

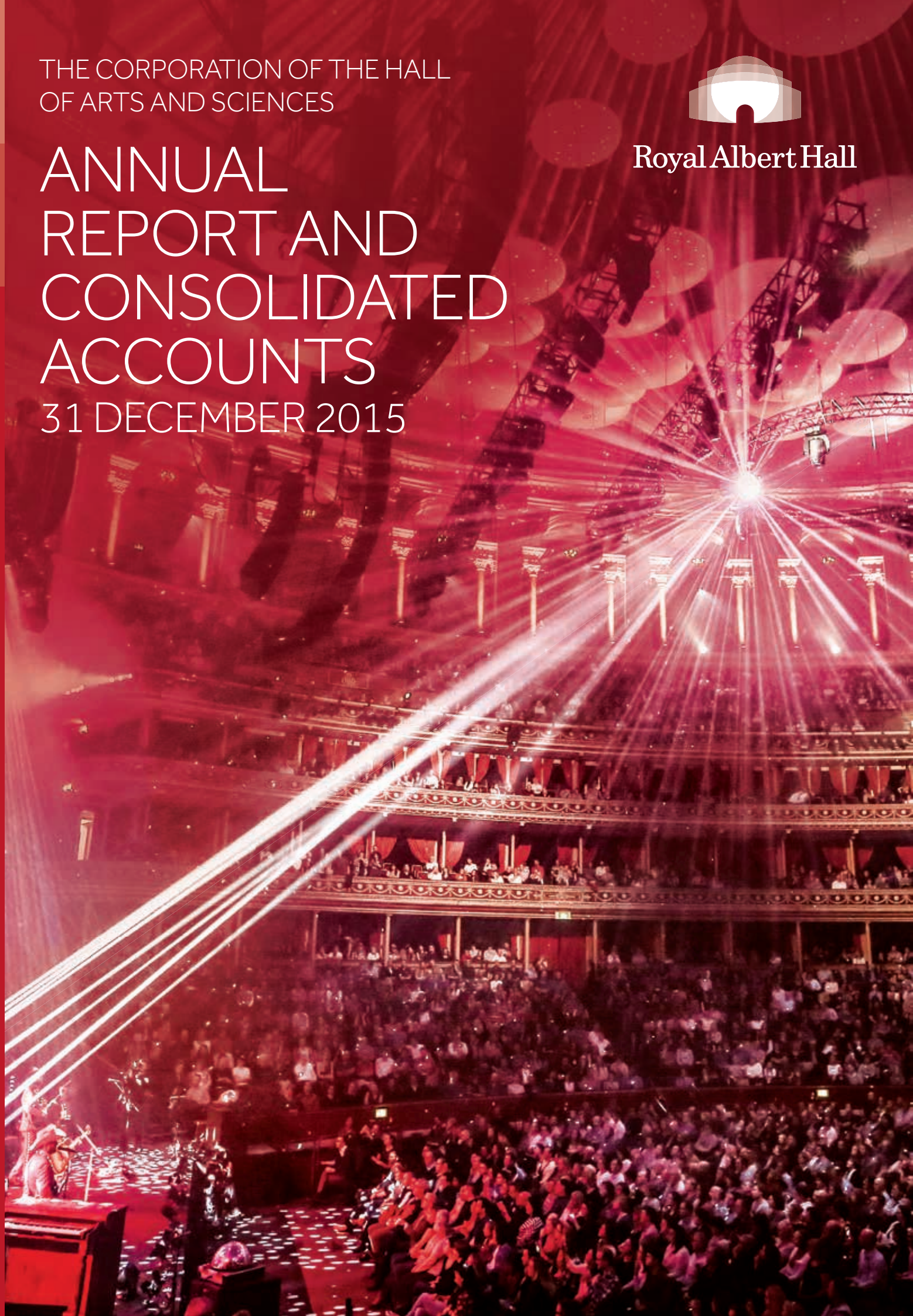
THE CORPORATION OF THE HALL
OF ARTS AND SCIENCES



Royal Albert Hall

ANNUAL REPORT AND CONSOLIDATED ACCOUNTS

31 DECEMBER 2015



**The Corporation
of the Hall of
Arts and Sciences**

**Annual Report and
Consolidated Accounts**

31 December 2015
Charity Registration Number 254543

Patron

Her Majesty The Queen

Elected Council members

President

Honorary Treasurer & Vice-President

Vice-President

Vice-President

Vice-President

Dr Monica Bloch PhD

Jonathan Crystal

David A G Elyan MA FCIS FRSA

Ian Henderson CBE BSc (Est Man) FRICS

Peter B M Lim FCA MBA

Robert Lipson

James Max BSc Hons SFDR MRICS

Jon Moynihan OBE

Michael Jackson MA FCA

Leon Baroukh MA CFA

Mrs Ken (Lin) Craig

Mrs Michael Moore

Ian McCulloch

Anthony Ratcliffe FRICS FRSA

Mark T Schnebli FInstD FBIM

Charles Swan

Richard C Waterbury MA

Martin B M Williams FSA

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 KBE BSc ARCS DPhil FCGI

(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)

Professor James Stirling CBE FRS FCGI

(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

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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Charity registration number 254543

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Report of the Council Year to 31 December 2015

Report of the Council Year to 31 December 2015

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 2015.

The accounts have been prepared in accordance with the accounting policies set out on pages 37 to 42 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 Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

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 20 to 30.

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 for the current Business Plan 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 400 other performances, events, exhibitions and workshops elsewhere inside and outside the building, receiving over 1.6 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.

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This on-going success has long been recognised within the industry and beyond, most recently marked by winning Best Venue at the Arthur Awards 2015, Best Venue Teamwork at the 2015 Live UK Awards and the 2015 Music Education Council 'New Music' award. The Hall is also currently ranked by CoolBrands as Britain's 13th coolest brand!

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 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.

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

In addition to putting on events that attract over 1.6million people each year (plus the many millions who enjoy them via live broadcast, DVD, streaming etc.), we run an Education and Outreach programme which reaches over 150,000 people of all ages and backgrounds. And we support other charities in putting on incredible events and to raise many millions of pounds each year.

This activity, reflecting our 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 digital strategy which resulted in the launch of our new website in 2015, our education partnerships, community outreach programme and our brand in general.

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.

Major Achievements in 2015

The Hall's major achievements in 2015 are set out below and correspond to the main Business Plan themes for 2012-2016.

Investment in the building

The most significant major project in 2015 was the completion of the heating and cooling replacement work which has resulted in an efficient and controllable low-temperature-hot-water heating system and a more efficient chilling system. This was achieved without any serious disruption to systems and operations over the 18 month period of the project. The project was also completed within a month of the time designated and within budget.

The Hall has also successfully secured planning permission for the basement extension project. Preparatory work has already begun and the excavation, which is expected to take 2 years to complete, will begin before the end of 2016. Once completed, the additional space will be utilized to provide more plant room and office space as well as improved facilities for performers and artists whilst at the Hall.

Catering spaces continue to be refreshed, with the creation in 2015 of the Heineken Green Room in the West Arena Foyer, which has proven popular with patrons and boosted revenue for the Hall.

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Other significant projects undertaken in 2015 include:

- the removal of virtually all the asbestos from the risers and service tunnel in order to ensure a safer working environment
- a project to replace the Building Management System which controls the Hall's main facility systems (expected to be completed mid 2016)
- the replacement of the entire ceiling in the Prince of Wales Room
- completion of a full building condition survey in order to inform maintenance plans for the next 20 years.

The Hall also invested in a number of smaller building projects including improvements to fire stopping, water supply resilience and ceiling plaster work, lighting improvements and a refresh of the corridor artwork as well as updating IT infrastructure and show-related equipment/lighting.

Growth

During 2015 the Hall achieved its highest ever level of income per show thanks to the calibre of the artists who came, including runs of performances by Bob Dylan, David Gilmour, Cliff Richard and Eric Clapton. The auditorium show count for 2015 was 388, compared to 397 in 2014.

The array of artists and events on the main stage was as varied as ever, with highlights including Tony Bennett and Lady Gaga, Follies, Noel Gallagher, Charles Aznavour, Kacey Musgraves, John Bishop, Nicola Benedetti, Kylie Minogue, the first ever BBC Ibiza Prom, the Royal Variety Performance and the premiere of the latest James Bond film Spectre.

With free weekend music in the new Verdi restaurant and a new record of over 400 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 which, along with contractual renewals of current partnerships, have improved our retail offer as well as generating much needed revenue.

Our catering partnership with Rhubarb continues to strengthen with 2015 being our highest ever year for sales despite audiences being slightly lower and the reduced showcount. This is testament to the variety and quality of the catering offering at the Hall.

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The ever increasing levels of activity at the Hall (shows, education projects, maintenance, building development etc.) have required growth in certain support areas. The Stewarding function has received particular attention this year. The Hall has completed a review of the function, securing more contracted hours on rosters whilst increasing hourly pay to a rate equivalent to the London Living Wage.

The Hall launched its new website during 2015 (www.royalalberthall.com). The site offers audiences access to information and visual assets from the Archive as well as offering those wishing to book tickets or seeking information a much improved experience. The launch of the first ever staff communication portal “Backstage”, which is available to all staff, has enhanced the way the Hall communicates with the team whether office based or not.

Access

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

Archive

2015 has seen the continuation of the 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 the Hall continues to bring the archive to life with events in the building throughout the year, by assisting documentary makers with information and interviews and by the new ‘Time Machine’ feature online (www.royalalberthall.com/about-the-hall/our-history/explore-our-history/time-machine)

Tours

The launch of a new tour product during 2015, “A Secret History”, has been a success with tour income up 9% on 2014. The new product has 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 2016.

The Hall welcomed visitors as part of the UK ‘Open House’ weekend attracting 1,500 visitors to a free “open route” tour of the building.

Education & Outreach Programme

2015 has seen the highest ever Education & Outreach activity, whether measured by the number of participants or the level of expenditure. Highlights included:

- The Friendship Matinee, now in its third year, comprised a performance by the Royal Philharmonic Orchestra of film music from Bond movies, for over 3,000 patrons (20% more than last year). Tickets cost no more than £5 and most of the audience (coming via various charities and community based organisations across London and further afield) had never been to an event at the Hall before.
- The launch of a new partnership with Nordoff Robbins to offer music therapy at the Hall, thanks to the generous support of Lord Leonard and Lady Estelle Wolfson Foundation. There have been 117 visitors so far with sessions taking place every Monday. An “Older Peoples Music Group” has also been set up which offers music therapy to a generation often forgotten.
- The growth of Songbook, with over 1,300 care home residents participating in mini Royal Albert Hall concerts where they live.
- 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 over 1,000 participants on one weekend.
- In June, Seven Seeds (a newly commissioned piece of music written by composer John Barber and writer Hazel Gould, inspired by the Greek myth Persephone) was performed at the Hall. The piece was written with the input of children from across the Tri-borough Music Hub area and performed by over 1,200 young singers alongside an orchestra made up of professional musicians from Albert’s Band, Aurora Orchestra and the Southbank Sinfonia, as well as students from the Royal College of Music and the Royal Academy of Music. This project won a prestigious new music award from the Music Education Council and was nominated for the 2016 Music Teacher Awards for Excellence in the category of “Best Classical Music Education Initiative”, the winner of which will be decided by a public vote on Classicfm.com.
- There was one ‘Albert Session’ in the main auditorium with Kacey Musgrave who combined an evening performance with various daytime educational activities including a song writing workshop and a Q&A session.
- The Hall has continued to run Careers Workshops to help sixth-form and GCSE students 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 live music.

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- The Samsung Digital Classroom, which opened at the Hall in 2014, has continued to host 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.

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 2015 generated 491 pieces of media coverage compared to 227 in 2014. Social media coverage for 2015 resulted in 81 pieces.

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 33. The accounting policies on pages 37 to 42 set out the basis on which these financial statements have been prepared.

Total incoming resources increased by £3,484,000 (12.6%) on the previous year to £31,067,000. Total resources expended increased by £178,000 (0.8%) to £22,248,000. Therefore net incoming resources for the year of £8,819,000, was £3,306,000 higher than prior year. After other recognised gains and losses there was a transfer to reserves of £8,615,000 (compared to £5,264,000 in 2014).

The main driver for the increase in incoming resources was the receipt of a £3m donation from The Hans & Julia Rausing Trust. The donation forms part of an overall pledged donation of £5m over the next two years. As a result income from donations and legacies increased from £1,014,000 last year to £4,090,000. 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 decreased very slightly to £240,000 in 2015.

Total rentals and ticket sales/commission income rose by 4.6% to £17,368,000, despite a lower show count of 388 (397 in 2014), due to the quality of the events in 2015 and the continuing profitability of the own- and co-promoted events held at the Hall.

Income from the Members' annual contribution, of £1,856,000 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. In addition the Members return tickets to the Hall's Box Office for sale, in order to provide greater access by the public to events, donate their tickets to charitable causes and afford the Hall flexibility, beyond that to which it is entitled, 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. Total concession income has increased by 8% to £1,956,000.

Other incoming resources relating to shows contain a wide range of ancillary income streams including facility fees, tour proceeds, programming, merchandising and retail. This income has increased by £166,000 on 2014 and this has mainly been driven by Merchandising and Programming sales due to the stellar acts that have performed during 2015. Other Income has reduced by £750,000 because the 2014 results included a contribution from Rhubarb towards the Hall's investment in the Verdi restaurant.

Resources expended increased by £178,000 (0.8%) on the previous year to £22,248,000. In addition the Hall's outlay on capital projects was £4,496,000 (which was £1,882,000 lower than 2014 due to the significant level of project work undertaken in 2014; not only the steam heating and chiller replacement projects but also 2014 saw the major restaurant refurbishment which created the Verdi Italian Kitchen).

The £1,149,000 increase in expenditure on promoting the arts and sciences is driven mostly by:

- employment costs (which account for over 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,
- £351,000 (£317,000 in 2014) 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).

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Included across both sections is the Hall's depreciation charge for the year which has increased by £496,000 to £1,383,000 as a result of the higher recent levels 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.

Total reserves held at 31 December 2015 were £42,209,000 of which £59,000 were restricted funds (see note 18). The remaining £42,150,000 forms the Hall's unrestricted funds. Of this total £41,150,000 have been allocated as designated funds as set out below:

Designated Fund Reserves as at 31st December 15

Corporation and group	Tangible & Intangible 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 2015	11,393	400	6,263	9,306	3,137	30,499
New designations	3,662	—	1,076	6,572	215	11,525
Transfer	—	—	—	4,039	—	4,039
Utilisation	—	—	(276)	(4,637)	—	(4,913)
Balance at 31 December 2015	15,055	400	7,063	15,280	3,352	41,150

The remaining £1,000,000 represents the free reserves of the Hall. In determining the appropriate level of funding for both designated funds and free reserves, the 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 the Plant and Fabric Sinking 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. This plan is currently being updated and the reserves policy will be re-assessed during 2016 as a result;
- ◆ 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;

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- ◆ To maintain a contingency fund of £3,352,000 to enable the organisation to continue operating if the auditorium has to temporarily close due to unforeseen circumstances. The fund is set at a level equivalent to three months of operating expenditure and this is considered by the Trustees to be sufficient based on our current organisational risk assessment where policies are in place to mitigate as much business risk as possible;
- ◆ The fixed asset designated reserve comprises the funds invested in fixed assets to allow the organisation to carry out work effectively. At 31 December 15 the level of this reserve was £15,055,000 and included the assets disclosed in notes 11 and 12 of 'Notes to the financial statements'.
- ◆ To designate a Major Building Development fund 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) 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 2015 related to the steam heating and chiller replacement projects, BMS upgrade project and the cooling system for the Grand Tier. The fund balance at year-end is £15,280,000. Just over £5 million of this is budgeted to be spent in 2016, of which £1,000,000 was already contracted by year-end (and is therefore included as part of the capital commitments figure in note 11).

Major Building Development fund: income & expenditure:

	All prior years	2015	Total
	£'000	£'000	£'000
Donations Received	2,466	4,034	6,500
Supplementary Seat Rate	1,133	383	1,516
Earned Income	16,246	6,194	22,440
Total Incoming Resources	19,845	10,611	30,456
Direct Projects Costs	(9,025)	(4,069)	(13,094)
Project & Fundraising Expenditure	(1,514)	(568)	(2,082)
Total Expenditure	(10,539)	(4,637)	(15,176)
Balance as at 31 December	9,306	5,974	15,280

The remaining £1,000,000 is held on a rolling basis and is considered an appropriate level of free reserves by the trustees in addition to the £3,352,000 held in the Contingency Fund. The trustees have agreed that free reserves should normally be within range of 12 – 16 weeks' of expenditure.

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Council believes it had fully complied with the above reserves policy as at 31 December 2015.

As at 31 December 2015:

- ◆ £800,000 (net) had been allocated to the plant and fabric fund in the year after designations, transfers and utilisation
- ◆ £400,000 had been brought forward in the education and programming fund
- ◆ £215,000 had been allocated to the contingency fund
- ◆ £5,974,000(net) had been allocated to the major building development fund in the year after designations, transfers and utilisation
- ◆ The free reserves stood at £1,000,000

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. In defining whether cash should be classified as a fixed asset investment or a current asset, consideration is given to the intention for the monies rather than the nature of its liquidity. Even if cash can be withdrawn immediately, monies held for the longer term, i.e. more than one year, are reclassified and held as fixed asset investments.

The Hall currently has no investments other than cash. The Royal Albert Hall Trust does not hold other investments either, at the moment, but may do in the future. The Trust invests funds which it does not expect to pass to the Corporation within the next 12 months.

As such it 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.

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 involves 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 2015.

The final salary section of the scheme had its triennial valuation at the end of March 2015, the results for which indicated an improvement of the funding level to 99.5% (compared to 93% at the previous triennial) with a deficit of £56,000 (compared to £576,000 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 the deficit and minimise volatility, within the context of the relative strength of the Sponsor's covenant.

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 had 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 Stakeholder scheme. Therefore as at 31 December 2014 the Scheme became a frozen scheme, meaning that from 2015 onwards no further benefits accrued to any of the members.

Major Objectives for 2016

The Hall's major objectives for 2016 are set out below and correspond to the main Business Plan themes outlined above.

Investment in the building

The Hall will invest over £5m in the building during 2016.

Planning permission has been granted 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) so that the main excavation can commence later in the year. The project will provide additional space to support our growing Education and Outreach work along with enabling the rationalisation of back stage areas to provide much improved facilities for artists, promoters and staff.

Elsewhere in the building there will be:

- A major renewal of the 'building management system' which controls most of the Hall's core facility systems.
- Work done to improve the effectiveness of box cooling on the Grand Tier and 2nd Tier levels.
- The commencement of a major, two-year lift refurbishment program.
- 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.
- A major refurbishment of the North Circle Bar, 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.
- Improvements to the Hall's accessibility in order to create a better experience for patrons with disabilities.
- Continued investment via Special Projects in the Hall's other facilities / lighting / auditorium / systems / safety & security
- The finalization of plans for the multi-year rolling programme of refurbishments to the toilet facilities which, based on a standard design, will increase capacity and provide better ventilation.

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.

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 2016 – the strength and diversity of the performances planned for the year is impressive. In addition, the Hall is budgeting for over 800 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:

- Increased sponsorship income based on new deals already negotiated, current deals that will be successfully renewed and additional new deals with new and exciting partners.
- Investment in the Hall's contact centre operation through the replacement of the current telephony system solution and moving to an omni-channel model which will enable the Hall to offer a more efficient and flexible response to customer enquiries across all communication platforms. A new training programme for staff is also being developed along with investment in the management structure which supports the contact centre operation.
- Develop new own-/co-promote programmes which are both artistically and commercially viable for the Hall to continue to attract a wide and diverse audience.
- Increase sales through the new website (launched in 2015) through an improved purchasing experience, higher capacity and more integrated selling opportunities.
- The purchase of a Grand Tier box in order to make a step-change in the level of revenues the Hall can generate from corporate / commercial sources.

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- The corporate sales team will continue to benefit from the new website's capabilities which enables box hospitality packages to be sold on-line. 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 will negotiate a new, multi-year, catering contract, to take effect from 1st January 2017, which will encourage the growth of catering revenue and quality.

The Hall's overall financial return is not just enhanced through increasing sales but also by a continuous process of improving operational efficiency and the quality of service we deliver to our artists, promoters and patrons. 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 2016:

- The Hall will increase headcount in 2016 by 3. These key personnel include a Programming Manager (to oversee our own-promote productions in order to improve planning, co-ordination across the organisation and free up time for the Director of Events to focus on longer term objectives), a Marketing 'insight' executive (to help the Hall better understand its customers' motivations for attending shows) and an additional IT resource to help support the database.
- The Royal Albert Hall Staff Forum will be launched (alongside the ongoing development of our staff communication and engagement plan), in order to ensure the Hall's team remain fully informed and engaged. This will be crucial to successfully engaging the entire organisation in the formulation of a new Business Plan (2017-2021)

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.

2016 will see the Education and Outreach activities continue to reach all age ranges from 0 to 100+ and in partnership with Nordoff Robbins the Hall will continue to host music therapy sessions every week, reaching out to people 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.

Report of the Council Year to 31 December 2015

Next year the Hall will hold its first matinee event for secondary schools which will be a performance of Holst the Planets with the RPO linking in with NASA and Imperial College.

The Hall will also launch a new apprenticeship scheme during 2016 providing a platform to share knowledge and expertise to help develop the careers of young people in the Arts.

The Hall will continue to develop its family audiences through a new show “My Great Orchestral Adventure” in the main auditorium as well as by growing it’s Beyond activities.

Further enhancements to the Hall’s new website will allow audiences to view and interact with previously unseen assets from the Halls archive and to better engage with the Hall’s history.

The digitisation of selected physical assets within the archive will enable them to be shared with a wider audience. Also the conservation and preservation of outstanding assets within the archive will have historical significance.

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.

The Hall has a multi-channel communications plan for 2016 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.

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).

Background

The Royal Albert Hall was the brainchild of Prince Albert, part of his masterplan for the entire Albertopolis site. It is a Grade I listed building, and receives no public funding for its running costs.

Funding for the building of the Hall in the 1860s was contributed by a group of private individuals who put up the capital to complete the construction of the world's most famous stage. Known as Members of the Corporation, these original founders took on the obligation to govern it for the nation's benefit and acquired seats in return. These arrangements continue to this day – currently they own some 1,276 seats out of the Hall's 5,272.

100% of the Hall's surplus goes, of course, to the charity. It is re-invested in delivering and growing a vibrant and varied programme, as well as preserving and developing a world-renowned listed building, and providing arts and education initiatives within the local London community.

Over time, to help the Hall – which was given charitable status in 1967 – the Members gave up their right to attend many performances and now have excluded themselves from some 150 each year. The performances they have excluded themselves from are, in the main, the more popular and (for the charity) profitable events in the annual calendar. Over and above their voluntarily having excluded themselves from these performances, Members also voluntarily pay a 'seat rate', which currently generates almost £1.8m annually for the Hall. This financial support enables the charity to fulfil its public benefit obligations to a much greater degree than would otherwise be the case and has sustained the charity during the long periods of financial loss that it faced in its first 100 years.

As a charity, the Hall is regulated by the Charity Commission. The Trustees are currently in discussion with the Commission about their views on the Hall's governance, and independent of that, are conducting a lengthy and detailed review of the Hall's constitution. The Trustees strongly believe in the value of the charity's unique operating structure, and remain committed to building on the success that our governance arrangements have provided over the past 145 years, in giving the public – in the UK and beyond – access to the world's most iconic Hall and to the great performances that take place there, almost every night of the year.

Reference and Administrative Details Year to 31 December 2015

Council members

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

The following Council members served during 2015:

Council members

President of the Corporation:

Mrs Anthony Travis BA FRSA

Retired 12th June 2015

J Moynihan OBE

Elected 12th June 2015

Other elected members:

J G A Azis MA FRSA

Retired from Council 12th June 2015

L Baroukh MA FCA

Dr M Bloch PhD

Mrs Ken Craig

J Crystal

E Dangoor BSc

Retired from Council 24th June 2015

P R Denison-Pender FCCA ASIP

Retired from Council 24th June 2015

D A G Elyan MA FCIS FRSA

I Henderson CBE BSc (Est Man) FRICS

M Jackson MA FCA

P B M Lim FCA MBA

Appointed to Council 22nd October 2015

R Lipson

Appointed to Council 22nd October 2015

I McCulloch

J Max BSc Hons SFDR MRICS

Mrs Michael Moore

J Moynihan OBE

A Ratcliffe FRICS FRSA

T Ryder Smith

Elected to Council 24th June 2015

Retired from Council 22nd December 2015

M T Schnebli FInstD FBIM

C Swan

Elected to Council 24th June 2015

R C Waterbury MA

M B M Williams FSA

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 (Retired 18th September 2015)

Professor James Stirling CBE FRS FCGI (Appointed 18th September 2015)

Reference and Administrative Details Year to 31 December 2015

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 of the Corporation. The total number of seats directly or jointly owned by Council members is 54, with a further 91 owned by related parties. During 2015 the annual contribution payable to the Hall by each seat holder was £1,455 per seat plus VAT (2014: £1,402) which comprised a £10 obligatory amount, the rest being voluntarily agreed by the Members in a resolution at the 2015 AGM. The 'rebate' that Members were entitled to receive from the Hall during 2015, relating to prior year lettings where Members were excluded, was £547 per seat plus VAT (2014: £518).

No member of Council received any remuneration from the Corporation during the year (2014 - £nil). No member of Council received out of pocket expenses in 2015. Two members of Council received out of pocket travelling expenses in 2014 totalling £366. No member of Council had any beneficial interest in any contract with the Corporation or its subsidiary undertaking during the year. A number of trustees provided donations to the charity to carry out its charitable objectives during 2015 totalling £84,610 (2014: £79,417).

As well as giving their time freely to serve on the Hall's Council and its sub-committees, Council members assist the Hall by entertaining individuals who are supportive of, or in other ways helpful in promoting the 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 (2014 - £12,760) and the cover provided totalled £10 million (2014 - £10 million).

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.

Reference and Administrative Details Year to 31 December 2015

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 Oversight and Appointments Committee considers 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 structured induction session with senior members of the Corporation's management team covering all key aspects of the Corporation's activities.

Reference and Administrative Details Year to 31 December 2015

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. Activities to fulfil the Hall's public benefit and education remit, including the conservation and further enhancement of the Hall's Archive, are reported directly to Council biannually. 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, the Secretary to the Corporation, and variously by other members of the management team. 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.

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.

◆ *Conflicts Committee*

The Committee considers and respond to any "minded to" decision referred to it under paragraph 19 of the Conflicts Policy, to determine whether the decisions have been made in the best interests of the charity.

At the request of the President, it advises individual Trustees, the Council, all committees, the boards of subsidiary companies, and, where appropriate, staff, on conflicts of interest. The Committee also monitors the implementation of the Conflicts Policy; recommends appropriate systems for promoting and monitoring compliance with this policy; reviews annual and other declarations of interest; briefs the Council or the President on any difficult individual cases referred to it; and reports to the Hall's auditors annually on the operation of the Committee and Policy over the year. The Committee is chaired by a non-voting seatholder, Ian McCulloch (previously Michael Jackson) and Members during the year have been Gerald Bowden; Sir Michael Dixon; Ian Henderson; and Professor James Stirling.

◆ *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, Michael Jackson, chairs this committee which meets at least four times a year. Other members during the year were Jonathan Azis (who chaired the Committee up to his retirement from Council); Leon Baroukh, Peter Denison-Pender, David Elyan, Peter Lim 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.

Reference and Administrative Details Year to 31 December 2015

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

◆ *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, Michael Jackson, Anthony Ratcliffe and Martin Williams, with Lawrance Hurst and Giles Downes serving as co-opted members.

◆ *Development Funding Committee*

This Committee acts as the conduit between Council and the Development Funding Board, which is chaired by Lord Magan. It reports on the programme and outcomes of fundraising events and on the resources expended, giving a broad overview of fundraising, its success level and indicated actions. Chaired by the President, other members during the year were Mrs Michael Moore and James Max.

◆ *Programming and Marketing Committee*

Council appoints a Chief Executive who, together with the Executive Team, is responsible for all aspects of the day-to-day running of the Hall, including programming the annual calendar of performances. The Programming and Marketing Committee advises Council and monitors on its behalf the Hall's Programming and Marketing activities, the extent to which they meet the Hall's purposes and financial objectives and to ensure they comply with the Acts of Parliament and the programming guidelines (which are approved annually at the AGM by the Members of the Corporation, enabling the Hall to operate with more latitude than the Acts would otherwise allow, to the benefit of the charity and at the expense of the Members). Monica Bloch chairs this Committee which meets at least four times a year. Other members during the year were Elie Dangoor (until his retirement from Council in June 2015), Leon Baroukh, Robert Lipson, James Max, Mark Schnebli, Charles Swan and James Murphy (co-opted).

◆ *Oversight and Appointments Committee*

Committee advises Council on the conduct of the affairs of the Corporation, in compliance with:

- Successive extant, Royal charters, Acts of Parliament and Byelaws, in combination colloquially referred to as 'The Blue Book', having particular regard to the Constitution of the Corporation as set out at Schedule 2 of the Royal Albert Hall Act 1966;
- Legislation, regulation and guidance on best practice in relation to registered charities.

Reference and Administrative Details Year to 31 December 2015

- Best practice on corporate and charity governance

It also advises Council on the structure and membership of Council committees, to review nominations for membership of Council and to make recommendations. The Committee is chaired by the President and meets at least 5 times per year, and as necessary to consider appointments. Members during the year were Leon Baroukh; Gerald Bowden; Mrs Ken Craig; Michael Jackson, Ian McCulloch; and Mrs Michael Moore.

◆ *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. Paul Medicott served as a co-opted member until October 2015. Stephen Brandon, John Cooper and Larry Viner were co-opted in October 2015.

◆ *Publicity and Public Response Committee*

The Committee reports to Council on, and approves the scope of, the media handling strategy, its implementation and any related communications; appoints, with Council's approval, any PR company to advise the Council and the Executive; and at least annually, reviews the performance of any appointed PR company. The Committee is chaired by the President, Members during the year were Leon Baroukh; Mrs Ken Craig; James Max; and Ian McCulloch.

◆ *Remuneration committee*

The Committee is chaired by the President, and deals with the salary and Performance of direct reports to the President; the salary and performance of the Directors; and Succession planning. Members during the year were Mrs Ken Craig; Sir Michael Dixon; Michael Jackson and Ian McCulloch.

◆ *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;

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

Reference and Administrative Details Year to 31 December 2015

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.

Remuneration Policy

The Hall's approach to remuneration is designed to ensure it can attract and retain the talented and motivated people needed to achieve its vision and values. The policy is applied consistently across the organisation, with the aim of paying competitively in the not-for-profit sector within the context of affordability.

The Hall does not use volunteers.

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 Leon Baroukh and Directors during 2015 were Jonathan Azis, Peter Denison-Pender, Chris Cotton,

Reference and Administrative Details Year to 31 December 2015

David Elyan, Michael Jackson, Peter Lim 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 connected charity, are the President and Vice Presidents of the Corporation. The Trust donated £4,081,656 to the Corporation in 2015 (2014 - £1,013,759).

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.

The principal risks and uncertainties to the Hall are:

Risk	Management
Incidents that prevent use of the building and therefore require cancellation of events (e.g. loss of utilities, incident causing serious injury, disruption caused by building/ engineering works, terrorist action etc.)	<ul style="list-style-type: none">• Strict adherence/enforcement of procedures, codes of practice etc.• Built-in resilience / dual capacity / back-up systems and processes.• Permit system and induction process.• Organisation-wide staff awareness, training and vigilance.• Detailed contingency planning.• Comprehensive insurance.
Long-term damage to the Hall's reputation, impacting long-term operational and financial resilience (e.g. from falling service standards, adverse reviews, incidents creating harmful press and social media comment, negative stories related to a misunderstanding of the Hall's unique governance structure, etc.)	<ul style="list-style-type: none">• Monitoring and review of all Hall activities on a daily basis.• Staff training & procedures.• Proactive and reactive media strategies.• Conflicts Committee.• Appropriate disclosure on governance in the annual statutory accounts, other statutory documents and website.

Going Concern

We have set out below a review of financial performance and the charities reserve position. We have adequate financial resources and are well placed to manage the business risks. Our planning process, including financial projections, has taken into consideration the current economic climate and its impact on the various sources of income and planned expenditure.

We believe that there are no material uncertainties that call into doubt the charity's ability to continue. The accounts have therefore been prepared on the basis that the charity is a going concern.

Related Parties

None of the trustees receive remuneration or other benefit from their work with the charity. Any connection between a trustee or senior manager of the charity with a promoter, contracted performer or exhibitor must be disclosed to the full board of trustees in the same way as any other contractual relationship with a related party. In the current year no such related party transactions were reported.



Approved by the Council on 7 April 2016
and signed on its behalf by

Jon Moynihan OBE
President

Independent Auditor's Report to the Members 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 2015 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 Corporation's members 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 Corporation's members 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 Corporation and the Corporation's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Members 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.

Independent auditor's report Year to 31 December 2015

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 2015 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

20 April 2016

Crowe Clark Whitehill LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Consolidated statement of financial activities Year to 31 December 2015

	Notes	Unrestricted funds £'000	Restricted funds £'000	2015 Total funds £'000	2014 Total funds £'000
Income:					
Donations and legacies	1	—	4,090	4,090	1,014
<i>Income from charitable activities:</i>					
Operation of Hall	2	12,164	—	12,164	12,036
<i>Income from other activities:</i>					
Commercial trading operations	3	14,813	—	14,813	14,533
Total income		26,977	4,090	31,067	27,583
Expenditure:					
<i>Costs of raising funds:</i>					
Commercial trading operations		240	—	240	241
<i>Expenditure on charitable activities</i>					
Cost of activities in furtherance of the charitable objectives	4	21,963	45	22,008	21,829
Total expenditure		22,203	45	22,248	22,070
Net income/(expenditure)		4,774	4,045	8,819	5,513
Transfer between restricted and unrestricted	18/19	4,039	(4,039)	—	—
Actuarial gains/(losses) on defined benefit pension scheme		(204)	—	(204)	(249)
Net movement in funds		8,609	6	8,615	5,264
Fund balances brought forward at 1 January 2015		33,541	53	33,594	28,330
Fund balances carried forward at 31 December 2015		42,150	59	42,209	33,594

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

For the parent charity alone, total incoming resources for the year were £21,606,000 (2014 - £17,984,000) and net incoming resources were £8,623,000 (2014 - £5,442,000).

The notes on pages 37 to 58 form an integral part of these financial statements.

Balance sheets 31 December 2015

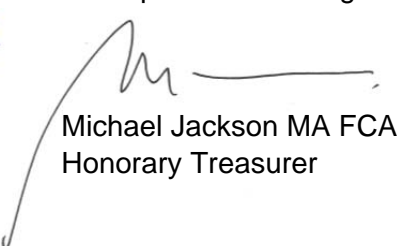
	Notes	Corporation 2015 £'000	Group 2015 £'000	Corporation 2014 £'000	Group 2014 £'000
Fixed assets					
Tangible assets	11	14,689	14,689	11,393	11,393
Intangible assets	12	366	366	—	—
Heritage assets	13	—	—	—	—
Investments	14	19,773	19,773	13,433	13,433
Investment in subsidiary	15	25	—	25	—
		34,853	34,828	24,851	24,826
Current assets					
Debtors	16	10,976	2,965	5,715	2,539
Cash held on short term deposit		227	2,227	9,567	11,567
Cash at bank and in hand		6,232	23,427	4,097	15,489
		17,435	28,619	19,379	29,595
Creditors: amounts falling due within one year					
Sundry creditors and accruals	17	4,529	7,065	4,456	6,351
Deposits on future lettings		1,012	2,240	1,266	2,210
Advance ticket sales		4,553	10,438	4,967	10,299
Other advance income		44	1,495	—	1,967
		10,138	21,238	10,689	20,827
Net current assets		7,297	7,381	8,690	8,768
Total net assets excluding pension asset		42,150	42,209	33,541	33,594
Pension asset		—	—	—	—
Total net assets including pension asset		42,150	42,209	33,541	33,594
Represented by					
Funds and reserves					
Income funds:					
Restricted funds	18	—	59	—	53
Unrestricted funds					
. Designated funds	19	41,150	41,150	30,499	30,499
. General funds					
.. Free reserves		1,000	1,000	3,042	3,042
.. Pension reserves	21	—	—	—	—
		42,150	42,209	33,541	33,594

The notes on pages 37 to 58 form an integral part of these financial statements

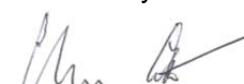
Approved by the trustees on 7 April 2016 and signed on their behalf by:



Jon Moynihan OBE
President



Michael Jackson MA FCA
Honorary Treasurer



Chris Cotton
Chief Executive

Consolidated cash flow statement Year to 31 December 2015

	Notes	2015 £'000	2014 £'000
Net cash provided by operating activities	A	9,671	4,963
Dividends, interest and rents from investments	B	312	325
Net cash provided by investing activities	B	(5,045)	(6,378)
Net cash provided by financing activities	C	3,000	(1,000)
Increase/(decrease) in cash	C	<u>7,938</u>	<u>(2,090)</u>
Changes in cash and cash equivalents in the reporting period		7,938	(2,090)
Cash and cash equivalents at the beginning of the reporting period	C	15,489	17,579
Cash and cash equivalents at the end of the reporting period	C	<u>23,427</u>	<u>15,489</u>

Notes to the cash flow statement for the year to 31 December 2015

A Reconciliation of net income to net cash inflow from operating activities

	2015 £'000	2014 £'000
Net income for the reporting period (as per the statement of financial activities)	8,819	5,513
Adjustments for:		
FRS 102 pension adjustment	(204)	(249)
Depreciation charges	1,345	887
Disposal of fixed asset	39	—
Dividends, interest and rents from investments	(312)	(325)
(Increase)/Decrease in debtors	(427)	555
Increase/(Decrease) in creditors	411	(1,418)
Net cash provided by operating activities	<u>9,671</u>	<u>4,963</u>

Consolidated cash flow statement Year to 31 December 2015

B Net cash provided by investing activities

	2015 £'000	2014 £'000
Returns on investments and servicing of finance		
Dividends, interest and rents from investments	312	325
	312	325
Capital expenditure and financial investment		
Purchase of property, plant and equipment	(4,679)	(6,378)
Purchase of intellectual property	(366)	—
Total	(5,045)	(6,378)

C Net cash provided by financing activities

	At 1 January 2015 £'000	Cash flows £'000	At 31 December 2015 £'000
Term deposits	25,000	(3,000)	22,000
Cash at bank and in hand	15,489	7,938	23,427
Total cash and cash equivalents	40,489	4,938	45,427

Principal accounting policies Year to 31 December 2015

Company information

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) all serve to promote the Arts and Sciences and the preservation and enhancement of the Grade I listed building which is held in trust for the nation.

The Corporation is a registered charity (registered number: 254543) which is incorporated and domiciled in the UK. The address of the registered office is Royal Albert Hall, Kensington Gore, London, SW7 2AP, UK.

Basis of accounting

These financial statements have been prepared in accordance with the Charities SORP (FRS 102) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland and the Charities Act 2011 and UK Generally Accepted Practice as it applies from 1 January 2015. The accounts (financial statements) have been prepared to give a ‘true and fair’ view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a ‘true and fair view’. This departure has involved following Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

This is the first year in which the financial statements have been prepared under FRS 102. In preparing the accounts, the trustees have considered whether, in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102, the restatement of comparative items were required. In their estimation, the impact of transitioning is not material to the financial statements and therefore the reinstatement of the comparative items is not required. The transition date was 1 January 2015.

The individual entity accounts of Royal Albert Hall have taken advantage of the disclosure exemption under FRS 102 to separately disclosure categories of financial instruments and items of income, expenses, gains or losses relating to instruments as these have been presented on a group basis in the notes to the accounts.

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 connected charity Royal Albert Hall Trust (RAHT).

Functional & presentation currency

The functional currency of the Corporation and its subsidiary and connected charity is considered to be pounds sterling because this is the currency of the

Principal accounting policies Year to 31 December 2015

primary economic environment in which the charity operates. The consolidated financial statements are also presented in pounds sterling.

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.

Critical accounting judgements and key sources of estimation uncertainty

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

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

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described in the accounting policies and are summarised below:

Pension liabilities – The charity recognises its liability to its defined benefit pension scheme which involves a number of estimations as disclosed in note 21.

Fixed assets – certain decisions are taken by the charity in determining whether expenditure meets the criteria for being capitalised and also in determining the useful life of assets as set out in the applicable accounting policy notes and notes 11 – 13 in the accounts.

Financial instruments

If the Corporation has any basic financial instruments, they are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method. Financial assets held at amortised cost comprise cash and bank and in hand, together with trade and other debtors. Financial liabilities held at amortised cost comprise bank loans and overdrafts, trade and other creditors.

Investments, including bonds held as part of an investment portfolio are held at fair value at the Balance Sheet date, with gains and losses being recognised within income and expenditure. Investments in subsidiary undertakings are held at cost less impairment.

Principal accounting policies Year to 31 December 2015

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. Cash investments are held at amortised cost.

Accounting for income

Incoming resources are recognised in the period in which the charity is entitled to receipt of the funds if performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

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.

Expenditure and irrecoverable VAT

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

- a. Costs of raising funds comprise the direct costs and overheads associated with generating donated income and holding fundraising events.
- b. Expenditure on charitable activities includes the Corporation's primary charitable purposes of maintaining the Royal Albert Hall and, through its use, promoting the arts and sciences.

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

Allocation of support costs

- a. Support costs are for those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include personnel development, financial procedures and management, provision of office services and equipment and a suitable working environment. The bases on which support costs have been allocated are set out below in note 5.
- b. 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, legal and council meeting expenses.

Principal accounting policies Year to 31 December 2015

Pension costs

The Corporation has two pension schemes, the Royal Albert Hall Stakeholder Pension Plan and the Royal Albert Hall Pension Scheme. It also uses The Peoples' Pension to fulfil its auto-enrolment obligations.

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 and The Peoples' Pension*

Pension costs for the Royal Albert Hall Stakeholder Pension Plan and The Peoples' Pension 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.

◆ *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 11 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 |

Principal accounting policies Year to 31 December 2015

- ◆ 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 criteria for capitalisation highlighted within FRS102 which refers generally to the recognition of an "asset" if and only if

a) it is probable that future economic benefits associated with the item will flow to the entity; and

b) the cost of the item can be measured reliably.

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.

Intangible fixed assets

In accordance with FRS 102 website and digital costs have been recognised as intangible assets as they can be identified with a project anticipated to produce future benefits. On initial recognition, assets are measured at cost and include all costs directly attributable to bringing them into working condition. They are amortised over a period of 3 years that being the anticipated life of the benefit arising from the completed project.

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 promote 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 13 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 FRS 102 for capitalising subsequent expenditure on an asset. Where the criteria is not met the expenditure is accounted for through the statement of financial activities.

Principal accounting policies Year to 31 December 2015

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.

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

Financing activities

Financing activities comprise 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 Donations & legacies

	2015 £'000	2014 £'000
Donations	4,090	1,014

2 Income from charitable activities

	2015 Unrestricted funds £'000	2014 Unrestricted funds £'000
Rentals	3,371	3,200
Ticket commission	5,831	5,217
Members contribution	1,856	1,788
Other	794	1,506
Interest receivable	312	325
	12,164	12,036

3 Income from other activities

The Corporation's wholly owned trading subsidiary, Royal Albert Hall Developments Limited, is incorporated in the United Kingdom (company number 01539294) and donates its taxable profits to the Corporation by Deed of Covenant. 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, merchandise sales and a car parking concession. A summary of the trading results of the company is shown in note 15.

4 Analysis of expenditure on charitable activities

	Maintaining and developing the Hall £'000	Promoting the arts and sciences £'000	2015 Total £'000	2014 Total £'000
Building maintenance	1,709	—	1,709	1,572
Building refurbishment and improvements	615	—	615	1,939
Security and housekeeping	1,022	—	1,022	908
Archives	119	—	119	106
Ticketing	—	2,114	2,114	2,022
Show management and production	—	4,747	4,747	4,815
Front of house services	—	2,259	2,259	1,821
Security and housekeeping	—	865	865	801
Programming, marketing and PR	—	1,320	1,320	1,413
Education activities	—	351	351	317
Miscellaneous	—	946	946	874
Governance (see note 6)	289	—	289	268
Support costs (see note 5)	1,157	4,495	5,652	4,973
	4,911	17,097	22,008	21,829

5 Support costs

	Maintaining and developing the Hall £'000	Promoting the arts and sciences £'000	2015 Total £'000	2014 Total £'000
Finance and information systems	249	898	1,147	1,029
Administration and human resources	306	1,200	1,506	1,341
Overheads and insurance	353	366	719	845
Utilities	138	758	896	871
Depreciation	111	1,273	1,384	887
	1,157	4,495	5,652	4,973

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.

6 Governance costs

	Maintaining and developing the Hall £'000	Promoting the arts and sciences £'000	2015 Total £'000	2014 Total £'000
Salaries, wages and related costs	158	-	158	171
General office	70	-	70	65
Audit fees	32	-	32	31
Legal and other professional fees	29	-	29	1
	289	-	289	268

Legal costs relating to governance issues have been higher in 2015 due to on-going discussions with the Charity Commission regarding the Hall's Constitution and the commencement, by the Hall, of an internal Governance Review.

7 Auditor's remuneration

	2015 £'000	2014 £'000
Group audit – current year	32	32
Pension audit – current year	6	4
Other services – prior year	—	—
– current year	6	4

8 Staff costs

	2015 £'000	2014 £'000
Salaries	9,113	8,562
Social security costs	737	704
Pension costs	495	519
	10,345	9,785

The Council Members were not paid, did not receive any other benefits from employment with the Corporation or its subsidiaries in the year (2014: £nil), nor were they reimbursed expenses during the year (2014: £366). No Council Member received payment for professional or other services supplied to the Corporation (2014: £nil)

The key management personnel of the Corporation comprise the Council Members, the Executive Board and the Heads of Departments. The total employee benefits of the key management personnel of the Corporation were £1,762,161 (2014: £1,712,767).

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

	2015 Number	Full-time equivalent 2015 Number	2014 Number	Full-time equivalent 2014 Number
Generating funds	2	2	3	3
Maintaining the Hall	38	34	35	33
Promoting arts and sciences	297	185	321	183
Administration and support	29	28	28	25
Governance	2	2	2	2
	368	251	389	246

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:

	2015 Number	2014 Number
£60,001 - £70,000	10	7
£70,001 - £80,000	4	3
£90,001 - £100,000	2	1
£100,001 - £110,000	2	2
£110,001 - £120,000	-	-
£120,001 - £130,000	-	1
£140,001 - £150,000	-	1
£150,001 - £160,000	1	-
£160,001 - £170,000	-	1
£200,001 - £210,000	-	1
£210,001 - £220,000	1	-
	20	16

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 (2014 – nil). Total employer's pension contributions for the provision of money purchase benefits for employees whose emoluments exceeded £60,000 were £127,616 (2014 – £123,017).

9 Related party transactions

For a detailed explanation of the relationship between Council members and the Corporation, please see under 'Council Members', within "Structure, governance and management" section, on pages 21-22.

As highlighted in note 15 during the year, the Royal Albert Hall Trust a related charity made a donation to the Corporation of £4,081,656 (2014: £1,013,759) and the Corporation's subsidiary Royal Albert Hall Developments Ltd donated its taxable profits by deed of covenant £4,371,568 (2014: £3,992,316). As shown in notes 16 and 17 at the year end there was an intercompany debtor between the Corporation and Royal Albert Hall Developments Limited of £9,133,351 (2014: £4,315,911) and for Royal Albert Hall Trust a debtor balance with the Corporation of £211,910 (2014: creditor balance of £47,091).

10 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 15, the Corporation's subsidiary company RAHDL donates its taxable profits to the Corporation via a Deed of Covenant.

11 Tangible fixed assets

	Freehold land £'000	Archival collections £'000	Property Costs £'000	Plant, fixtures, fittings & equipment £'000	Computers & office equipment £'000	Assets under construction £'000	Total £'000
Cost or valuation							
As at 1 January 2015	1,575	1,496	1,071	8,070	2,053	501	14,766
Additions	-	-	-	4,084	65	794	4,943
Disposals	-	-	-	-	(844)	-	(844)
Transfers	-	-	-	-	-	(447)	(447)
As at 31 December 2015	1,575	1,496	1,071	12,154	1,273	848	18,417
Valuation 2001	1,575	1,496	-	-	-	-	3,071
Cost	-	-	1,071	12,154	1,273	848	15,346
	1,575	1,496	1,071	12,154	1,273	848	18,417
Depreciation							
As at 1 January 2015	-	-	214	1,387	1,772	-	3,373
Charge for year	-	-	107	931	162	-	1,200
Disposals	-	-	-	-	(844)	-	(844)
As at 31 December 2015	-	-	321	2,318	1,089	-	3,728
Net book values							
As at 31 December 2015	1,575	1,496	750	9,836	184	848	14,689
As at 1 January 2015	1,575	1,496	857	6,683	281	501	11,393

As permitted under FRS 102, 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 as permitted by FRS 102.

- ◆ The Corporation's archival collections are included in the accounts at a valuation made by Messrs King Sturge, Chartered Surveyors in 2001 are being carried forward at this value. This is considered to be appropriate under FRS 102.
- ◆ Fixtures and fittings, equipment, computers and office equipment are all included in the accounts at cost less depreciation and impairment changes.
- ◆ Subsequent expenditure on the building that meets the criteria for capitalisation under FRS102 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 2015 the Corporation had capital commitments of £1,000,000 (2014 - £3,246,000).

12 Intangible fixed assets

	Website / software £'000	Total £'000
Cost or valuation		
As at 1 January 2015	-	-
Additions	102	102
Transfers from Assets under construction	447	447
As at 31 December 2015	549	549
Depreciation		
As at 1 January 2015	-	-
Charge for year	183	183
As at 31 December 2015	183	183
Net book values		
As at 31 December 2015	366	366
As at 1 January 2015	-	-

13 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, promoting 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 2015, to £264 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 FRS 102 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.
- ◆ Fixed asset additions to heritage assets in 2015 totalled £3,886,106. These costs related to the steam heating and chiller replacement projects.

Other significant areas of expenditure within the last five years, expensed because in the main these projects did not fit within the criteria for capitalisation highlighted within both FRS 102 and old UK GAAP 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 FRS 102, costs relating to the fabric of the building which have either been capitalised or expensed in the last five years are summarised below.

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Expenditure on heritage assets	—	—	—	—	—
Capital expenditure					
Facilities for performers and the public	—	—	1,071	—	—
Other building works and fees	3,886	5,728	619	—	—
	<u>3,886</u>	<u>5,728</u>	<u>1,690</u>	<u>—</u>	<u>—</u>
Revenue expenditure					
Facilities for performers and the public	—	1,077	668	720	917
The building's structure	47	22	262	263	255
The auditorium	32	6	42	82	314
Other building works and fees	250	274	364	357	360
	<u>329</u>	<u>1,379</u>	<u>1,336</u>	<u>1,422</u>	<u>1,846</u>
	<u>4,215</u>	<u>7,107</u>	<u>3,026</u>	<u>1,422</u>	<u>1,846</u>

14 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 14.

There were no listed investments held at 31 December 2015 (2014 - nil).

15 Investment in subsidiary undertaking and related charity

The Corporation's subsidiary, Royal Albert Hall Developments Limited, is incorporated in England (company number 1539294). 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, merchandise sales 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

	2015 £'000	2014 £'000
Profit and loss account		
Turnover	14,813	14,533
Cost of sales	(10,503)	(10,536)
Operating profit	4,310	3,997
Net interest receivable	74	40
Profit for the year before tax and Deed of Covenant	4,384	4,037
Deed of Covenant payable to Corporation	(4,372)	(3,992)
Profit on ordinary activities before taxation	12	45
Tax on ordinary activities	(12)	(20)
Profit for the financial year retained in subsidiary	-	25

Notes to the accounts 31 December 2015

Summarised balance sheet	2015 £'000	2014 £'000
Current assets	20,253	14,525
Creditors: amounts falling due within one year	(20,228)	(14,500)
Net assets	25	25
Called up share capital	25	25
Profit and loss account	—	—
	25	25

The Corporation has one connected 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.

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

Royal Albert Hall Trust

Summarised statement of financial activities	2015 £'000	2014 £'000
Incoming resources	4,089	1,014
Resources expended		
. Cost of generating funds	1	1
. Donation to Corporation	4,081	1,014
. Governance costs	1	1
Total resources expended	4,083	1,016
Net (outgoing)/incoming resources	6	(2)
Net gains/(losses) on investment assets	—	—
Net movement in funds	6	(2)
Fund balances brought forward	53	55
Fund balances carried forward	59	53

Summarised balance sheet	2015 £'000	2014 £'000
Current assets	276	54
Creditors: amounts falling due within one year	(217)	(1)
Net assets	59	53
Unrestricted funds	—	—
Restricted funds	59	53
	59	53

16 Debtors

	Corporation 2015 £'000	Group 2015 £'000	Corporation 2014 £'000	Group 2014 £'000
Rentals and concession income receivable	807	1,664	593	1,284
Other debtors	77	279	129	367
Amount due from subsidiary	9,345	—	4,316	—
Tax recoverable	—	—	—	6
Prepayments and accrued income	747	1,022	677	882
	10,976	2,965	5,715	2,539

17 Sundry creditors and accruals

	Corporation 2015 £'000	Group 2015 £'000	Corporation 2014 £'000	Group 2014 £'000
Expense creditors	2,313	3,287	1,774	2,257
Other creditors	1,156	1,683	1,160	1,723
Social security and other payroll taxes	506	506	478	478
Amount due to subsidiary	—	—	47	—
Accruals	771	953	1,117	1,207
VAT	(217)	636	(120)	686
	4,529	7,065	4,456	6,351

18 Restricted funds

	Education Fund £'000	Building Fund £'000	Royal Albert Hall Trust £'000	Total £'000
Balance at 1 January 2015	—	—	53	53
Incoming resources	—	—	4,089	4,089
Resources expended	(43)	—	(1)	(44)
Transfers	—	(4,039)	—	(4,039)
Donation from the Royal Albert Hall Trust	43	4,039	(4,082)	—
Balance at 31 December 2015	—	—	59	59

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 £43,000 to the Corporation's Education Programme (2014 - £121,000) (see note 9). It also made a grant of £4,039,000 (2014 - £893,000), 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 2015. These funds were received by the Corporation into the Major Building Development fund, which is why there is a transfer of £4,039,000 from restricted to unrestricted funds on the consolidated statement of financial activities.

19 Designated funds

Corporation and group	Tangible & intangible 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 2015	11,393	400	6,263	9,306	3,137	30,499
New designations	3,662	—	1,076	6,572	215	11,525
Transfer	—	—	—	4,039	—	4,039
Utilisation	—	—	(276)	(4,637)	—	(4,913)
Balance at 31 December 2015	15,055	400	7,063	15,280	3,352	41,150

The tangible and intangible fixed asset funds represent the net book value of the Corporation's fixed assets. A decision was made to separate this fund from the general fund in recognition of the fact that the tangible and intangible 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 net increase in the fund of £3,662,000 represents the high level of capital additions during the year (net of depreciation), driven by the steam heating and chiller replacement projects and the launch of the Hall's new website. This includes a transfer of £4,039,000 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 £800,000 during 2015 comprised a gross contribution of £1,076,000 to the fund, less £276,000 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 net movement of £5,974,000 during 2015 comprised a gross contribution of £10,611,000 to the fund, less £4,637,000 of expenditure in the year, mostly on the steam heating and chiller replacement projects. 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.

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

	Unrestricted funds						2015 £'000
	General fund £'000	Fixed asset fund £'000	Education and programming fund £'000	Plant and fabric sinking fund £'000	Major building develop- ment fund £'000	Contingency fund £'000	
Corporation							
Tangible & Intangible fixed assets	—	15,055	—	—	—	—	15,055
Investments	25	—	400	6,223	9,798	3,352	19,798
Current assets	11,113	—	—	840	5,482	—	17,435
Creditors	(10,138)	—	—	—	—	—	(10,138)
Total net assets excluding pension asset	1,000	15,055	400	7,063	15,280	3,352	42,150

	Unrestricted funds						Restricted fund	2015 Total £'000
	General fund £'000	Fixed asset fund £'000	Education and program- ming fund £'000	Plant and fabric sinking fund £'000	Major building develop- ment fund £'000	Contingency fund £'000	Royal Albert Hall Trust £'000	
Group								
Tangible & Intangible fixed assets	—	15,055	—	—	—	—	—	15,055
Investments	—	—	400	6,223	9,798	3,352	—	19,773
Current assets	22,237	—	—	840	5,482	—	60	28,619
Creditors	(21,237)	—	—	—	—	—	(1)	(21,238)
Total net assets excluding pension asset	1,000	15,055	400	7,063	15,280	3,352	59	42,209

21 Pension commitments

The Royal Albert Hall offers a Stakeholder Pension Plan which comprises a series of individually owned personal pension accounts, arranged on a group basis, the provider of which is Friends Provident. 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.

For staff who choose not to join the Stakeholder Pension Plan, or are not eligible to join, the Hall uses "The Peoples Pension" scheme to comply with the requirements of automatic enrolment.

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.

A full actuarial valuation of the defined benefit section was carried out as at 31 March 2015. The main actuarial assumptions were a pre-retirement discount rate of 3.7% per annum, a post-retirement discount rate of 2.3%pa and price inflation of 3.3%. The valuation findings indicated a market value of the defined benefit section assets of £12,092,000, sufficient to cover 99.5% of the benefits which had accrued to Scheme Members; and a past service deficit of £56,000. Even though the deficit had been eliminated by subsequent employer contributions by the time the actuarial valuation had been finalised, the Corporation has offered to continue making annual employer contributions on a voluntary basis in line with the previously agreed contribution schedule (£224,748 per annum over the next five years, rising at an annual inflation rate of 3.2%).

The unrestricted surplus as calculated under the accounting standard FRS 102 of £1,413,000 as at 31 December 2014 has increased to £2,183,000 as at 31 December 2015. The main reasons for this include:

- ◆ the Scheme's assets did not perform as well as expected over the year which reduced the surplus, but this was more than offset by the points below;
- ◆ the change in market conditions over the year served to increase the surplus;
- ◆ the Hall paid deficit reducing contributions of £223,000;
- ◆ updating the assumptions for the duration of the liabilities reduced the inflation rate assumption which increased the surplus.

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.

As regards the Stakeholder Scheme, the Corporation and each member contribute amounts determined by an age related or a matching 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:

	2015 £'000	2014 £'000
Defined benefit section	204	283
Defined contribution section / Stakeholder Scheme	350	296

Total expected voluntary contributions to the defined benefit scheme for 2016 are £230,000.

FRS 102 requires the surplus or deficit on the Scheme as at 31 December 2015, calculated in accordance with the requirements of FRS 102, to be included on the balance sheet. For the purpose of FRS 102, 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):

	2015 %	2014 %	2013 %	2012 %
Inflation	3.4%	3.4%	3.7%	3.2%
Salary increases	n/a	n/a	4.95%	4.45%
Rate of discount	4.0%	3.7%	4.6%	4.4%
Pension increases	3.3%	3.3%	3.6%	3.2%

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

	Long-term rate of return expected at 31 December 2015 %	Value at 31 December 2015 £'000	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
Assets						
Equities	4.0	2,358	3.7	2,233	5.61	2,045
Multi-asset/strategy fund	4.0	2,449		—		—
Gilts	4.0	6,990	3.7	9,314	4.6	7,264
Cash	4.0	23	3.7	33	0.5	46
Value of secured pensions	4.0	895	3.7	949	4.6	938
Total market value of assets		12,715		12,529		10,293
Actuarial value of liability		(10,532)		(11,116)		(9,655)
Surplus in Scheme		2,183		1,413		638
Unrecognised asset		(2,183)		(1,413)		(638)
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 2015.

Notes to the accounts 31 December 2015

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

	2015 £'000	2014 £'000
Fair value of assets at 1 January	12,529	10,293
Interest on assets	463	476
Company contributions	204	283
Contributions by Scheme participants	-	16
Benefits paid	(215)	(180)
Return on plan assets less interest	(266)	1,641
Fair value of assets at 31 December	12,715	12,529

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

	2015 £'000	2014 £'000
Actuarial value of liabilities at 1 January	11,116	9,655
Current service cost	-	63
Contributions by Scheme participants	-	16
Past service cost	-	5
Interest cost	407	442
Benefits paid	(215)	(180)
Experience (gain) on defined benefit obligation	(95)	(361)
Changes to demographic assumptions	(80)	(84)
Changes to financial assumptions	(601)	1,560
Actuarial value of liabilities at 31 December	10,532	11,116

In accordance with FRS 102 the following components of pension charge have been recognised in the statement of financial activities for the year ended 31 December 2015.

	2015 £'000	2014 £'000
Analysis of the amount charged within resources expended		
Current service cost	-	(63)
Past service cost	-	(5)
Total amount included within resources expended	-	(68)
Analysis of net return on scheme		
Interest assets	407	476
Interest on liabilities	(407)	(442)
Net return	-	34
Analysis of amount recognised within other recognised gains and losses		
(Loss)/gain on scheme assets in excess of interest	(266)	1,641
Experience gains on liabilities	95	361
Gains/(losses) from changes in assumptions	681	(1,476)
Adjustment in respect of restriction of surplus	(714)	(775)
Actuarial loss recognised within other recognised gains and losses	(204)	(249)

History of experience gains and losses

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Fair value of the Scheme's assets					
Amount	12,715	12,529	10,293	9,622	9,424
Present value of the Scheme's liabilities					
Amount	(10,532)	(11,116)	(9,655)	(9,386)	(8,686)
Unrestricted surplus / (deficit) in the Scheme					
Amount	2,183	1,413	638	236	738
Difference between expected and actual return on scheme assets					
Amount	(266)	1,641	272	(252)	117
Percentage of Scheme assets	2%	13%	3%	(3%)	1%
Experience gains and losses on scheme liabilities					
Amount	(95)	(361)	(144)	(435)	(282)
Percentage of Scheme liabilities	(1%)	(3%)	(1%)	(5%)	(3%)
Total amount recognised in statement of financial activities					
Amount	(204)	(249)	(164)	(132)	(278)
Percentage of Scheme liabilities	(2%)	(2%)	(2%)	(2%)	(3%)

22 Operating leases

At 31 December 2015 the charity had aggregate minimum lease payments commitments under non-cancellable operating leases with respect to equipment as follows:

	2015 £'000	2014 restated £'000
Charity and group		
Operating leases commitments payable:		
Within one year	29	25
Within one to two years	17	29
Within two to five years	10	27
	56	81

23 Financial instruments

At the balance sheet date the consolidated group held financial assets at amortised cost and short term deposits comprising cash classified as investments, cash and short term deposits, trade debtors and other debtors of £47,370k (2014: £42,192k) and financial liabilities at amortised cost, comprising expense and other creditors of £4,902k (2014: £3,999k). Total interest income received in respect of financial assets held at amortised cost totalled £312k (2014: £325k).

24 2014 Consolidated statement of financial activities

	Unrestricted funds £'000	Restricted funds £'000	2014 Total funds £'000
Income:			
Donations and legacies	—	1,014	1,014
<i>Income from charitable activities:</i>			
Operation of Hall	12,036	—	12,036
<i>Income from other activities:</i>			
Commercial trading operations	14,533	—	14,533
Total income	26,569	1,014	27,583
Expenditure:			
<i>Costs of raising funds:</i>			
Commercial trading operations	241	—	241
<i>Expenditure on charitable activities</i>			
Cost of activities in furtherance of the charitable objectives	21,706	123	21,829
Total expenditure	21,947	123	22,070
Net income/(expenditure)	4,622	891	5,513
Transfer between restricted and unrestricted	893	(893)	—
Actuarial gains/(losses) on defined benefit pension scheme	(249)	—	(249)
Net movement in funds	5,266	(2)	5,264
Fund balances brought forward at 1 January 2015	28,275	55	28,330
Fund balances carried forward at 31 December 2015	33,541	53	33,594