Bowden and Jonathan Crystal.

◆ *Members' Liaison Committee*

The Committee advises the Council on all matters relating to the role of the Members in the conduct of the affairs of the Corporation. It also provides a means of communication between the Members and the Hall, and promotes Member support for Hall activities. Mrs Ken Craig chairs this committee which meets at least four times a year. Other members during the year were Monica Bloch, Elie Dangoor, David Elyan and Mark Schnebli, with Paul Medicott serving as a co-opted member.

Structure, governance and management (continued)

Organisation (continued)

◆ *Executive Team*

The day-to-day management of the Corporation is the responsibility of the Chief Executive, Chris Cotton, with the support of the Executive team. The Council appoints the Chief Executive, who is supported by the Directors.

During 2014 the Directors were as follows:

Chief Operating Officer	Jasper Hope (resigned December 2014)
Director of Customer Relations	Sarah Woods
Directors of Operations	Amanda Squires
Director of Finance and Administration	James Ainscough

Following a restructure, commencing January 1st 2015, the Directors are as follows:

Chief Operating & Financial Officer	James Ainscough
Director of Business Development	Philip Marshall (appointed March 2015)
Director of Events	Lucy Noble
Director of External Affairs	Sarah Woods
Director of Operations	Amanda Squires

The Chief Executive, supported by the Directors is responsible for the development and implementation of strategy and business plans for the Corporation, for policy recommendations to Council, for the development and implementation of appropriate controls and procedures and for the day-to-day management of its operations. The Directors meet at least twice a month to monitor operational and financial progress against plans approved by Council and to discuss strategic objectives. A wider group comprising Heads of Department and Senior Managers meets on a weekly basis to exchange information on operational issues.

◆ *Employees*

The Corporation strives to be an equal opportunities employer. It aims to ensure that no job applicant or employee receives less favourable treatment on the grounds of age, race, colour, nationality, religion, ethnic or national origin, gender, marital status, sexual orientation or disability.

Selection criteria and procedures are reviewed regularly to ensure that individuals are selected, trained, promoted and treated on the basis of their relevant merits and abilities.

Structure, governance and management (continued)

Organisation (continued)

Connected charities and related parties

The accounts consolidate financial information of the Corporation of the Hall of Arts and Sciences, its wholly owned subsidiary Royal Albert Hall Developments Limited and a related charity, the Royal Albert Hall Trust. This requires the line-by-line consolidation of the operating results of these subsidiary undertakings in the statement of financial activities.

Royal Albert Hall Developments Limited (RAHDL) is responsible for income generating activities which are incidental to the Corporation's charitable purposes as set out in the Corporation's original Charter, such as the production and co-promotion of events at the Hall, catering, merchandising, tours, retail, licensing boxes for corporate use and selling hospitality packages, and for those activities which have a charitable purpose but are only permitted under the Corporation's supplemental charter.

RAHDL meets at least four times per year, immediately after the Finance and Business Development meetings. RAHDL is chaired by Peter Denison-Pender and Directors during 2014 were Jonathan Azis, Chris Cotton, David Elyan, Michael Jackson and Richard Waterbury. The Secretary to the Corporation undertakes the company secretary role.

The trustees of the Royal Albert Hall Trust, (Registered Charity No: 285111), a related charity, are the President and Vice Presidents of the Corporation. The Trust donated £1,013,759 to the Corporation in 2014 (2013 - £1,211,842).

Risk management

The Council has established a process for identifying the major operational, health and safety, reputational and financial risks to which the Corporation is exposed, and has reviewed those risks. The Council is satisfied that, in addition to day-to-day financial and operational management, including health and safety procedures and security and disaster recovery arrangements, systems and controls have been established and are functioning to mitigate and manage those risks. The framework is reviewed by the Council annually to ensure that major risks are identified on a regular basis, and to monitor progress against action plans to mitigate the risks already identified.



Approved by the Council on 1 April 2015
and signed on its behalf by

Mrs Anthony Travis
President

Independent Auditor's Report to the Trustees of the Corporation of the Hall of Arts and Sciences

We have audited the financial statements of the Corporation of the Hall of Arts and Sciences for the year ended 31 December 2014 which comprise the Consolidated Statement of Financial Activities, the Charity and Consolidated Balance Sheets, the Consolidated Cash Flow Statement, the principal accounting policies and the related notes.

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).

This report is made solely to the charity's trustees as a body, in accordance with Section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity'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 Statement of Council's Responsibilities set out in the Report of the Council, the Corporation's members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 151 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 charity'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 Report of the Council 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 Corporation's and the group's affairs as at 31 December 2014 and of the group's incoming resources and application of resources 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 Charities Act 2011.

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 Report of the Council is inconsistent in any material respect with the financial statements; or
- ◆ sufficient accounting records have not been kept; 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.

Crowe Clark Whitehill LLP

Crowe Clark Whitehill LLP
Statutory Auditor
London

2 April 2015

Consolidated statement of financial activities Year to 31 December 2014

	Notes	Unrestricted funds £'000	Restricted funds £'000	2014 Total funds £'000	2013 Total funds £'000
Incoming resources					
<i>Incoming resources from generated funds</i>					
. Voluntary income		—	1,014	1,014	1,192
. Investment income		—	—	—	4
. Interest receivable		325	—	325	627
<i>Incoming resources from charitable activities</i>					
. Rentals		4,596	—	4,596	4,737
. Ticket sales and commission		12,013	—	12,013	11,209
. Members' annual contributions		1,787	—	1,787	1,768
. Concessions		2,182	—	2,182	2,085
. Licensing of boxes, sponsorship and corporate hospitality		2,280	—	2,280	2,086
. Other (including facility fees, tour proceeds and retail income)		3,386	—	3,386	2,225
Total incoming resources		26,569	1,014	27,583	25,933
Resources expended					
<i>Costs of generating funds</i>					
Cost of generating voluntary income		241	—	241	196
<i>Charitable activities</i>					
. Maintaining and developing the Hall	1	5,653	—	5,653	5,406
. Promoting the arts and sciences	2	15,832	123	15,955	14,277
<i>Governance costs</i>					
		268	—	268	223
Total resources expended		21,994	123	22,117	20,102
Net incoming resources for the year		4,575	891	5,466	5,831
Other recognised gains and losses					
Transfers between restricted and unrestricted	14	893	(893)	—	—
Net gains/(losses) on investment assets	10	—	—	—	(1)
Actuarial losses on defined benefit pension scheme		(202)	—	(202)	(164)
Net movement in funds		5,266	(2)	5,264	5,666
Fund balances brought forward at 1 January 2014		28,275	55	28,330	22,664
Fund balances carried forward at 31 December 2014		33,541	53	33,594	28,330

All of the group's activities derived from continuing operations during the above two financial periods.

For the parent charity alone, total incoming resources for the year were £17,984,000 (2013 - £18,217,000) and net incoming resources were £5,442,000 (2013 - £5,884,000).

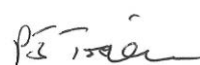
The notes on pages 34 to 53 form an integral part of these financial statements.

Balance sheets 31 December 2014

	Notes	Corporation 2014 £'000	Group 2014 £'000	Corporation 2013 £'000	Group 2013 £'000
Fixed assets					
Tangible assets	8	11,393	11,393	5,902	5,902
Heritage assets	9	—	—	—	—
Investments	10	13,433	13,433	14,338	14,338
Investment in subsidiary	11	25	—	25	—
		24,851	24,826	20,265	20,240
Current assets					
Debtors	12	5,715	2,539	1,797	3,094
Cash held on short term deposit		9,567	11,567	9,662	9,662
Cash at bank and in hand		4,097	15,489	15,197	17,579
		19,379	29,595	26,656	30,335
Creditors: amounts falling due within one year					
Sundry creditors and accruals	13	4,456	6,351	14,092	8,601
Deposits on future lettings		1,266	2,210	1,238	2,350
Advance ticket sales		4,967	10,299	3,290	9,336
Other advance income		—	1,967	—	1,958
		10,689	20,827	18,620	22,245
Net current assets		8,690	8,768	8,036	8,090
Total net assets excluding pension asset		33,541	33,594	28,301	28,330
Pension asset		—	—	—	—
Total net assets including pension asset		33,541	33,594	28,301	28,330
Represented by					
Funds and reserves					
Income funds:					
Restricted funds	14	—	53	—	55
Unrestricted funds					
. Designated funds	15	30,499	30,499	27,223	27,223
. General funds					
.. Free reserves		3,042	3,042	1,078	1,052
.. Pension reserves	17	—	—	—	—
		33,541	33,594	28,301	28,330

The notes on pages 34 to 53 form an integral part of these financial statements

Approved by the trustees on 1 April 2015 and signed on their behalf by:



Mrs A Travis
President



Jonathan Azis
Honorary Treasurer



Chris Cotton
Chief Executive

Consolidated cash flow statement Year to 31 December 2014

	Notes	2014 £'000	2013 £'000
Cash inflow from operating activities	A	4,963	7,160
Returns on investments and servicing of finance	B	325	631
Capital expenditure and financial investment	B	(6,378)	(1,780)
Management of liquid resources			
. Monies transferred to short term deposits	C	(1,000)	(3,973)
Increase in cash	C	<u>(2,090)</u>	<u>2,038</u>
Reconciliation of net cash flow to movement in net funds			
Increase in cash and net funds in the period		(2,090)	2,038
Net funds at 1 January 2014	C	17,579	15,541
Net funds at 31 December 2014	C	<u>15,489</u>	<u>17,579</u>

Notes to the cash flow statement for the year to 31 December 2014

A Adjustment of net incoming resources for the year to net cash inflow from operating activities

	2014 £'000	2013 £'000
Net incoming resources for the year	5,466	5,831
FRS 17 pension adjustment	(202)	(164)
Depreciation charge	887	440
Interest receivable	(325)	(627)
Investment income receivable	—	(4)
Decrease/(Increase) in debtors	555	(159)
(Decrease)/Increase in creditors	(1,418)	1,843
Net cash inflow from operating activities	<u>4,963</u>	<u>7,160</u>

Consolidated cash flow statement Year to 31 December 2014

B Gross cash flows

	2014 £'000	2013 £'000
Returns on investments and servicing of finance		
Interest received	325	627
Investment income received	—	4
	325	631
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(6,378)	(2,296)
Payments to acquire investments	—	—
Receipts from disposals of investments	—	516
	(6,378)	(1,780)

C Analysis of changes in cash

	At 1 January 2014 £'000	Cash flows £'000	At 31 December 2014 £'000
Term deposits	24,000	1,000	25,000
Cash at bank and in hand	17,579	(2,090)	15,489
Total	41,579	(1,090)	40,489

Principal accounting policies Year to 31 December 2014

Basis of accounting

The accounts have been prepared under the historical cost convention, as modified by the inclusion of certain tangible fixed assets at valuation and by the inclusion of investments at market value. Certain land and buildings have been classified as heritage assets and have been included at a nil value on the balance sheet (note 9). Applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005 (SORP 2005) and the requirements of the Charities Act 2011 have been followed in these accounts.

Going Concern

Having assessed the Corporation's financial position, its plans for the foreseeable future, the risks to which it is exposed and forecast projections the Members of Council are satisfied that it remains appropriate to prepare the financial statements on the going concern basis.

Consolidation

The group accounts consolidate on a line by line basis the accounts of The Corporation of the Hall of Arts and Sciences ("the Corporation"), its wholly-owned subsidiary, Royal Albert Hall Developments Limited (RAHDL) and its related charity, Royal Albert Hall Trust (RAHT).

Accounting for income

Incoming resources are recognised in the period in which the charity is entitled to receipt and the amount can be measured with reasonable certainty.

Accordingly, rental income, ticket sales and commission, income from trading activities and other show-related income is recognised as income on the day that each show takes place. Income from licensing of boxes and members' annual contributions is recognised over the period to which it relates.

Income is deferred only when the charity has to fulfil conditions before becoming entitled to it or where the donor or funder has specified that the income is to be expended in a future accounting period.

Resources expended and the basis of apportioning costs

Expenditure is included in the statement of financial activities when incurred and includes any attributable VAT which cannot be recovered.

Resources expended comprise the following:

- a. The costs of generating funds include the direct costs and overheads associated with generating donated income and holding fundraising events.

Resources expended and the basis of apportioning costs (continued)

- b. Charitable expenditure comprises expenditure on the Corporation's primary charitable purposes of maintaining the Royal Albert Hall and, through its use, facilitating the advancement of the arts and sciences.

Expenditure includes direct costs and support costs which are allocated according to underlying activity levels, the basis for which is detailed in Note 3.

- c. Support costs represent indirect charitable expenditure. In order to carry out the primary purposes of the Corporation it is necessary to provide support in the form of personnel development, financial procedures and management, provision of office services and equipment and a suitable working environment. These costs are apportioned out across the charitable activities as described above.
- d. Governance costs comprise: 90% of the cost of the Secretary to the Corporation; 12.5% of the cost of the Chief Executive, audit fees and annual report expenditure; and the annual general meeting and council meeting expenses.

Pension costs

The Corporation has two pension schemes, the Royal Albert Hall Stakeholder Pension Plan and the Royal Albert Hall Pension Scheme.

All staff are entitled to join the Royal Albert Hall Stakeholder Pension Plan, which with effect from 1 September 2006 is the only scheme open to new entrants.

The Royal Albert Hall Pension Scheme has both a defined contribution section and a defined benefit section. The defined benefit section was closed to new entrants in 1997 and ceasing of accrual on 31 December 2014; the defined contribution section was closed to new entrants on 31 August 2006.

◆ *Stakeholder Pension Plan*

Pension costs for the Royal Albert Hall Stakeholder Pension Plan are charged to the statement of financial activities as they become payable.

◆ *Defined contribution section*

Pension costs for the defined contribution section of the Royal Albert Hall Pension Scheme are charged to the statement of financial activities as they become payable.

Principal accounting policies Year to 31 December 2014

Pension costs (continued)

◆ *Defined benefit section*

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using the projected unit actuarial method and are discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Any increase in the present value of the liabilities within the Corporation's defined benefit section of the Scheme expected to arise from employee service in the period is allocated to the respective expense category (as outlined above) in respect to staff costs.

Actuarial gains and losses are recognised in the statement of financial activities in recognised gains and losses for the period.

Tangible fixed assets

All assets costing more than £10,000 (other than heritage assets – see below) which have an expected useful life exceeding one year are capitalised.

Freehold land comprising car parking spaces and those assets included in the archival collection are included in the accounts at a valuation (see note 8 for details). All other assets are included at cost.

Tangible fixed assets are depreciated at the following annual rates in order to write them off over their estimated useful lives:

- ◆ Property costs 10 - 20% per annum based on cost
- ◆ Plant, fixtures, fittings and equipment 6.7% - 20% per annum based on cost
- ◆ Computers and office equipment 20 - 33.3% per annum based on cost

Expenditure on the general upkeep of the building and 'like for like' replacements (which allows for some technological developments and other advancements) is expensed. Expenditure on the building is capitalised if it fits within the three circumstances for capitalisation highlighted within paragraph 36 of FRS15:

- a) where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed asset in excess of the previously assessed standard of performance.
- b) where a component of the tangible fixed asset that has been treated separately for depreciation purposes and depreciated over its individual useful economic life, is replaced or restored.
- c) where the subsequent expenditure relates to a major inspection or overhaul of a tangible fixed asset that restores the economic benefits of the asset that have been consumed by the entity and have already been reflected in depreciation.

Principal accounting policies Year to 31 December 2014

Tangible fixed assets (continued)

Assets under construction are not depreciated until complete and operational.

No depreciation is charged on freehold land.

No depreciation is charged on assets comprising the archival collection. The nature of these assets (including paintings, manuscripts and artefacts) means that their expected useful lives are extremely long and their residual values high. Any depreciation, therefore, would be immaterial.

Heritage assets

The land and buildings comprising the Royal Albert Hall have been classified as heritage assets. The Hall is an asset of acknowledged historic importance and must be held indefinitely in direct furtherance of the Corporation's charitable objects i.e. to maintain the Hall and, through its use, to facilitate the advancement of the arts and sciences.

As reliable cost information is not available and conventional valuation approaches lack sufficient meaning given that certain aspects of the building and its historic significance are irreplaceable, no value is included on the balance sheet in respect of the Hall.

As explained more fully within note 9 of the accounts, all subsequent expenditure incurred on the land and buildings of the Royal Albert Hall is reviewed to determine whether it meets the criteria set out in FRS15 for capitalising subsequent expenditure on an asset. Where the criteria are not met the expenditure is accounted for through the statement of financial activities.

Investments

Listed investments are included on the balance sheet at market value. Realised and unrealised gains and losses at the year-end are credited or debited to the statement of financial activities in the year in which they arise.

The investment in the Corporation's subsidiary company, Royal Albert Hall Developments Limited, is shown on the Corporation's balance sheet at cost.

Cash investments are held in order to fund the Hall's long term commitment to maintaining and developing the building and to ensure that the risk of unforeseen circumstances does not prevent the Hall from taking a long term view when planning and investing in the operations of the venue, including the Education and Outreach programme.

Fund accounting

Restricted funds comprise monies raised for, or their use restricted to, a specific purpose, or contributions subject to donor-imposed conditions.

Designated funds comprise monies set aside out of unrestricted general funds for specific future purposes or projects.

Principal accounting policies Year to 31 December 2014

Fund accounting (continued)

General funds represent those monies which are freely available for application towards achieving any charitable purpose that falls within the Corporation's charitable objects.

Liquid resources

Liquid resources are term deposits, requiring more than 24 hours' notice.

Operating leases

The annual rental for operating leases is charged to the Statement of Financial Activities on a straight line basis over the lease term.

1 Maintaining and developing the Hall

	2014 £'000	2013 £'000
Building maintenance	1,572	1,555
Building refurbishment and improvements	1,939	1,784
Security and housekeeping	908	838
Archives	106	95
Support costs (see note 3)	1,128	1,134
	5,653	5,406

2 Promoting the arts and sciences

	2014 £'000	2013 £'000
Ticketing	2,022	2,143
Show management and production	4,815	3,967
Front of house services	1,821	1,622
Security and housekeeping	801	753
Programming, marketing and public relations	1,413	1,323
Education activities	317	288
Corporate services and other costs	921	796
Support costs (see note 3)	3,845	3,385
	15,955	14,277

3 Support costs

	Maintaining and developing the Hall £'000	Promoting the arts and sciences £'000	2014 Total £'000	2013 Total £'000
Finance and information systems	226	803	1,029	1,020
Administration and human resources	273	1,068	1,341	1,365
Overheads and insurance	385	460	845	775
Utilities	133	738	871	919
Depreciation	111	776	887	440
	1,128	3,845	4,973	4,519

Support costs that can be directly attributed to an activity have been allocated to that activity. Where support costs relate to more than one activity the cost has been allocated on a head count basis, with the exception of depreciation costs which have been allocated on an analysis of usage.

4 Auditor's remuneration

	2014 £'000	2013 £'000
Group audit – current year	32	31
Pension audit – current year	4	6
Other services – prior year	—	1
– current year	4	2

5 Staff costs

	2014 £'000	2013 £'000
Salaries	8,562	8,000
Social security costs	704	656
Pension costs	519	450
	9,785	9,106

The average number of employees during the year, analysed by function, was as follows:

	2014 Number	Full-time equivalent 2014 Number	2013 Number	Full-time equivalent 2013 Number
Generating funds	3	3	1	1
Maintaining the Hall	35	33	32	32
Promoting arts and sciences	321	183	313	176
Administration and support	28	25	28	26
Governance	2	2	1	1
	389	246	375	236

The number of employees whose total emoluments were £60,000 or more (including taxable benefits but excluding employer's pension contributions) during the year was as follows:

	2014 Number	2013 Number
£60,001 - £70,000	7	7
£70,001 - £80,000	3	3
£90,001 - £100,000	1	2
£100,001 - £110,000	2	-
£110,001 - £120,000	-	1
£120,001 - £130,000	1	-
£140,001 - £150,000	-	1
£160,001 - £170,000	1	-
£200,001 - £210,000	1	1
	16	15

5 Staff Costs (continued)

Emoluments include remuneration, benefits-in-kind and (where relevant) redundancy payments. There are no employees accruing benefits under the Corporation's defined benefit scheme whose emoluments exceeded £60,000 (2013 – nil). Total employer's pension contributions for the provision of money purchase benefits for employees whose emoluments exceeded £60,000 were £123,017 (2013 – £103,113).

6 Council members

The majority of Council members are also members of the Corporation who own seats in the Hall. As such they pay members' annual contributions and enjoy seat holders' rights on exactly the same terms as the other members.

No member of Council received any remuneration from the Corporation during the year (2013 - £nil). Two members of Council received out of pocket travelling expenses totalling £366 for the year (2013 – nil). No member of Council had any beneficial interest in any contract with the Corporation or its subsidiary undertaking during the year.

Council members assist the Hall by entertaining individuals who are supportive of, or in other ways helpful in promoting, the life and work of the Hall. In these circumstances those who entertain on the Hall's behalf will have access to the twelve seats in Grand Tier 29 for themselves, for Hall guests and for an appropriate number of personal guests. In the case of elected Council members, it has been agreed that for Ordinary Lettings it is not unreasonable for them either to use seats in Grand Tier 29 and to return the equivalent number of their own seats for the use of the Hall, or use their own seats. For Exclusive Lettings all Council members have access to Grand Tier 29 but if accompanied by more than one personal guest these additional seats must be paid for.

Throughout the year the Corporation secured indemnity insurance under a policy covering the members of Council and the directors, trustees and officers of the subsidiary company and related trust. The total premium charged to the Corporation was £12,760 (2013 - £10,960) and the cover provided totalled £10 million (2013 - £10 million).

7 Taxation

The Corporation is a registered charity and therefore is not liable to income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities.

As explained in note 11, the Corporation's subsidiary company donates its taxable profits to the Corporation via a Deed of Covenant.

8 Tangible fixed assets

	Freehold land £'000	Archival collections £'000	Property Costs £'000	Plant, fixtures, fittings and equipment £'000	Computers and office equipment £'000	Assets under construction £'000	Total £'000
Cost or valuation							
As at 1 January 2014	1,575	1,496	1,071	1,720	1,863	662	8,387
Additions	-	-	-	5,731	189	458	6,378
Transfers	-	-	-	619	-	(619)	-
As at 31 December 2014	<u>1,575</u>	<u>1,496</u>	<u>1,071</u>	<u>8,070</u>	<u>2,052</u>	<u>501</u>	<u>14,765</u>
Depreciation							
As at 1 January 2014	-	-	107	763	1,615	-	2,485
Charge for year	-	-	107	624	156	-	887
As at 31 December 2014	<u>-</u>	<u>-</u>	<u>214</u>	<u>1,387</u>	<u>1,771</u>	<u>-</u>	<u>3,372</u>
Net book values							
As at 31 December 2014	<u>1,575</u>	<u>1,496</u>	<u>857</u>	<u>6,683</u>	<u>281</u>	<u>501</u>	<u>11,393</u>
As at 1 January 2014	<u>1,575</u>	<u>1,496</u>	<u>964</u>	<u>957</u>	<u>248</u>	<u>662</u>	<u>5,902</u>

As permitted under FRS 15, "Tangible Fixed Assets", the Corporation has continued a policy of not revaluing its tangible fixed assets. The book values of tangible fixed assets held are derived as follows:

- ◆ Freehold land comprising car parking spaces situated below the Royal Albert Hall, London, SW7 has been valued by the Council at £1,575,000, based on advice received from Messrs Stile Harold Williams, Surveyors and Valuers, and is being carried forward at this value in line with the transitional provisions of FRS15.
- ◆ The Corporation's archival collections are included in the accounts at a valuation made by Messrs King Sturge, Chartered Surveyors and are being carried forward at this value in line with the transitional provisions of FRS15.
- ◆ Fixtures and fittings, equipment, computers and office equipment are all included in the accounts at historical cost.
- ◆ Expenditure on the building that fits within the three circumstances for capitalisation highlighted within paragraph 36 of FRS15 is capitalised at cost.

The historical cost of assets included above at a valuation is not available. Many of the assets were acquired a significant number of years ago and the expense associated with researching their original cost outweighs any benefit derived from having such information.

At 31 December 2014 the Corporation had capital commitments of £3,246,000 (2013 - £388,000).

9 Heritage assets

The land and buildings comprising the Royal Albert Hall are defined as heritage assets for the purposes of these accounts. Under the Corporation's Royal Charter the Hall, which is an asset of acknowledged historic importance, must be held indefinitely so as to fulfil the Corporation's primary charitable objectives of maintaining the Hall and, through its use, facilitating the understanding, appreciation and advancement of the arts and sciences.

The nature of the land and buildings means that any meaningful and/or conventional valuation of the Royal Albert Hall is not possible, as any approach to such a valuation would lack relevance. The historic importance of the Hall means that certain aspects of the building and its historic significance are irreplaceable. The land and buildings, therefore, appear at nil value on the Corporation's balance sheet.

The following information regarding the heritage assets is given to provide an understanding of their nature:

- ◆ The assets comprise the land and buildings known as the Royal Albert Hall, situated at Kensington Gore, London SW7 and demised under a 999 year lease dated 25 March 1872.
- ◆ The Royal Albert Hall is valued for insurance purposes only at a gross reinstatement cost of £216 million, based on a valuation as at December 2007 by Watts Group PLC, Chartered Surveyors, which was adjusted by an appropriate building indexation allowance, in 2014, to £261 million.
- ◆ While not shown in the accounts, the operating expenditure includes the ground rent of one shilling (5p) a year payable to the owners of the Hall's freehold, The Royal Commission for the Exhibition of 1851.
- ◆ The Hall capitalises expenditure on removable fittings, computers and equipment. The Hall complies with Financial Reporting Standard 15 'Tangible fixed assets' (FRS15) when determining whether to capitalise subsequent expenditure on the fabric of the building, a Heritage Asset. Therefore expenditure on the general upkeep of the building and 'like for like' replacements (which allows for some technological developments and other advancements) is expensed. Unless the expenditure on the building fits within the three circumstances for capitalisation highlighted within paragraph 36 of FRS15, then it is capitalised and depreciated.

Fixed asset additions in 2014 totalled £6,378,000. These included costs of £5,618,000 relating to the steam heating and chiller replacements projects and also some expenditure relating to the installation of cable reels in the roof of the building.

9 Heritage assets (continued)

Other significant areas of expenditure within the last five years, expensed because in the main these projects did not fit within the three circumstances for capitalisation highlighted within paragraph 36 of FRS15, include the relocation of various backstage catering facilities (£1,363,000), the refurbishment of the Café Consort to the newly renamed Verdi Italian Kitchen (£1,130,000) and the refurbishment of the Box Office facility during the upgrading of the Door 12 area (£853,000). Smaller projects undertaken include the refurbishment of bars and meeting rooms, the relocation and refurbishment of office space, a temporary cooling trial undertaken in specific areas of the auditorium, backstage and stage door improvements, auditorium chair replacement, external maintenance such as window repairs and painting, internal door and flooring replacement, the removal of old cabling and the cost of professional services in order to bring these and other projects to fruition.

In compliance with the disclosure requirements of Financial Reporting Standard 30 'Heritage Assets' (FRS30), costs relating to the fabric of the building which have either been capitalised or expensed in the last five years are summarised below.

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Expenditure on Heritage Assets					
Capital Expenditure					
Facilities for performers and the public	—	1,071	—	—	—
Other building works and fees	5,728	619	—	—	—
	<u>5,728</u>	<u>1,690</u>	<u>—</u>	<u>—</u>	<u>—</u>
Revenue Expenditure					
Facilities for performers and the public	1,077	668	720	917	203
The building's structure	22	262	263	255	143
The auditorium	6	42	82	314	41
Other building works and fees	274	364	357	360	422
	<u>1,379</u>	<u>1,336</u>	<u>1,422</u>	<u>1,846</u>	<u>809</u>
	<u>7,107</u>	<u>3,026</u>	<u>1,422</u>	<u>1,846</u>	<u>809</u>

10 Investments

The investments held on the balance sheet comprise cash, which is held to fulfil long term objectives. Further details can be found in the Investment Policy on page 15.

There were no listed investments held at 31 December 2014 (2013 - nil).

11 Investment in subsidiary undertaking and related charity

The Corporation's subsidiary, Royal Albert Hall Developments Limited, is incorporated in England. The principal activities of the company are the licensing of the Royal Albert Hall to third parties, the licensing of boxes to corporate clients, joint arrangements for the production of certain events, the receipt of income from catering and services provided to patrons of the Royal Albert Hall by concessionaires appointed by the company and from mailing list subscribers, tours, a shop and a car parking concession. The Corporation's investment in Royal Albert Hall Developments Limited comprises 25,000 ordinary shares of £1 each, being the entire issued share capital of that company. Royal Albert Hall Developments Limited donates its taxable profits to the Corporation by Deed of Covenant. A summary of the financial results of the company is shown below.

Royal Albert Hall Developments Limited

Profit and loss account	2014 £'000	2013 £'000
Turnover	14,533	11,740
Cost of sales	<u>(10,536)</u>	<u>(8,332)</u>
Operating profit	3,997	3,408
Net interest receivable	<u>40</u>	<u>70</u>
Profit for the year before tax and Deed of Covenant	4,037	3,478
Deed of Covenant payable to Corporation	<u>(3,992)</u>	<u>(3,470)</u>
Profit on ordinary activities before taxation	45	8
Tax on ordinary activities	<u>20</u>	<u>(8)</u>
Profit for the financial year retained in subsidiary	<u>25</u>	<u>—</u>

Summarised balance sheet	2014 £'000	2013 £'000
Current assets	14,525	12,144
Creditors: amounts falling due within one year	<u>(14,500)</u>	<u>(12,144)</u>
Net assets	<u>25</u>	<u>—</u>
Called up share capital	25	25
Profit and loss account	<u>—</u>	<u>(25)</u>
	<u>25</u>	<u>—</u>

The Corporation has one related charity, The Royal Albert Hall Trust, by virtue of the fact that the Trust's trustees comprise the President and Vice Presidents of the Corporation. The Trust's objects are the maintenance and preservation of the Royal Albert Hall and the advancement of education for public benefit by the provision of such instructive activities that relate to the Royal Albert Hall as the trustees shall from time to time determine.

The Trust raises funds from donations and other fundraising events in order that it may make donations to the Corporation. The Trustees have review procedures in place to ensure that donations passed on to the Corporation are appropriately used, in line with donor expectations.

11 Investment in subsidiary undertaking and related charity (continued)

A summary of the financial results and balance sheet of the Trust is shown below:

Royal Albert Hall Trust

Summarised statement of financial activities	2014 £'000	2013 £'000
Incoming resources	1,014	1,196
Resources expended		
. Cost of generating funds	1	—
. Donation to Corporation	1,014	1,212
. Governance costs	1	1
Total resources expended	1,016	1,213
Net (outgoing)/incoming resources	(2)	(17)
Net gains/(losses) on investment assets	—	(1)
Net movement in funds	(2)	(18)
Fund balances brought forward	55	73
Fund balances carried forward	53	55
Summarised balance sheet	2014 £'000	2013 £'000
Current assets	54	56
Creditors: amounts falling due within one year	(1)	(1)
Net assets	53	55
Unrestricted funds	—	—
Restricted funds	53	55
	53	55

12 Debtors

	Corporation 2014 £'000	Group 2014 £'000	Corporation 2013 £'000	Group 2013 £'000
Rentals and concession income receivable	593	1,284	885	1,749
Other debtors	129	367	123	334
Amount due from subsidiary	4,316	—	—	—
Tax recoverable	—	6	—	5
Prepayments and accrued income	677	882	789	1,006
	5,715	2,539	1,797	3,094

13 Sundry creditors and accruals

	Corporation 2014 £'000	Group 2014 £'000	Corporation 2013 £'000	Group 2013 £'000
Expense creditors	1,774	2,257	2,804	4,103
Other creditors	1,160	1,723	1,245	1,732
Social security and other payroll taxes	478	478	436	436
Amount due to subsidiary	47	—	8,521	—
Accruals	1,117	1,207	1,074	1,402
VAT	(120)	686	12	928
	4,456	6,351	14,092	8,601

14 Restricted funds

	Education Fund £'000	Building Fund £'000	Royal Albert Hall Trust £'000	Total £'000
Balance at 1 January 2014	—	—	55	55
Incoming resources	—	—	1,014	1,014
Resources expended	(121)	—	(2)	(123)
Transfers	—	(893)	—	(893)
Donation from the Royal Albert Hall Trust	121	893	(1,014)	—
Balance at 31 December 2014	—	—	53	53

The Education Fund comprises funds donated to the Corporation by the Royal Albert Hall Trust specifically for education purposes.

The Royal Albert Hall Trust is a separately constituted Trust with charitable status whose trustees are the current President and Vice-Presidents of the Corporation. Its purpose is to raise funds for future maintenance and preservation of the fabric and facilities of the Royal Albert Hall and to help fund its Education Programme. It periodically makes donations to the Corporation.

During the year the Trust made a grant of £121,000 (including £55,000 from its unrestricted funds) to the Corporation's Education Programme (2013 - £61,000) (see note 11). It also made a grant of £893,000 (2013 - £1,151,000), all from the restricted Building Fund (which comprises grants and donations raised from companies and individuals), in order to fund improvements to the building, notably the steam heating and chiller replacement projects of 2014. These funds were received by the Corporation into the Major Building Development fund, which is why there is a transfer of £893,000 from restricted to unrestricted funds on the consolidated statement of financial activities.

15 Designated funds

Corporation and group	Tangible fixed assets fund £'000	Education and Programming fund £'000	Plant and Fabric Sinking fund £'000	Major Building Development fund £'000	Contingency fund £'000	Total £'000
Balance at 1 January 2014	5,902	400	5,677	12,208	3,036	27,223
New designations	6,378	—	1,010	3,217	101	10,706
Utilisation	(887)	—	(424)	(6,119)	—	(7,430)
Balance at 31 December 2014	11,393	400	6,263	9,306	3,137	30,499

The tangible fixed assets fund represents the net book value of the Corporation's tangible fixed assets. A decision was made to separate this fund from the general fund in recognition of the fact that the tangible fixed assets are essential to the day-to-day work of the Corporation and as such their value should not be regarded as funds that are realisable in order to meet future contingencies. The increase in the fund of £5,491,000 represents the high level of capital additions during the year (net of depreciation), driven by the steam heating and chiller replacement projects. This includes a transfer of £893,000 from the restricted Building Fund.

The Education and Programming fund exists to ensure that initiatives are not affected by any adverse short term financial performance issues the Corporation may encounter.

The Plant and Fabric Sinking fund exists to meet the cost of major expenditure required to maintain the fabric of the building and to replace its plant and equipment over the long term. The new designation of £586,000 during 2014 comprised a gross contribution of £1,010,000 to the fund, less £424,000 of expenditure in the year on electrical and power supply maintenance and fabric and machinery repairs.

The Major Building Development fund exists to help meet the cost of future major building developments. The utilisation of £2,902,000 during 2014 comprised of a gross contribution of £3,217,000 to the fund, less £6,119,000 of expenditure in the year, mostly on the steam heating and chiller replacement projects and the new Verdi Italian Kitchen. A more detailed analysis of movements in this fund is included in the Report of the Council on page 13.

A contingency fund is maintained to enable the organization to continue operating if the auditorium has to temporarily close due to unforeseen circumstances and is set at a level equivalent to three months of operating expenditure. This fund forms part of the group's free reserves (see pages 12-14).

16 Analysis of net assets (excluding pension liability) between funds

	Unrestricted funds						2014 £'000
	General fund £'000	Tangible fixed assets fund £'000	Education and programming fund £'000	Plant and Fabric Sinking fund £'000	Major Building Development fund £'000	Contingency fund £'000	
Corporation							
Tangible fixed assets	—	11,393	—	—	—	—	11,393
Investments	25	—	400	5,598	4,298	3,137	13,458
Current assets	13,706	—	—	665	5,008	—	19,379
Creditors	(10,689)	—	—	—	—	—	(10,689)
Total net assets excluding pension asset	3,042	11,393	400	6,263	9,306	3,137	33,541

Group	Unrestricted funds						Restricted fund	2014 Total £'000
	General fund £'000	Tangible fixed assets fund £'000	Education and programming fund £'000	Plant and Fabric Sinking fund £'000	Major Building Development fund £'000	Contingency fund £'000	Royal Albert Hall Trust £'000	
Tangible fixed assets	—	11,393	—	—	—	—	—	11,393
Investments	—	—	400	5,598	4,298	3,137	—	13,433
Current assets	23,868	—	—	665	5,008	—	54	29,595
Creditors	(20,826)	—	—	—	—	—	(1)	(20,827)
Total net assets excluding pension asset	3,042	11,393	400	6,263	9,306	3,137	53	33,594

17 Pension commitments

The Royal Albert Hall Stakeholder Pension Plan comprises a series of individually owned personal pension accounts, arranged on a group basis, the provider of which is Friends Provident. All staff are entitled to join this Plan. Each member and, in respect of eligible members, the Corporation contribute amounts determined by either an age related or a matching scale into a personal account for each member, which is held and invested by Friends Provident.

The Royal Albert Hall Pension Scheme has two sections, a defined benefit section which was closed to new members on 30 September 1997 and ceasing of accruals on 31 December 2014 and, commencing on 1 October 1997, a defined contributions section, which was closed to new entrants and future contributions on 31 August 2006. Both sections are externally funded, are contracted out of the State Second Pension and are held in separate trustee administered funds.

The defined benefit section is valued every three years by a professionally qualified actuary using the attained age method, the rates of contribution payable being recommended by the Scheme's trustees and agreed by the Corporation on the advice of the actuary. In the intervening years, the actuary reviews the progress of this section. Under the projected unit method, current service costs for the defined benefit section will increase as members of the scheme approach retirement.

17 Pension commitments (continued)

A full actuarial valuation of the defined benefit section was carried out as at 31 March 2012. The main actuarial assumptions were an investment return of 5.1% pre-retirement and 3.5% post retirement per annum and salary increases of 3.5% per annum. The valuation findings indicated a market value of the defined benefit section assets of £8,144,000, sufficient to cover 93% of the benefits which had accrued to Scheme Members; and a past service deficit of £576,000. Based on these results, the Corporation and Trustees of the Scheme agreed to a joint contribution rate of 29.3% of pensionable salaries in respect of future service with effect from April 2013, plus an additional annual employer contribution of £211,020 over the following seven years (rising at an annual inflation rate of 3.2%). This was a level calculated to eliminate the deficit within timescales laid down by law.

The unrestricted surplus as calculated under the accounting standard FRS17 of £638,000 as at 31 December 2013 has increased to £1,413,000 as at 31 December 2014. The main reasons for this include:

- ◆ the Scheme's assets performed better than expected over the year;
- ◆ the change in market conditions over the year served to reduce the surplus but not enough to overcome the outperformance of the assets;
- ◆ the Hall paid deficit reducing contributions of £216,000;
- ◆ the cessation of the accrual has reduced the value of the liabilities.

However, the surplus in the disclosures below has been restricted to £nil. This is because the Corporation is only allowed to recognise a surplus in its balance sheet to the extent that it can generate a future economic benefit for itself. The current Schedule of Contributions requires the Corporation to pay £211,020 per annum (April 2013 – Mar 2014, increasing thereafter by 3.2% each year) for 7 years. The value of these payments at the review date exceeds the unrestricted surplus of £1,413,000.

As regards the defined contribution section, the Corporation and each member contribute amounts determined by an age related scale into a personal account for each member, which is invested by investment managers appointed by the Scheme's trustees.

The contributions made by the Corporation over the financial year in respect of each section of the scheme were as follows:

	2014	2013
	£'000	£'000
Defined benefit section	283	246
Defined contribution section / Stakeholder Scheme	296	270

Total expected contributions to the defined benefit scheme for 2015 are £223,000.

17 Pension commitments (continued)

Financial Reporting Standard 17 “Retirement Benefits” (FRS17) requires the surplus or deficit on the Scheme as at 31 December 2014, calculated in accordance with the requirements of FRS17, to be included on the balance sheet. For the purpose of FRS 17, the assets of the scheme have been taken at market value and the liabilities have been calculated by a qualified independent actuary using the following principal assumptions (which differ from those used for the triennial actuarial valuation):

	2014 %	2013 %	2012 %	2011 %
Inflation	3.4%	3.7%	3.2%	3.3%
Salary increases	n/a	4.95%	4.45%	4.55%
Rate of discount	3.7%	4.6%	4.4%	4.9%
Pension increases	3.3%	3.6%	3.2%	3.3%

The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 31 December 2014 %	Value at 31 December 2014 £'000	Long-term rate of return expected at 31 December 2013 %	Value at 31 December 2013 £'000	Long-term rate of return expected at 31 December 2012 %	Value at 31 December 2012 £'000
Assets						
Equities	3.7	2,233	5.61	2,045	5.0	4,266
Gilts	3.7	9,314	4.6	7,264	4.4	4,387
Cash	3.7	33	0.5	46	0.5	47
Value of secured pensions	3.7	949	4.6	938	4.4	922
Total market value of assets		12,529		10,293		9,622
Actuarial value of liability		(11,116)		(9,655)		(9,386)
Surplus in Scheme		1,413		638		236
Unrecognised asset		(1,413)		(638)		(236)
Recoverable surplus		—		—		—

The Scheme has in the past secured annuities with an insurance company for members on their retirement. An allowance has been made for these members in both the asset and liability figures at 31 December 2014.

17 Pension commitments (continued)

In total, the movement in the Scheme's assets during the year is made up as follows:

	2014 £'000	2013 £'000
Fair value of assets at 1 January	10,293	9,622
Expected return on assets	424	385
Company contributions	283	246
Contributions by Scheme participants	16	15
Benefits paid	(180)	(247)
Actuarial gain/(loss) on assets	1,693	272
Fair value of assets at 31 December	<u>12,529</u>	<u>10,293</u>

In total, the movement in the Scheme's liabilities during the year is made up as follows:

	2014 £'000	2013 £'000
Actuarial value of liabilities at 1 January	9,655	9,386
Current service cost	63	58
Contributions by Scheme participants	16	15
Past service cost	5	-
Interest cost	442	409
Benefits paid	(180)	(247)
Actuarial gain/(loss) on liabilities	1,115	34
Actuarial value of liabilities at 31 December	<u>11,116</u>	<u>9,655</u>

In accordance with FRS 17 the following components of pension charge have been recognised in the statement of financial activities for the year ended 31 December 2014.

	2014 £'000	2013 £'000
Analysis of the amount charged within resources expended		
Current service cost	(63)	(58)
Past service cost	(5)	—
Total amount included within resources expended	<u>(68)</u>	<u>(58)</u>
Analysis of net return on scheme		
Expected return on pension scheme assets	424	385
Interest on pension scheme liabilities	(442)	(409)
Net return	<u>(18)</u>	<u>(24)</u>
Analysis of amount recognised within other recognised gains and losses		
Actual return less expected return on assets	1,693	272
Experience gains and losses on scheme liabilities	361	144
Changes in assumptions	(1,476)	(178)
Adjustment in respect of restriction of surplus	(780)	(402)
Actuarial loss recognised within other recognised gains and losses	<u>(202)</u>	<u>(164)</u>

17 Pension commitments (continued)

<i>History of experience gains and losses</i>					
	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Fair value of the Scheme's assets					
Amount	12,529	10,293	9,622	9,424	8,712
Present value of the Scheme's liabilities					
Amount	(11,116)	(9,655)	(9,386)	(8,686)	(7,770)
Unrestricted surplus / (deficit) in the Scheme					
Amount	1,413	638	236	738	942
Difference between expected and actual return on scheme assets					
Amount	1,693	272	(252)	117	351
Percentage of Scheme assets	14%	3%	(3%)	1%	4%
Experience gains and losses on scheme liabilities					
Amount	(361)	(144)	(435)	(282)	(425)
Percentage of Scheme liabilities	(3%)	(1%)	(5%)	(3%)	(5%)
Total amount recognised in statement of financial activities					
Amount	(202)	(164)	(132)	(278)	(436)
Percentage of Scheme liabilities	(2%)	(2%)	(2%)	(3%)	(6%)

18 Operating Leases

At 31 December 2014 the charity had annual commitments under non-cancellable operating leases with respect to equipment as follows:

	2014	2013
	£'000	£'000
Charity and group		
Operating leases which expire:		
Within one year	-	1
Within one to two years	3	-
Within two to five years	26	15
	29	16