

THE CORPORATION OF THE HALL  
OF ARTS AND SCIENCES



Royal Albert Hall

# ANNUAL REPORT AND CONSOLIDATED ACCOUNTS

31 DECEMBER 2016



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

**Annual Report and  
Consolidated Accounts**

31 December 2016  
Charity Registration Number 254543

**Patron**

Her Majesty The Queen

**Elected Council members**

*President*

*Honorary Treasurer & Vice-President*

*Vice-President*

*Vice-President*

*Vice-President (up to 19<sup>th</sup> May 2016)*

*Vice-President (from 10<sup>th</sup> June 2016)*

Jon Moynihan OBE

Michael Jackson MA FCA

Leon Baroukh MA CFA

Mrs Ken (Lin) Craig

Mrs Michael Moore

Ian McCulloch

Dr Monica Bloch PhD

Jonathan Crystal

David A G Elyan MA FCIS FRSA

Ian Henderson CBE BSc (Est Man) FRICS *(to 29<sup>th</sup> March 2016)*

Peter B M Lim FCA MBA

Robert Lipson

James Max BSc Hons SFDR MRICS

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

Mrs Anthony Travis BA (Hons)

**Secretary to the Corporation**

Julie Hope

**Executive**

*Chief Executive*

*Chief Operating and Financial Officer*

*Artistic and Commercial Director*

*Director of Building and Operations*

*Director of External Affairs*

*Director of Visitor Experience*

Craig Hassall

James Ainscough

Lucy Noble

Amanda Squires

Sarah Woods

Anthony Winter-Brown

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

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**Auditors**

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EC4Y 8EH

**Solicitors**

Bates Wells Braithwaite LLP

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**Charity registration number 254543**

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### Charitable Objects

Since 1871, the Royal Albert Hall's purpose has been to promote the Arts and Sciences as well as to preserve and enhance our Grade I listed building, which is held in trust for the nation.

The charity achieves these charitable objectives by;

- hosting up to 400 performances each year in the main auditorium and more than 800 other performances, events, exhibitions and workshops elsewhere inside and outside the building which, alongside our tours, attracts 1.7 million visitors a year
- utilising the financial surpluses generated by the charitable activities above, plus financial support from philanthropists and the Hall's Seatholders, to support;
  - an Education and Outreach programme which reaches over 195,000 people of all ages and backgrounds
  - a multi-million rolling programme of building projects to preserve and enhance the Grade I listed building

The report of the Council sets out how these charitable objectives have been met in 2016, the financial results and implications for the charity from this activity and what the charity expects to achieve in 2017.

### Reports

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## **Report of the Council** Year to 31 December 2016

### **Report of the Council** Year to 31 December 2016

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 2016.

The accounts have been prepared in accordance with the accounting policies set out on pages 43 to 48 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).

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 22 to 37.

### **Our Vision**

Our vision is to inspire artists and audiences worldwide with the magic of the iconic Royal Albert Hall; creating life-enriching, unforgettable experiences for everyone.

### **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 the Hall is able to achieve.

The Hall hosts up to 400 performances each year in the main auditorium and more than 800 other performances, events, exhibitions and workshops elsewhere inside and outside the building, receiving 1.7 million visitors a year.

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

This ongoing success has long been recognised within the industry and beyond, most recently marked by winning "Favourite Venue" at the Total Production International Awards and the 2015 Music Education Council 'New Music' award.

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.



## Report of the Council Year to 31 December 2016

The main purpose of the Plan is to achieve financial 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 current expected cost is £37m.

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 been busier and busier, putting on more shows in more spaces on more days. For this level of activity to continue, the Hall's revenue needs to continue to rise.

To maintain this growth the Plan considers amongst other things:

- Continued enhancement of the performance programme
- Reaching new audiences
- 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, is to be seen as relevant, contemporary and an exciting destination in itself, as well as an historical one, then access and openness needs to increase every year.

### Profile

In addition to putting on events that attract 1.7million 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 195,000 people of all ages and backgrounds. We also support other charities in putting on fantastic events and to raise millions of pounds each year.

This activity, reflecting our dedication to successfully achieve 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,

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. The Hall's charitable objectives, and the manner in which these are pursued, are set out in summary form on the Contents page. A detailed explanation of how these objectives have been achieved in 2016 is set out in the following section.

### **Major Achievements for 2016**

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

#### Investment in the building

The charity's investment in the building is directly linked to the charitable objective of preserving and enhancing the Grade I listed building.

The most significant major project in 2016 was preparatory work on the South West Basement project. Planning permission was granted in 2015 for the excavation of a new basement space under the south west quadrant of the Hall's site and significant preparatory works have been carried out during 2016 (including re-directing utility routes, providing alternative internal/external routes for outside broadcast connectivity and excavating/underpinning a portion of the building). The main excavation commenced in early 2017.

The two year lift refurbishment began in 2016, with two of our major public lifts completed in the year, as planned. The opportunity was also taken to extend one lift shaft down a further two levels to serve the new basement extension. In addition, the replacement of the Loading Bay Lift was completed in February 2017. The remaining lifts will be refurbished in 2017.

There has been a major renewal of the 'building management system' (BMS) which controls most of the Hall's core facility systems. The work was completed with handover in January 2017 and has provided the following benefits:

- Installation of a new BMS infrastructure network which is more resilient and fully independent of the Hall's IT network.
- New controls allowing for more efficient plant/equipment management and maintenance.
- Replacement of unstable and obsolete equipment which is no longer supported by manufacturers.
- A simpler and more effective graphical user interface for users.

## **Report of the Council** Year to 31 December 2016

Work which began during 2015 to improve the effectiveness of box cooling on the Grand Tier and 2<sup>nd</sup> Tier levels was completed, meaning that these two areas are mechanically cooled for the first time.

Improvements to the loggia box floor/steps were completed, significantly enhancing the sightlines for patrons in these boxes as well as creating an improved health and safety environment.

The major refurbishment of the North Circle Bar was carried out; it re-opened in September 2016. The work has improved the ambience, increased the speed of service and fully reveals the spectacular view of Kensington Gardens and the Albert Memorial. Projections of historic Pathe news footage of performances at the Hall are displayed on the interior wall. The new space is visually stunning as well as being able to serve more guests more effectively. We hope to begin trials of the bar as a performances space in 2017.

Dressing room 1 has been refurbished and now has a fully accessible bathroom facility; this was generously supported by the Band Trust. Work is about to commence to improve the disabled toilet at Door 12 by providing a motorised door.

Plans for the multi-year rolling programme of refurbishments to the toilet facilities have also been finalised during 2016. The refurbishment work has begun, with a full mechanical survey and appointment of a designer to produce a standard design that can be rolled out across the Hall to increase capacity and provide better ventilation.

Other projects completed in 2016 include:

- Refurbishment of the Hall's stage with a new stage riser system and new orchestra seating;
- The replacement of auditorium houselights with energy efficient LED units;
- Replacing moving show lights that had come to the end of their life with energy efficient units;
- Updating the Hall's access control system;
- Replacement of fire exit signage with LED units;
- Fire door replacements;
- New dressing room lockers; and
- Replacement of the rear stage lift

The Hall has very few days without a performance or rehearsal; it is a 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

In 2016 the Hall has pursued growth in the number of performances and audiences, in direct fulfilment of its charitable objective to promote the Arts and Sciences. In addition, the Hall has pursued income growth in order to fund additional direct expenditure on charitable activities.

We have had another year of diverse and varied programming which has seen some amazing events on the main stage including the Fashion Awards, The Abbey Road Sessions, Bjork, Paul Simon and Gregory Porter and a tribute to Terry Wogan to name but a few.

We have also hosted Albert Sessions with some up and coming artists Lianne La Havas, Churches & Tallest Man on Earth. These sessions allow the Hall to reach new audiences at an affordable price point as well as giving the artist experience of performing on a bigger stage to a larger audience. The artists also ran workshops as part of our Education & Outreach programme; offering practical help on composition and performance and industry advice to aspiring young musicians.

Our own and co-promote programme continue to expand, hosting 51 of our own shows in 2016 including our first ever classical music concert for children, 'My Great Orchestral Adventure', which sold out two performances in the main auditorium. We also devised a special Christmas concert with Guy Barker and his Big Band. We have improved artistic quality and as a result our financial return has improved significantly. The 'film with live orchestra' genre continues to introduce new audiences to classical music. Wherever possible we linked our own-promoted performances with our Education & Outreach programme (for example Kylie sang with the National Youth Choir of Great Britain during her "A Kylie Christmas" show in December).

We have renewed deals with some of our current corporate partners and welcomed new partners Greene King, The Kensington Hotel and Loseley ice-cream to the Hall. Our sponsorship income continues to grow and, with our partners, we are able to transform our bars in order to create ever better experiences for our customers. In addition, we have established a new partnership with Waitrose and during 2016 had one of their experienced branch managers on secondment at the Hall, leading our front of house teams to take our customer experience to a new level.

Investment in the Hall's contact centre operation through the replacement of the current telephony system has begun and the move to an omni-channel model, which will enable the Hall to offer a more efficient and flexible response to customer enquiries, will be completed in 2017. A new training programme for staff is also being developed along with investment in the management structure which supports the contact centre operation.

The new website enabled us to make a significant improvement to the experience of audiences booking for the BBC Proms (which occurs in May each year) with a record 57,551 tickets sold in the first hour of booking, over 25,000 tickets more than in the equivalent period in 2015. Income has also grown through the site's new functionality. Optional donations in the ticketing path have delivered a new revenue stream and the ability to upsell tours, afternoon teas and restaurant bookings has also had a positive impact. The corporate sales team have also benefitted from the new website's capabilities now that hospitality packages can be sold on-line; hospitality income grew by 10% on prior year, helped also by our more creative offers that are more closely linked to the performances on stage.

We continue to innovate wherever we can, improving customer service which in turn boosts revenues. For example, in December we hosted a two day pop-up shop during Kylie's visit, which was a highly popular destination for her fans as well as a new revenue stream for the Hall.

The Hall successfully concluded the negotiation and signing of a new 6-year contract with our current catering partner, Rhubarb Food Design Limited. As well as being financially advantageous to the Hall, this will enable the Hall and Rhubarb to continue their successful partnership, raising standards and the range of catering offers in order to provide our audiences with the best possible experience, whatever their tastes.

The Hall's first ever Staff Forum Representatives were elected at the start of the year and four Forum meetings have been held so far. The Forum has contributed directly to the Hall's ongoing success, ranging from setting up a new Sustainability Action Group, contributing to a review of some of the Hall's HR policies/benefits and enabling the entire staff team to engage with and add their ideas to the Hall's new five year Business Plan.

### Access

The Royal Albert Hall is dedicated to giving access to all by running a thriving Education and Outreach programme (in direct fulfilment of the Hall's charitable objective to promote the Arts and Sciences) 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.

### *Education & Outreach*

More people than ever before have benefitted from our Education and Outreach activities in 2016, which have included:

- Nordoff Robbins music therapy sessions, which work to improve the lives of people living with a range of conditions such as autism, dementia, mental health problems, learning disabilities, social, emotional and behavioural difficulties, through the applied, strategic use of music to encourage

confidence and communication, providing an individually targeted life-enriching experience. During 2016 there were over 200 music therapy sessions.

This music therapy programme is generously funded by the Lord Leonard and Lady Estelle Wolfson Foundation. This innovative project would not have been possible without their invaluable support.

- The Royal Albert Hall Songbook is a free, interactive concert which explores the vast musical history available at the Hall. The concert is aimed at an elderly audience and is available to visit a variety of locations including care homes, hospitals, day centres and hospices, throughout London and the London Home Counties. During 2016 we were able to reach almost 2,000 care home residents.
- Our resident Education & Outreach ensemble Albert's Band visit schools in the Tri-Borough area to introduce children to classical music in a fun and inspiring way.

As well as receiving a completely free, interactive percussion workshop, these schools are also invited to a special matinee performance of Classical Spectacular at the Hall, for a subsidised ticket price. This gives the children the opportunity to experience the magic of a world-class orchestra and brings to life the music they were introduced to at school.

The Hall's trained musicians work with the class teachers to identify children who demonstrate musical potential but who aren't currently engaging in extra-curricular instrumental lessons. These children and their families are invited to a special concert in the Elgar Room at the Royal Albert Hall, for an interactive introduction to the instruments of the orchestra.

Following this concert, each child is given a free term of music tuition on their favourite instrument, funded by the Royal Albert Hall. We are making a truly meaningful impact on children's lives, and introducing them to music in a very real sense which we hope will remain with them forever.

- We ran our first schools matinee for secondary children, Holst's "The Planets", which was a huge success and also linked in with the science side of our charitable remit.
- The Friendship Matinee comprised a performance by the Royal Philharmonic Orchestra of Best of Broadway Hits with an audience of over 3,000 patrons. The average ticket price for the show was £5 and allowed the Hall to reach an audience via various charities and community based organisations in and around London.
- The Hall has launched a new apprenticeship scheme during 2016 in order to share knowledge and expertise in order to develop the careers of young people in the Arts. We are thrilled that our first two apprentices joined us in September; they have quickly become an invaluable and integral part of the Hall's team.

### *Tours*

The Hall runs tours of the Hall in order to provide access to the Grade 1 listed building, which is preserved and enhanced in line with our charitable objects. This year saw the launch of two new partnerships for Tours, working with Acorne and Red Letter Days, both of whom provide Gifting Experiences. These tours were linked to either a lunch or an Afternoon Tea and were aimed at providing a more extensive experience for those who want to appreciate the architecture and history of the Hall. As a result visitors were 14% higher than 2015 with 62,835 customers taking a Tour and income increased by 37% on 2015 due to the success of these initiatives and ongoing marketing.

The Hall also welcomed 1,858 visitors in a single day as part of the 'UK Open House' event which helped towards our overall increase in visitor numbers of 14% compared to 2015.

### *Archive*

The Hall's unique archive, available online, charts the history of the building, organisation and events.

New archive content on the website has attracted over 20,000 visitors to our history pages, with 12,000 using the "Time Machine" which showcases artefacts from every decade of the Hall's history displayed. Overall site engagement has increased with half a million visitors to our "news" pages compared with 346,000 in 2015.

Significant progress has been in the digitisation and conservation of assets within the archive; the Hall's original Royal Charter, 300 large scale posters, the Hall's autography books, a number early council ledgers and over 2,000 photographic transparencies were all scanned and recorded in the Hall's central asset management software. In addition, the entire audio-visual collection was transferred from obsolete media (120 hours in total). Many of these assets are already been shared with the public (on the website, through social media and on screens around the Hall) and there are plans to create a replica of the original Royal Charter for display in 2017.

### Profile

Our strategy to utilise the profile of our own-promoted events to raise awareness of the Hall's breadth of charitable activities has worked well with strong coverage around the Film with Live Orchestra series, My Great Orchestral Adventure and a number of other shows including José Carreras, War Horse, Guy Barker's Big Band Christmas and, of course, Kylie. The Hall's archive has been featured on BBC1's The One Show and our April Fool was featured on ITV, national and digital publications. The Hall's profile also grew through inclusion in a 'Minecraft's Got Talent' film with DanTDM which has had 6 million YouTube views, supporting the National Lottery-funded Big Music Project.

## **Report of the Council** Year to 31 December 2016

Communications through social platforms also grew with over a 10% increase in our audience through key social channels. The Hall's Christmas video initiative also helped highlight the Hall's rich history through a recreation of Henry Cole's first Christmas card, with a modern day twist which achieved over 350,000 views.

The Hall's ever-improving profile has enabled further growth in our fundraising efforts. Donations and pledges to the Royal Albert Hall have been steadily increasing and customers now have the opportunity to support the Hall directly when purchasing tickets through the website. In 2016 the Philanthropy team have run 50 events for over 750 guests. These included an exclusive dinner on stage with Heston Blumenthal featuring a specially created Victorian menu, and a memorial concert to celebrate the life of Zvi Meitar, one of the Hall's most generous supporters. The Hall's major donors contribute significant and we are extremely grateful for their generosity. Julia and Hans Rausing continue to play an extremely important role as our lead donors and we welcome David and Patricia Thompson as Honorary Fellows, in recognition of their significant contribution in recent years.

The Hall is registered with the Fundraising Regulator and adheres to the standards of good practice set out in the Fundraising Code. No professional fundraisers or commercial participators are used. The Hall's Philanthropy Policy is available on the website, setting out how the Hall's fundraising activities are monitored, what steps are taken to ensure that the risk of accepting an inappropriate donation is mitigated, and how to make a complaint about the Hall's fundraising activities.

## Financial review

The Royal Albert Hall's purpose is to promote the Arts and Sciences as well as to preserve and enhance our Grade I listed building, which is held in trust for the nation.

The charity achieves these objectives by;

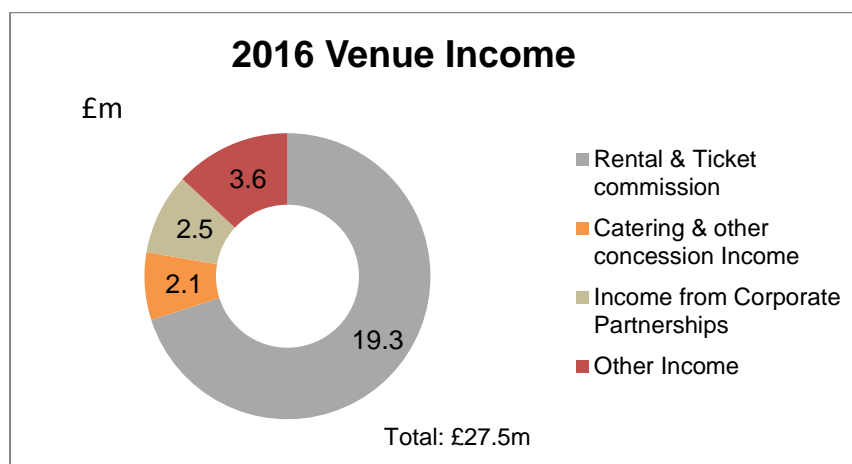
- hosting up to 400 performances each year in the main auditorium and more than 800 other performances, events, exhibitions and workshops elsewhere inside and outside the building which, alongside our tours, attracts 1.7 million visitors a year
- utilising the financial surpluses generated by the charitable activities above, plus bank interest and financial support from philanthropists and the Hall's Seatholders, to support;
  - an Education and Outreach programme which reaches over 195,000 people of all ages and backgrounds
  - a multi-million rolling programme of building projects to preserve and enhance the Grade I listed building

The income and outgoings relating to these activities are shown in the table below. In addition, the final section of the table summarises;

- depreciation and amortisation,
- designations to reserves, set aside for future expenditure, and
- the utilisation of reserves set aside in previous years.

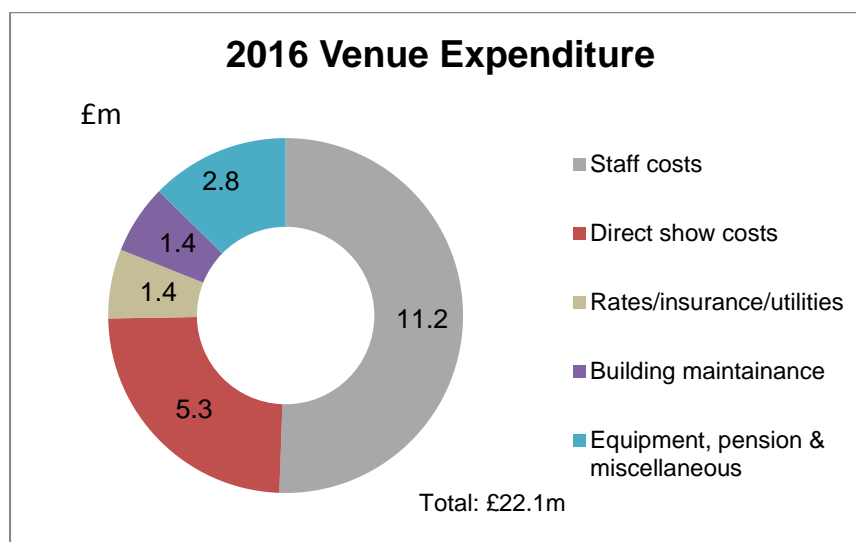
	Income	Outgoings	2016 Net inflow/ (outflow)	2015 Net inflow/ (outflow)
	£m	£m	£m	£m
Income & expenditure from running the venue (see pages 14 & 15)	27.5	(22.1)	5.4	5.1
Fundraising	2.9	(0.3)	2.6	3.8
Annual contribution from the seatholders	1.9	-	1.9	1.9
Bank interest	0.3	-	0.3	0.3
Total generated funds	32.6	(22.4)	10.2	11.1
Education & Outreach expenditure	-	(0.4)	(0.4)	(0.4)
Total investment in the building & services (see notes 11 & 12)	-	(8.8)	(8.8)	(5.8)
Total outgoings on direct charitable activities	-	(9.2)	(9.2)	(6.2)
Depreciation and amortisation			(1.7)	(1.4)
Amounts designated for future investment in the building & services			(7.5)	(11.7)
Amounts designated to contingency reserves			(0.2)	(0.2)
Capitalisation of items received above			7.9	5.0
Pledged donation to be received in a future period			1.0	-
Utilisation of reserves designated in prior years			7.2	11.9
Surplus for the year			7.7	8.6

Income and expenditure from running the venue can be broken down further as follows:



- Rental and ticket commission rose by £1.9m (11%) on 2015. This was due to the increased showcount of 390 (388 in 2015), the continuing profitability of the own and co-promotion events (such as the return of “A Kylie Christmas” as well as a number of popular cinema with live orchestra screenings), the successful run of Cirque De Soleil’s new show *Amaluna* and high demand for tickets for a large number of other events at the Hall.
- Catering income increased by 9% during 2016 boosted by the strong calendar, the continued high standards from our catering partner “rhubarb” and targeted food and beverage offerings which complimented the performances.
- Improved Sponsorship arrangements with new partners Greene King and The Kensington raised Corporate Partnership income as well as the development and subsequent popularity of new Hospitality packages which also enhanced the customer’s experience at the venue.
- Other Income includes a wide range of ancillary income streams some of which are derived directly from the performances (such as ticket handling fees, merchandise sales and the provision of technical show services) and others which are unrelated (such as the Hall’s Tour programme). The increase on 2015 is mainly attributable to Tours income which has risen by 26% due to the launch of two new partnerships. Other non-show related income relates to a contribution from Rhubarb towards the Hall’s investment in the North Circle bar of £0.4m.





- Staff costs increased by £0.9m due to the 2% annual pay rise as well as the continued investment in the size of the Hall's workforce in order to effectively run the number and complexity of events within the building.
- Direct show costs (which include artist, orchestral costs & film rights), increased by £0.7m compared with 2015 due to the varying nature of the programme as well as the higher showcount for own/co-promoted productions.
- Depreciation costs rose by £0.2m as a result of the recent higher 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 2016 were £49.9m (illustrated in the table below) of which £1.0m were restricted funds (see note 19). The remaining £48.9m forms the Hall's unrestricted funds. Of this total £47.9m have been allocated as designated funds and the remaining £1.0m represents the free reserves of the Hall.

## Report of the Council Year to 31 December 2016

	Opening fund balance 01-Jan-16	New Designation	Utilisation	Closing fund balance 31-Dec-16
<u>Restricted Fund</u>				
Trust Fund	-	2.9	(1.9)	1.0
<u>Designated Funds</u>				
Fixed Asset Fund	15.1	6.2	-	21.3
Major Building Development Fund	15.3	6.1	(5.8)	15.6
Contingency Fund	3.3	0.2	-	3.5
Plant & Sinking Fund	7.1	1.1	(1.1)	7.1
Education & Outreach fund	0.4	-	-	0.4
<u>Free Reserves</u>				
General Fund	1.0	-	-	1.0
	42.2	16.5	(8.8)	49.9

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 unexpected occurrences 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 (to the extent that it is not capitalised under the Hall's tangible fixed asset policy) 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, developed for the Hall by a firm of consulting surveyors and implemented in 2008. The estimated costs are over £30 million in total. This plan has been updated and from 2017 the annual designation to the Plant and Fabric Sinking fund will increase from £1.1m to £2.0m.
- ◆ To maintain the Education & Outreach Fund at £0.4m to ensure that such initiatives, which often have long lead-times, can definitely be completed despite any adverse short term financial setbacks the Corporation may encounter;
- ◆ To maintain a Contingency Fund of £3.5m to enable the Corporation to continue to meet its immediate running costs 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;
- ◆ To retain a Fixed Asset Fund, comprising the funds invested in fixed assets which allow the organisation to carry out its work effectively. At 31 December 2016 the level of this reserve was £21.3m.

## Report of the Council Year to 31 December 2016

- ◆ 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 movements in the Major Building Development Fund during the year are shown in the table below. The direct project costs in 2016 related to the south west basement preparatory works, BMS upgrade project and the cooling improvements for the Grand Tier and Second Tier. The fund balance at year-end is £15.6m. Just over £8 million of this is budgeted to be spent in 2017, of which £0.1m 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:

	2009 - 2015 £'000	2016 £'000	Total £'000
Donations Received	6,500	1,837	8,337
Supplementary Seat Rate	1,516	384	1,900
Earned Income	22,440	4,133	26,573
Total Incoming Resources	30,456	6,354	36,810
Direct Projects Costs	(13,094)	(5,806)	(18,901)
Project & Fundraising Expenditure	(2,082)	(278)	(2,359)
Total Expenditure	(15,176)	(6,084)	(21,260)
Balance as at 31 December	15,280	270	15,550

The remaining £1.0m is held on a rolling basis and is considered an appropriate level of free reserves by the Trustees in addition to the £3.5m held in the Contingency Fund and £0.4m in the Education & Outreach Fund.

Council believes it had fully complied with the above reserves policy as at 31 December 2016.

### As at 31 December 2016:

- ◆ £0.02m (net) had been allocated to the plant and fabric fund in the year after designations, transfers and utilisation
- ◆ £0.4m had been brought forward in the education and programming fund
- ◆ £0.2m had been allocated to the contingency fund
- ◆ £0.3m (net) had been allocated to the major building development fund in the year after designations, transfers and utilisation
- ◆ The free reserves stood at £1.0m

*Investment policy*

The Hall currently has no investments other than cash.

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 also holds no investments other than cash, although this may change 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 £0.2m 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 2016.

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 £0.05m (compared to £0.6m 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 voluntary 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. Then, 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 2017**

The Hall is creating a new Business Plan for 2017-2021, which will take us through the completion of our Major Building Development programme and into our 150<sup>th</sup> birthday celebrations in 2021. The new Business Plan has four main themes;

- Creating unforgettable experiences at the Hall
- Caring for our building, our staff and our finances
- Inspiring artists and audiences worldwide
- Celebrating 150 years

The first two of these dominate our objectives for 2017 and are explained in further detail below.

#### **Creating unforgettable experiences at the Hall**

The architecture and atmosphere of our auditorium contributes to the most amazing audience experience and inspires our artists to reach new heights. We want all aspects of our customers' experience to match this.

At the beginning of 2017 we have created the new role of Director of Visitor Experience, to champion the delivery of exceptional customer service to all members of the public who visit the Hall. Following a detailed study in 2016, by Morris Hargreaves MacIntyre, to understand and analyse our audiences' needs and motivations, we will be developing a programme of actions in 2017 to improve how we communicate and meet the needs of our large and diverse audience.

In the first half of 2017 the Hall's phone room will be transformed into a contact centre, offering an omni-channel approach that will enable the Hall to provide a more efficient and flexible response to customer enquiries across all communication platforms (including social media). A new training programme for staff is also being developed, alongside our investment in this new technology.

We will continue to develop our website by adding new functionality. The wifi infrastructure will be updated (this was last done over seven years ago), enabling the introduction of wifi access in bars and restaurants throughout the Hall for the benefit of both patrons and staff. The network architecture will be developed to improve performance and security. The Hall will also create plans to tell its story and celebrate its artistic heritage outside the building.

Caring for our building, our staff and our finances

In early 2017, the excavation of our new basement will begin in earnest. This will create two floors underground at the south-west side of the building, providing nearly 600 square metres of new space. The excavation and construction work will take approximately two years and, when completed, will allow us to transform our backstage facilities, create more public space in the main building and increase the number of Education & Outreach events that we can host.

We will commence a programme to assess, repair and clean the Hall's exterior (including the terracotta and frieze), starting with the North East quadrant in 2017.

The two year lift refurbishment program which started in 2016 will be completed in 2017.

A multi-year rolling programme of refurbishments to the toilet facilities has already started, with the first toilets due to be completed during the year.

A full upgrade of the CCTV system will begin, including the replacement of all cameras, as well as an increase in our coverage. There will also be an upgrade of the fire alarm system in order to improve resilience and improve monitoring and controls. And the access control system will be upgraded in order to enable a more flexible zoning of the building and thereby open up more areas for use during the day.

A loggia box, currently reserved for technical purposes only, will be refurbished to enable it to be used by audience members and thereby increase the auditorium capacity by 6-8 seats.

Other building-related projects will include;

- Replacement of the Hall's internal main water ring main;
- Plaster ceiling work repairs;
- Fire door replacement;
- A new auditorium flooring;
- A review of the auditorium acoustics;
- Improvements to the visibility of seat-numbering;
- Conversion of all auditorium houselights to LED; and
- Continuing to invest in stage lighting and other show equipment

As well as investing in the building we will also invest in our staff by increasing the Headcount, including an additional Front of House assistant manager, an IT

## **Report of the Council** Year to 31 December 2016

Developer and a Learning & Development Manager who will also oversee the Apprentices. We currently have two apprentices within our show department and we expect the number to increase during 2017 to seven apprentices across a number of different departments and will offer a range of training opportunities.

There will be a larger training budget in 2017, a new Learning Management System to help us ensure that all staff benefit from our training activities and more eLearning (including bite size and structured programmes ranging from basic health and safety training to Hall-specific customer service training).

In order to fund our planned investments we will continue to seek to increase revenues and to control operational expenditure wherever possible. This will include;

- Finding sponsors for some of our own-promoted shows and concert series
- Driving catering and hospitality revenues by creating appropriate, value-for-money experiences that suit all customers and by using the gallery more frequently as a hospitality area
- Increasing our retail and merchandise income through product development and the creation of more experience-based purchasing opportunities
- Launching our first ever “Friends and Patrons” scheme in order to engage more effectively with those members of the general public who have an affection for the Hall



## **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 Hall’s history and its legal position are unique and can lead to misunderstandings. To avoid this, the following paragraphs (to page 29) are written in order to provide sufficient detail and explanation, in an open and clear way.

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

The Hall has always had charitable objectives (with charitable status being conferred by the Charity Commission in 1967). Funding for the building of the Hall in the 1860s was contributed by a group of private individuals and by the Royal Commission for the Exhibition of 1851 (on land which is leased by the Corporation, at a peppercorn rent for 999 years, from the Royal Commission for the Exhibition of 1851). Known as Members of the Corporation (or Seatholders), these original founders acquired seats and subsequently took on the obligation to govern it for the nation’s benefit. These arrangements continue to this day – currently the Members own 1,275 seats out of the Hall’s 5,272.

By acquiring permanent seats at the Hall the Seatholders have private property rights (personal estate, not real estate, similar to a leasehold interest) which can be given or sold by one party to another and which are distinct from the charity. The charity exists subject to these permanent private property rights. In other words, the Corporation was only ever entitled to its leasehold interest “shorn of” the property rights of the Seatholders and pursues its charitable objectives only with the assets it actually owns and thus has at its disposal.

Understanding the correct legal basis (on which the Hall has taken advice from learned counsel) underpinning the Hall is vital to understanding the true nature of the relationship between the charity and the Seatholders. The implications of this legal basis include;

- When the Hall makes an “ordinary letting” (explained below) to a promoter, it is not letting the entire Hall, from which the Seatholders then receive a ticket allocation. It is instead letting the Hall “shorn of” the Seatholders’ rights.

- Seatholders do not pay for their tickets. There is no transaction between the charity and Seatholders when they receive their tickets and no money changes hands. The Hall is meeting the pre-existing obligations and enabling them to take up their property rights.
- Given that the charity has never had a right to the Seatholders' tickets, Seatholders cannot be said to be depriving the charity by using their tickets. Therefore, the Hall and the promoters of events have not forgone any income by virtue of the Seatholders' attendance.
- Neither the Hall nor the promoter can determine a price face value for Seatholders' tickets, nor restrict their use, given that Seatholders' seats are not a subset of the Hall's or the promoter's.
- By virtue of their private legal rights over their assets (i.e. their seats), the Seatholders have the right to use their tickets (their own private property) as they choose. These rights include the right to attend the performance, give the ticket to someone else to attend the show (whether a friend, relative, charity etc.), sell the ticket through the Hall's box office via the Ticket Return Scheme (see below) or sell the ticket through any other channel they wish (whether open market or not) at any price they wish.
- The sale of the tickets by a Seatholder is not a 'secondary sale' but in fact the disposal of primary rights (even if that sale is made via a website which is better known for enabling secondary ticket sales).

### *Seat Rate*

Initially the Seatholders had no obligation to make any financial contribution towards the annual costs of the Hall. However at various points in the Hall's history it was not making a financial return from its charitable operations sufficient to meet its charitable objective to preserve and enhance the building. Therefore the Seatholders agreed to the creation of the "seat rate".

The current form of the seat rate, as set out in the 1966 Act, is an annual £10-per-seat compulsory payment, plus a voluntary additional amount which is binding on the Seatholders if approved by a special majority at the AGM. Council determines the total amount of the seat rate to be proposed at the AGM each year based on a recommendation by the Seat Rate Committee. This Committee comprises the five appointed Council members plus the Treasurer as non-voting chairman (please see page 31 for the terms of reference and membership).

At the 2016 AGM the Seatholders voted unanimously for a seat rate of £1,467 per seat plus VAT (£1,455 in 2015). This comprised the £10 compulsory element plus an additional £1,157 towards the Hall's annual costs and £300 towards the cost of the new Major Building Development Programme. In total this generated an annual contribution to the Hall of £1.9m in 2016.

*Ordinary and Exclusive Lets*

Over time the Seatholders have also helped the Hall by giving up their right to attend many performances (both by approving legislative changes and by allowing the Hall to go beyond these statutory entitlements). Seatholders now exclude themselves from some 140+ lettings each year. These “Exclusive” performances are, in the main, the more popular and (for the charity) profitable events in the annual calendar. In return for this the Seatholders receive a reduction in their seat rate, known as the “rebate”, for most of the Exclusive lets that take place, defined in the 1966 Act as “any additional rent received in respect of the letting of the hall on any occasion on which the members are excluded from the hall”.

In 2016 the rebate paid to Seatholders was £0.7m, the effect of which was to reduce the annual contribution by £549 per seat (£547 in the previous year).

The performances that the Seatholders have access to, known as “Ordinary” lets, accounted for 251 of the 390 lettings in 2016. Therefore in total Seatholders received just over 320,000 tickets.

*Other ways in which the Seatholders support the charity*

**Donations**

Many Members donate money and tickets to the Hall. In addition the Hall enables the promoters of charity events to write to the Members to ask if they would like to donate their tickets to these charities. Thousands of tickets are donated each year.

**Community Ordinaries**

A Community Ordinary is a type of Ordinary Let only available to promoters of community events. In the case of Community Ordinaries, Members are asked in advance whether they would like to give up their seats for that performance, thus allowing increased access for more participants to take part in the event. In 2016, there were eighteen performances and the vast majority of Members gave up their seats in support of the Hall and these community events.

**Ticket Return Scheme (TRS)**

The TRS was launched in 1983. Its purpose is to give the public the best possible opportunity to purchase all available tickets for each “Ordinary let” performance from the Hall’s own box office and in particular to avoid as much as possible the distressing sight of empty seats in an otherwise packed house, at sold-out concerts. All tickets returned to the TRS are sold at the same price as equivalent promoter tickets.

Today the TRS is used by almost all of the Membership, with around 60% of tickets issued to Members returned to the Hall's box office each year, greatly increasing public access to events staged in the main auditorium. The features of the Ticket Return Scheme are set by Council and the scheme is entirely voluntary. The Hall operates as an agent for any Seatholders who choose to use the TRS (administering the scheme through the ticketing system that the Hall already operates for Promoters' ticket sales). The Hall does not pay any fee to the Seatholders and is only an intermediary between the Seatholders and the public who are purchasing their tickets. But the Hall does generate a direct income by charging the standard handling fee to the public who purchase tickets. If the TRS did not exist, it is likely that a higher portion of Members' tickets would be put up for sale on third party websites, in some instances at prices greater than the equivalent promoter face value and in many cases at prices lower than the equivalent promoter face value.

The proceeds from the sale of Members' tickets for each event are shared equally amongst all of the Members who have returned their tickets for that performance, regardless of whether their particular tickets actually sold, regardless of when they were returned, and regardless of any variation in price (e.g. between stalls and box seats). However, before this distribution takes place, the promoter of each event receives a share of the proceeds, based on a formula, to compensate for any of their unsold tickets which might otherwise have been sold had not the Members' tickets been on sale at the same time. As a result, the TRS is advantageous to the charity not only because it enables the charity to generate a direct income via the standard handling fee levied on the ticket sales but also because the TRS can improve the risk profile that promoters face when hiring Hall which, in turn, enables the Hall to maximise its rental revenue.

In total we estimate that the operation of the TRS is worth approximately £1m per year to the charity (from the direct handling fee income and the indirect impact on rental revenue). On average a Member who returns all of their tickets to the TRS is likely to receive a financial return of approximately 50% of the total face value of equivalent promoter tickets.

#### *Seatholders' rights and obligations at the AGM*

Being a Member of the Corporation carries with it certain collective obligations. These include:

- voting (usually at the AGM) to elect a President; the Treasurer; and individual Council Members;
- approval (or otherwise) of the Annual Report and Accounts;
- the appointment of the Hall's auditors;
- the approval of the Annual Contribution (the 'seat rate'); and
- voting (as and when) to alter the constitution.

In addition, the Seatholders are, in effect, the Corporation's "lenders of last resort" in that if the Corporation is unable to generate the funds it needs from any other source, leaving it unable to continue operating, then the Seatholders private rights will be jeopardised and so they have an incentive to step in with additional financial support.

Also the Seatholders' property rights are dependent on the continuing subsistence of the 999 year lease of the Hall, which includes covenants to maintain the building and use it for the purpose of the Corporation's charitable objectives. The Seatholders therefore have a legitimate interest in order to avoid forfeiture of the lease, to ensure that the Corporation fulfils its charitable obligations.

*Seatholders and the Hall's financial surplus*

All of the Hall's financial surplus is retained by the Hall (there are no provisions for payment of this surplus to the Members of the Corporation) and is re-invested by the charity 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.

The Hall estimates that the annual surplus is at least £5m higher due to the ongoing support of the Seatholders as a result of the various initiatives discussed previously in relation to seat rate, exclusive lettings, operation of the Ticket Return Scheme etc. This contribution enables the charity, which receives no regular financial support from the Arts Council or government, to fulfil its public benefit obligations to a greater degree than would otherwise be the case.

The Hall has benefited over its first 146 years from its distinctive model whereby capital from Seatholders was used to build the Hall and their continued support has enabled the Hall to continue to flourish. The confluence of interest, whereby private individuals have an in-built imperative to support the charity, is unique, visionary and in the Hall's case has proven over time to be highly successful.

*Ongoing constitutional review*

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 its 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.

## Report of the Council Year to 31 December 2016

### *Council members*

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

The following Council members served during 2016:

### **Council members**

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#### **President of the Corporation:**

J Moynihan OBE

Re-elected 19<sup>th</sup> May 2016

#### **Secretary to the Corporation**

J Hope

#### **Other elected members:**

L Baroukh MA CFA

Dr M Bloch PhD

Mrs Ken Craig

J Crystal

D A G Elyan MA FCIS FRSA

I Henderson CBE BSc (Est Man) FRICS

Resigned 29<sup>th</sup> March 2016

M Jackson MA FCA

P B M Lim FCA MBA

R Lipson

I McCulloch

J Max BSc Hons SFDR MRICS

Mrs Michael Moore

Retired from Council 19<sup>th</sup> May 2016

A Ratcliffe FRICS FRSA

M T Schnebli FInstD FBIM

C Swan

R C Waterbury MA

M B M Williams FSA

#### **Appointed members:**

G F Bowden TD MA FRICS

S Corbyn FRICS

Sir Michael Dixon KBE BSc ARCS DPhil FCGI

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

Professor James Stirling CBE FRS FCGI

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*Seatholders as Council members*

The majority of Council members are also Members of the Corporation who own seats in the Hall. As such they pay the Members' annual contribution, receive the rebate, receive tickets for Ordinary lets and generally enjoy Seatholders' 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 46, with a further 95 owned by related parties. During 2016 the annual contribution payable to the Hall by each Seatholder was £1,467 per seat plus VAT (2015: £1,455). The 'rebate' that Members were entitled to during 2016, relating to prior year lettings where Members were excluded, was £549 per seat plus VAT (2015: £547). Therefore in total in 2016 Council members and their related parties paid a seat rate to the Hall of £206,847 and, offset against this, a total rebate from the Hall of £77,409. Therefore the net contribution in the year was £129,438

The Hall's Council members actively supported the operation of the Ticket Return Scheme (TRS - please see page 24 for a full explanation of how the TRS works). For the 141 seats owned by the Hall's Council Members and their related parties (see above), 21,213 tickets were returned to the TRS (being 67% of the total tickets they received). The Hall put these tickets on sale on behalf of the seat holders and, in total, this generated a distribution of £486,399 (equivalent to approximately £3,450 per seat) for those seat holders (paid to them during 2016, relating to the performance period November 2015 to October 2016), equivalent to £22.93 per ticket returned to the TRS (which, as stated on page 25, is approximately 50% of the face value of Promoter tickets for seats in equivalent sections of the Hall). The Hall received a commission from the purchasers of the tickets estimated to be approximately £70,000.

No member of Council received any remuneration from the Corporation during the year (2015 - £nil). No member of Council received out of pocket expenses in 2016 (2015 - £nil). Other than the transactions noted above 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 2016 totalling £36,141 (2015: 84,610). During the year the Hall's Council Members and their related parties purchased 83 tickets (total value of £4,452.42) for events in 2016 from the Hall's box office, at the same prices and on the same terms as the general public.

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 seats in Grand Tier 29 for themselves, for Hall guests and for an appropriate number of personal guests. For Ordinaries Elected members may choose to buy tickets in GT29. Or, they may swap a number of their own tickets for the same number in GT29, returning theirs to the Hall (for its own use and sale), rather than to the TRS.



If there is a difference in the face-value of their own tickets, and those in GT29, Elected members are asked to donate the difference to the charity, particularly if the member is taking more than two seats in GT29. 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. In the course of their duties the Hall's Council Members and their related parties also used 32 tickets in the year other than in GT29 and received 60 tickets for dress rehearsals (enabling them to attend alongside staff, donors, corporate supporters, associated charities and other friends of the Hall).

Throughout the year the Corporation secured indemnity insurance under a policy covering the members of Council and the Hall's officers, Trustees and officers of the subsidiary company and related trust. The total premium charged to the Corporation was £12,760 (2015 - £12,760) and the cover provided totalled £10 million (2015 - £10 million).

*Election and appointment of members of Council*

In accordance with the Corporation's governing constitution, the Council, which is the Corporation's governing body, comprises up to 18 Members of the Corporation (i.e. Seatholders) and five independent members, one being appointed by each of the Secretary of State for Culture, Media and Sport; the Trustees of the Natural History Museum; the governors of the Imperial College of Science, Technology and Medicine; the Council of the Royal College of Music and the Royal Commission of the Exhibition of 1851. The 18 members of Council who are also Members of the Corporation are elected at Annual General Meetings. The Members of the Corporation, also at the AGM, appoint a President who is eligible to stand for re-election every year for a maximum term of six years, at which point the President retires from office. And the treasurer is elected annually at the AGM.

The Corporation's Oversight and Appointments Committee considers how the Council should fill any casual vacancies<sup>1</sup>, 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 undertakes an annual effectiveness review, carried out by the Hall's auditors, to consider the overall effectiveness of Council and its Committees, as perceived by Council Members and the Executive Team and, in addition, the effectiveness of each Council Member.

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. Julie Hope has been Secretary since 2013.

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<sup>1</sup> Royal Albert Hall Act 1966 Schedule 2(8): Power for Council to fill up casual vacancies

*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.

*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 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.

## Report of the Council Year to 31 December 2016

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.

Up to 19<sup>th</sup> May 2016, Mrs Michael Moore had 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. From 19<sup>th</sup> May 2016, Mrs Ken (Lin) Craig became the Trustee with safeguarding responsibility.

### ◆ *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. Voting members of the Committee 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; 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 making recommendations to Council with respect to the Appointed Auditors, the approval of external and internal audit plans and the 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 Leon Baroukh, 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.

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. Up to March 2016, Ian Henderson chaired this Committee, which meets at least five times a year. Stuart Corbyn was appointed Chairman after Mr Henderson's resignation. Other members during the year were Gerald Bowden, 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, up to December 2016, was 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; James Max; and Robert Lipson.

◆ *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. Council has no role in the day-to-day decision-making process through which the annual calendar of events is compiled. 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 Leon Baroukh, Robert Lipson, James Max, Mark Schnebli, Charles Swan and James Murphy (co-opted).

## Report of the Council Year to 31 December 2016

### ◆ *Oversight and Appointments Committee*

The 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.
- Best practice on corporate and charity governance.

It also advises Council on the structure and membership of Council Committees, reviews nominations for membership of Council (for casual vacancies) and makes recommendations accordingly. The Committee is chaired by the President and meets at least 10 times per year, and as necessary to consider appointments. Members during the year were Leon Baroukh; Gerald Bowden; Stuart Corbyn; 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 and Mark Schnebli. Stephen Brandon, John Cooper and Larry Viner have served as co-opted members since 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 (Lin) Craig; James Max; Ian McCulloch; and Robert Lipson.

### ◆ *Remuneration Committee*

The Committee is chaired by the President, and deals with the salary and performance of direct reports to the President (currently the Chief Executive and the Secretary to the Corporation); 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. On 31<sup>st</sup> March 2017 Chris Cotton retired and his replacement, Craig Hassall, took up the role on 3<sup>rd</sup> April 2017.

The Chief Executive is supported by the Executive Team;

Chief Operating & Financial Officer	James Ainscough
Artistic and Commercial Director	Lucy Noble
Director of Business Development	Philip Marshall (resigned 31 December 2016)
Director of Building & Operations	Amanda Squires
Director of External Affairs	Sarah Woods
Director of Visitor Experience	Anthony Winter-Brown (appointed 1 March 2017)

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. Each year the Hall's Executive team set a rate of increase for Hall-wide salaries and hourly pay to take account of the impact of general inflation. Above-inflation pay increases are only awarded to individuals for changes in role/responsibility, exceptional performance or with regard to changes in industry norms for comparable roles. These are determined on a case-by-case basis, within the constraints of the annual budget. The remuneration of the Executive team is set annually by the Remuneration Committee (see above).

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 donated its taxable profits to the Corporation by deed of covenant; £5.8m in 2016 (2015: £4.4m). For further details of RAHDL please see note 15.

RAHDL meets at least 4 times per year, immediately after the Finance and Business Development meetings. RAHDL is chaired by Leon Baroukh and other Directors during 2016 were Chris Cotton, David Elyan, Michael Jackson, Peter Lim and Richard Waterbury. The Secretary to the Corporation undertakes the company secretary role.

The Royal Albert Hall 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 all funds received are properly utilised by the Corporation in line with donors' restrictions or wishes, on projects which are efficiently managed and fully completed. 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 £1.9m to the Corporation in 2016 (2015 - £4.1m). For further details of the Royal Albert Hall Trust please see note 15.

*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 Hall's Executive Risk Committee meets at least three times a year under the chairmanship of the Chief Operating Officer, to review the Risk Register, the monitoring of risk and steps taken, or that could be taken, to mitigate risk. The Risk Register identifies a



variety of potential threats to the business and ranks them according to the probability of occurrence and the potential risk in terms of impact on the Hall's finances and, separately, its reputation. The ranking is based on the risk score given to each risk.

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"> <li>• Strict adherence/enforcement of procedures, codes of practice etc.</li> <li>• Built-in resilience / dual capacity / back-up systems and processes.</li> <li>• Permit system and induction process.</li> <li>• Organisation-wide staff awareness, training and vigilance.</li> <li>• Detailed contingency planning.</li> <li>• Comprehensive insurance.</li> </ul>
Long-term damage to the Hall's reputation, impacting long-term operational and financial resilience (e.g. from falling service standards, adverse reviews, significant reduction in the number of main-stage performances, failure to comply with statutory or safeguarding requirements, data protection breaches, security-related incident, issues creating harmful press and social media comment, persistent and widespread negative stories related to a misunderstanding of the Hall's unique governance structure which leads to a reduction in public support and/or changes to the relationship between the Hall and its Seatholders leading to a reduction in the Hall's ability to generate income etc.).	<ul style="list-style-type: none"> <li>• Monitoring and review of all Hall activities on a daily basis.</li> <li>• Staff training &amp; procedures.</li> <li>• Long-term contracts and strong relationships with major promoters and corporate partners.</li> <li>• Proactive and reactive media strategies.</li> <li>• Conflicts Committee.</li> <li>• Appropriate disclosure on governance in the annual statutory accounts, other statutory documents and website.</li> <li>• Ongoing dialogue with the Charity Commission.</li> </ul>

The Hall ensures a structured, multi-year programme of regular internal audits is maintained. An external, independent professional is retained to conduct these audits, which are focused primarily, but not exclusively, on areas of financial risk. The internal auditor reports the audit findings to the Finance and Business Development Committee on a regular basis.

### **Going Concern**

Set out above is a review of financial performance and the charity's reserve position. The Hall has adequate financial resources and is well placed to manage the business risks. The Hall's 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.

Council believes 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. The relationship between Seatholders, Council members and the Hall is described in full on pages 22 to 29.

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 2017  
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 2016 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, 1-25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; the Financial Reporting Standard applicable in the UK and Republic of Ireland (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 2016

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 2016 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

*20/4/17*

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 2016

	Notes	Unrestricted funds £'000	Restricted funds £'000	2016 Total funds £'000	2015 Total funds £'000
<b>Income:</b>					
Donations and legacies	1	—	2,917	<b>2,917</b>	4,090
<i>Income from charitable activities:</i>					
Operation of Hall	2	11,475	—	<b>11,475</b>	11,852
Investment income and interest		323	—	<b>323</b>	312
<i>Income from other activities:</i>					
Commercial trading operations	3	17,901	—	<b>17,901</b>	14,813
<b>Total income</b>		<b>29,699</b>	<b>2,917</b>	<b>32,616</b>	<b>31,067</b>
<b>Expenditure:</b>					
<i>Costs of raising funds:</i>					
		317	—	<b>317</b>	240
<i>Expenditure on charitable activities:</i>					
Maintaining and developing the Hall	4	5,094	—	<b>5,094</b>	4,911
Promoting the arts and sciences		19,213	89	<b>19,302</b>	17,097
<b>Total expenditure</b>		<b>24,624</b>	<b>89</b>	<b>24,713</b>	<b>22,248</b>
<b>Net income</b>		<b>5,075</b>	<b>2,828</b>	<b>7,903</b>	<b>8,819</b>
Transfer between restricted and unrestricted	19/20	1,839	(1,839)	—	—
Actuarial gains/(losses) on defined benefit pension scheme		(230)	—	<b>(230)</b>	(204)
<b>Net movement in funds</b>		<b>6,684</b>	<b>989</b>	<b>7,673</b>	<b>8,615</b>
<b>Fund balances brought forward at 1 January 2016</b>		<b>42,150</b>	<b>59</b>	<b>42,209</b>	<b>33,594</b>
<b>Fund balances carried forward at 31 December 2016</b>		<b>48,834</b>	<b>1,048</b>	<b>49,882</b>	<b>42,209</b>

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 £20.5m (2015 - £21.6m) and net incoming resources were £6.7m (2015 - £8.6m).

The notes on pages 43 to 65 form an integral part of these financial statements.

## Balance sheets 31 December 2016

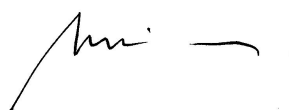
	Notes	Corporation 2016 £'000	Group 2016 £'000	Corporation 2015 £'000	Group 2015 £'000
<b>Fixed assets</b>					
Tangible assets	11	21,067	21,067	14,689	14,689
Intangible assets	12	234	234	366	366
Heritage assets	13	—	—	—	—
Investments	14	14,608	14,608	19,773	19,773
Investment in subsidiary	15	25	—	25	—
		<b>35,934</b>	<b>35,909</b>	<b>34,853</b>	<b>34,828</b>
<b>Current assets</b>					
Debtors	16	9,583	3,374	10,976	2,965
Investments		7,392	9,392	227	2,227
Cash at bank and in hand		9,257	26,604	6,232	23,427
		<b>26,232</b>	<b>39,370</b>	<b>17,435</b>	<b>28,619</b>
<b>Liabilities</b>					
Creditors: amounts falling due within one year	17	13,332	25,397	10,138	21,238
		<b>12,900</b>	<b>13,973</b>	<b>7,297</b>	<b>7,381</b>
<b>Net current assets</b>					
		<b>12,900</b>	<b>13,973</b>	<b>7,297</b>	<b>7,381</b>
<b>Total net assets excluding pension asset</b>					
		<b>48,834</b>	<b>49,882</b>	<b>42,150</b>	<b>42,209</b>
Pension asset		—	—	—	—
<b>Total net assets including pension asset</b>					
		<b>48,834</b>	<b>49,882</b>	<b>42,150</b>	<b>42,209</b>
<b>Represented by</b>					
<b>Funds and reserves</b>					
<b>Income funds:</b>					
Restricted funds	19	—	1,048	—	59
Unrestricted funds					
. Designated funds	20	47,834	47,834	41,150	41,150
. General funds					
. Free reserves		1,000	1,000	1,000	1,000
. Pension reserves	22	—	—	—	—
		<b>48,834</b>	<b>49,882</b>	<b>42,150</b>	<b>42,209</b>

The notes on pages 43 to 65 form an integral part of these financial statements

Approved by the Trustees on 7 April 2017 and signed on their behalf by:



Jon Moynihan OBE  
President



Michael Jackson MA FCA  
Honorary Treasurer

## Consolidated cash flow statement Year to 31 December 2016

	Notes	2016 £'000	2015 £'000
<b>Cash flows from operating activities</b>			
	A	12,744	9,671
<b>Cash flows from investing activities</b>			
	B	(9,567)	(1,733)
<b>Changes in cash and cash equivalents in the reporting period</b>		3,177	7,938
<b>Cash and cash equivalents at the beginning of the reporting period</b>		23,427	15,489
<b>Cash and cash equivalents at the end of the reporting period</b>		26,604	23,427

### Notes to the cash flow statement for the year to 31 December 2016

#### A Reconciliation of cash flows from operating activities

	2016 £'000	2015 £'000
Net income for the reporting period (as per the statement of financial activities)	7,903	8,819
Adjustments for:		
FRS 102 pension adjustment	(230)	(204)
Depreciation charges	1,593	1,345
Loss on disposal of fixed asset	51	39
Dividends, interest and rents from investments	(323)	(312)
Increase in debtors	(409)	(427)
Increase in creditors	4,159	411
<b>Net cash provided by operating activities</b>	<b>12,744</b>	<b>9,671</b>

#### B Cash flows from investing activities

	2016 £'000	2015 £'000
Dividends, interest and rents from investments	323	312
Purchase of property, plant and equipment	(7,813)	(4,679)
Purchase of intangible assets	(77)	(366)
Purchase of investments	(2,000)	-
Inflow from sale of investments	-	3,000
<b>Net cash (used) in investing activities</b>	<b>(9,567)</b>	<b>(1,733)</b>

## **Principal accounting policies** Year to 31 December 2016

### **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 Royal Albert Hall constitutes a public benefit entity as defined by FRS 102.

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 Practise. 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.

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

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.

### **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



## **Principal accounting policies** Year to 31 December 2016

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 22.

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 in subsidiary undertakings are held at cost less impairment.

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.

## **Principal accounting policies** Year to 31 December 2016

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.

Legacies are recognised on the earlier of the receipt of funds and the receipt of final agreed estate accounts.

Income which is derived in exchange for donated goods and services is recognised as income on the day of attendance of a show, a matching expense is recognised at the same point in time. The income is recognised at the cost to the Hall of providing those services.

### **Expenditure**

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.

### **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 and their assistant; 12.5% of the cost of the Chief Executive and their assistant, audit fees and annual report expenditure; and the annual general meeting, legal and council meeting expenses.

### **Termination Payments**

Termination payments are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The charity recognises termination payments when it is demonstrably committed to either (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or (ii) providing termination payments as a result of an offer made to encourage voluntary redundancy.

## Principal accounting policies Year to 31 December 2016

### 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 their deemed cost having taken advantage of the transitional rules of the previous accounting standard, FRS15: Tangible Assets (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 2016

- ◆ 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 2016

### **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.

### **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

	2016 £'000	2015 £'000
Donations	2,917	4,090

## 2 Income from charitable activities

	2016 Unrestricted funds £'000	2015 Unrestricted funds £'000
Rentals	3,214	3,371
Ticket commission	5,250	5,831
Members' contribution	1,869	1,856
Other	1,142	794
	11,475	11,852

## 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	2016 Total £'000	2015 Total £'000
Building maintenance	1,503	—	1,503	1,709
Building refurbishment and improvements	963	—	963	615
Security and housekeeping	1,119	—	1,119	1,022
Archives	136	—	136	119
Ticketing	—	2,075	2,075	2,114
Show management and production	—	5,684	5,684	4,747
Front of house services	—	2,569	2,569	2,259
Security and housekeeping	—	948	948	865
Programming, marketing and PR	—	1,216	1,216	1,320
Education activities	—	445	445	351
Miscellaneous	—	937	937	946
Support costs (see note 5)	1,462	5,339	6,801	5,941
	5,183	19,213	24,396	22,008

## 5 Support costs

	Maintaining and developing the Hall £'000	Promoting the arts and sciences £'000	2016 Total £'000	2015 Total £'000
Finance and information systems	242	1,045	1,287	1,147
Administration and human resources	282	1,318	1,600	1,506
Overheads and insurance	409	737	1,146	719
Utilities	121	756	877	896
Depreciation and amortisation	110	1,483	1,593	1,384
Governance costs (note 6)	298	-	298	289
	1,462	5,339	6,801	5,941

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	2016 Total £'000	2015 Total £'000
Salaries, wages and related costs	179	-	179	158
General office	60	-	60	70
Audit fees	33	-	33	32
Legal and other professional fees	26	-	26	29
	298	-	298	289

## 7 Auditor's remuneration

	2016 £'000	2015 £'000
Group audit	33	32
Pension audit	5	6
Other services	7	6

## 8 Staff costs

	2016 £'000	2015 £'000
Salaries	9,900	9,113
Social security costs	808	737
Pension costs	481	495
	11,189	10,345

## Notes to the accounts 31 December 2016

The Council Members were not paid, did not receive any other benefits from employment with the Corporation or its subsidiaries in the year (2015: £nil), nor were they reimbursed expenses during the year (2015: £nil). No Council Member received payment for professional or other services supplied to the Corporation (2015: £nil).

Ex gratia and termination payments in the year totalled £38,767 (2015: £47,046). Of this amount, at the year-end £14,000 (2015: £nil) was still to be paid.

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 £2,022,818 (2015: £1,908,814).

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

	2016 Number	Full-time equivalent 2016 Number	2015 Number	Full-time equivalent 2015 Number
Generating funds	3	3	2	2
Maintaining the Hall	40	36	38	34
Promoting arts and sciences	310	203	297	185
Administration and support	32	30	29	28
Governance	2	2	2	2
	<b>387</b>	<b>274</b>	<b>368</b>	<b>251</b>

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:

	2016 Number	2015 Number
£60,001 - £70,000	10	10
£70,001 - £80,000	4	4
£90,001 - £100,000	-	2
£100,001 - £110,000	3	2
£110,001 - £120,000	1	-
£120,001 - £130,000	1	-
£130,001 - £140,000	-	1
£150,001 - £160,000	-	1
£160,001 - £170,000	1	-
£200,001 - £210,000	1	-
£210,001 - £220,000	-	1
	<b>21</b>	<b>20</b>



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 (2015 – nil). Total employer's pension contributions for the provision of money purchase benefits for employees whose emoluments exceeded £60,000 were £143,024 (2015 – £127,616).

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 (2015 - £12,760) and the cover provided totalled £10 million (2015 - £10 million).

## **9 Related party transactions**

For a detailed explanation of the relationship and transactions between Council members and the Corporation, please see under 'Council members', within "Structure, governance and management" section, on pages 28-29.

As highlighted in note 15 during the year, the Royal Albert Hall Trust a related charity made a donation to the Corporation of £1.9m (2015: £4.1m) and the Corporation's subsidiary Royal Albert Hall Developments Ltd donated its taxable profits by deed of covenant £5.8m (2015: £4.4m). 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 £8.2m (2015: £9.1m) and for Royal Albert Hall Trust a creditor balance with the Corporation of £6k (2015: debtor balance of £0.2m).

A number of Trustees provided donations to the charity to carry out its charitable objectives during 2016 totalling £36k (2015: £85k)

## **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 (Group and charity)**

	Freehold land £'000	Archival collections £'000	Property Costs £'000	Plant, fixtures, fittings & equipment £'000	Computers & office equipment £'000	Assets under construction £'000	Total £'000
<b>Cost or valuation</b>							
As at 1 January 2016	1,575	1,496	1,071	12,154	1,273	848	18,417
Additions	-	-	-	2,221	223	5,370	7,814
Disposals	-	-	-	(121)	(90)	-	(211)
Transfers	-	-	-	-	-	-	0
As at 31 December 2016	1,575	1,496	1,071	14,254	1,406	6,218	26,020
Valuation 2001	1,575	1,496	-	-	-	-	3,071
Cost	-	-	1,071	14,254	1,406	6,218	22,949
	1,575	1,496	1,071	14,254	1,406	6,218	26,020
<b>Depreciation</b>							
As at 1 January 2016	-	-	321	2,318	1,089	0	3,728
Charge for year	-	-	107	1,110	168	-	1,385
Disposals	-	-	-	(106)	(54)	-	(160)
As at 31 December 2016	-	-	428	3,322	1,203	-	4,953
<b>Net book values</b>							
As at 31 December 2016	1,575	1,496	643	10,932	203	6,218	21,067
As at 1 January 2016	1,575	1,496	750	9,836	184	848	14,689

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 are being carried at a deemed cost of £1.6m. This is based on advice received from Messrs Stile Harold Williams, Surveyors and Valuers during 2001, the Corporation having taken advantage of the transitional accounting rules available at the time.
- ◆ Similarly, the Corporation's archival collections are included in the accounts at a deemed costs of £1.5m. This was following a valuation made by Messrs King Sturge, Chartered Surveyors in 2001, the Corporation having taken advantage of the transitional accounting rules available at the time.
- ◆ 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 2016 the Corporation had capital commitments of £0.1m (2015 - £1.0m).

## 12 Intangible fixed assets (Group and Charity)

	Website / software £'000	Total £'000
<b>Cost or valuation</b>		
As at 1 January 2016	549	<b>549</b>
Additions	76	<b>76</b>
As at 31 December 2016	<b>625</b>	<b>625</b>
<b>Amortisation</b>		
As at 1 January 2016	183	<b>183</b>
Charge for year	208	<b>208</b>
As at 31 December 2016	<b>391</b>	<b>391</b>
<b>Net book values</b>		
As at 31 December 2016	234	<b>234</b>
As at 1 January 2016	366	<b>366</b>

## 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 £310 million, based on a valuation as at June 2016 by Ecclesiastical.
- ◆ 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.

## Notes to the accounts 31 December 2016

- ♦ 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 2016 totalled £5.3m. These costs related to the South West basement project.

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 (£1.4m), the refurbishment of the Café Consort to the newly renamed Verdi Italian Kitchen (£1.1m) and the refurbishment of the Box Office facility during the upgrading of the Door 12 area (£0.9m). 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.

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
<b>Expenditure on heritage assets</b>	—	—	—	—	—
<b>Capital expenditure</b>					
Facilities for performers and the public	591	—	—	1,071	—
Other building works and fees	4,694	3,886	5,728	619	—
	5,285	3,886	5,728	1,690	—
<b>Revenue expenditure</b>					
Facilities for performers and the public	35	—	1,077	668	720
The building's structure	8	47	22	262	263
The auditorium	18	32	6	42	82
Other building works and fees	93	250	274	364	357
	154	329	1,379	1,336	1,422
	5,439	4,215	7,107	3,026	1,422

### 14 Investments - Group

The investments held on the balance sheet comprise cash, which is held to fulfil long term objectives. Cash held for short term use within current assets was £9.4m (2015: £2.2m) Cash held for long term use within Fixed Assets was £14.6m (2015: £19.8m). Further details can be found in the Investment Policy on page 18.

There were no listed investments held at 31 December 2016 (2015 - 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, the production and co-promotion 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**

<b>Profit and loss account</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Turnover	<b>17,901</b>	14,813
Cost of sales	<b>(12,195)</b>	(10,503)
Operating profit	<b>5,705</b>	4,310
Net interest receivable	<b>67</b>	74
Profit for the year before tax and Deed of Covenant	<b>5,772</b>	4,384
Deed of Covenant payable to Corporation	<b>(5,756)</b>	(4,372)
Profit on ordinary activities before taxation	<b>16</b>	12
Tax on ordinary activities	<b>(16)</b>	(12)
Profit for the financial year retained in subsidiary	<b>-</b>	-

<b>Summarised balance sheet</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Current assets	<b>20,302</b>	20,253
Creditors: amounts falling due within one year	<b>(20,277)</b>	(20,228)
Net assets	<b>25</b>	25
Called up share capital	<b>25</b>	25
Profit and loss account	<b>—</b>	—
	<b>25</b>	25

The Corporation has one connected charity, The Royal Albert Hall Trust (registered charity number: 285111), 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.

## Notes to the accounts 31 December 2016

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

<b>Summarised statement of financial activities</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Incoming resources	<b>2,918</b>	4,089
Resources expended		
. Cost of generating funds		1
. Donation to Corporation	<b>1,928</b>	4,081
. Governance costs	<b>1</b>	1
Total resources expended	<b>1,929</b>	4,083
Net movement in funds	<b>989</b>	6
Fund balances brought forward	<b>59</b>	53
Fund balances carried forward	<b>1,048</b>	59

<b>Summarised balance sheet</b>	<b>2016 £'000</b>	<b>2015 £'000</b>
Current assets	<b>1,049</b>	276
Creditors: amounts falling due within one year	<b>(1)</b>	(217)
Net assets	<b>1,048</b>	59
Unrestricted funds	—	—
Restricted funds	<b>1,048</b>	59
	<b>1,048</b>	59

## 16 Debtors

	<b>Corporation 2016 £'000</b>	<b>Group 2016 £'000</b>	<b>Corporation 2015 £'000</b>	<b>Group 2015 £'000</b>
Rentals and concession income receivable	<b>473</b>	<b>875</b>	807	1,664
Other debtors	<b>55</b>	<b>1,289</b>	77	279
Amount due from subsidiary	<b>8,206</b>	—	9,345	—
Prepayments and accrued income	<b>849</b>	<b>1,210</b>	747	1,022
	<b>9,583</b>	<b>3,374</b>	10,976	2,965

## 17 Creditors: amounts falling due within one year

	Corporation 2016 £'000	Group 2016 £'000	Corporation 2015 £'000	Group 2015 £'000
Expense creditors	2,658	3,992	2,313	3,287
Other creditors	1,391	2,018	1,156	1,683
Social security and other payroll taxes	541	541	506	506
Accruals	1,375	1,632	771	953
VAT	(493)	642	(217)	636
Deferred Income (see note 18)	7,860	16,572	5,609	14,173
	<b>13,332</b>	<b>25,397</b>	<b>10,138</b>	<b>21,238</b>

## 18 Deferred Income

	Corporation 2016 £'000	Group 2016 £'000
Balance as at 1 January 2016	5,609	14,173
Amount released to incoming resources	(5,533)	(13,591)
Amount deferred in year	7,784	15,990
Balance as at 31 December 2016	<b>7,860</b>	<b>16,572</b>

Deferred income for the Corporation comprises deposits on future lettings of £1.0m (2015: £1.0m), advance ticket sales of £6.9m (2015: £4.6m) and other advance income £0.01m (2015: £0.05m) relating to performances after the balance sheet date. Deferred income for the Group comprises deposits on future lettings of £2.3m (2015: £2.2m), advance ticket sales of £12.7m (2015: £10.4m) and other advance income £1.6m (2015: 1.5m) relating to performances after the balance sheet date.

## 19 Restricted funds

	Education & Outreach Fund £'000	Building Fund £'000	Royal Albert Hall Trust £'000	Total £'000
Balance at 1 January 2016	—	—	59	<b>59</b>
Incoming resources	—	—	2,917	<b>2,917</b>
Resources expended	(88)	—	(1)	<b>(89)</b>
Transfers	—	(1,839)	—	<b>(1,839)</b>
Donation from Royal Albert Hall Trust	88	1,839	(1,927)	—
Balance at 31 December 2016	<b>—</b>	<b>—</b>	<b>1,048</b>	<b>1,048</b>

The Education & Outreach 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 £0.06m to the Corporation's Education & Outreach Programme (2015 - £0.05m) (see note 9). It also made a grant of £1.8m (2015 - £4.0m), 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 South West Basement project in 2016. These funds were received by the Corporation into the Major Building Development fund and spent in the year, which is why there is a transfer of £1.8m from restricted to unrestricted funds on the consolidated statement of financial activities.

## 20 Designated funds

Corporation and group	Tangible & intangible fixed assets fund £'000	Education & Outreach fund £'000	Plant and fabric sinking fund £'000	Major building development fund £'000	Contingency fund £'000	Total £'000
Balance at 1 January 2016	15,055	400	7,063	15,280	3,352	<b>41,150</b>
New designations	6,246	—	1,149	4,515	152	<b>12,062</b>
Transfer	—	—	—	1,839	—	<b>1,839</b>
Utilisation	—	—	(1,133)	(6,084)	—	<b>(7,217)</b>
Balance at 31 December 2016	21,301	400	7,079	15,550	3,504	<b>47,834</b>

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 £6.2m 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 £1.8m from the restricted Building Fund.

The education and outreach 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 £16k during 2016 comprised a gross contribution of £1.1m to the fund, less £1.1m 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 £0.3m during 2016 comprised a gross contribution of £6.1m to the fund, less £5.8m of expenditure in the year, mostly on the South West Basement project. A more detailed analysis of movements in this fund is included in the Report of the Council on page 17.



A contingency fund is maintained to enable the organisation 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.

## 21 Analysis of net assets between funds

	Unrestricted funds						2016 £'000
	General fund £'000	Fixed asset fund £'000	Education and Outreach fund £'000	Plant and fabric sinking fund £'000	Major building develop- ment fund £'000	Contingency fund £'000	
<b>Corporation</b>							
Tangible & Intangible fixed assets	—	21,301	—	—	—	—	<b>21,301</b>
Investments	25	—	400	3,174	7,530	3,504	<b>14,633</b>
Net current assets	975	—	—	3,905	8,020	—	<b>12,900</b>
Total net assets	1,000	21,301	400	7,079	15,550	3,504	<b>48,834</b>

	Unrestricted funds						Restricted fund	2016 Total £'000
	General fund £'000	Fixed asset fund £'000	Education and Outreach fund £'000	Plant and fabric sinking fund £'000	Major building develop- ment fund £'000	Contingency fund £'000	Royal Albert Hall Trust £'000	
<b>Group</b>								
Tangible & Intangible fixed assets	—	21,301	—	—	—	—	—	<b>21,301</b>
Investments	—	—	400	3,174	7,530	3,504	—	<b>14,608</b>
Net current assets	1,000	—	—	3,905	8,020	—	<b>1,048</b>	<b>13,973</b>
Total net assets	1,000	21,301	400	7,079	15,550	3,504	<b>1,048</b>	<b>49,882</b>

## 22 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 People's 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 ceased 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.

## Notes to the accounts 31 December 2016

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 £12m, sufficient to cover 99.5% of the benefits which had accrued to Scheme Members; and a past service deficit of £0.05m. 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 (£0.2m per annum over the next four years, rising at an annual inflation rate of 3.2%).

The unrestricted surplus as calculated under the accounting standard FRS 102 of £2.2m as at 31 December 2015 has decreased to £1.4m as at 31 December 2016. The main reasons for this include:

- ◆ the Scheme's assets performed much better than expected over the year which increased the surplus, but this was more than offset by the points below;
- ◆ the change in market conditions over the year served to reduce the surplus;
- ◆ the Hall paid deficit reducing contributions of £0.2m;
- ◆ the fall in yields on corporate bonds over the year served to decrease 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:

	2016 £'000	2015 £'000
Defined benefit section	230	204
Defined contribution section / Stakeholder Scheme	345	350

## Notes to the accounts 31 December 2016

Total expected voluntary contributions to the defined benefit scheme for 2017 are £238,000.

FRS 102 requires the surplus or deficit on the Scheme as at 31 December 2016, 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):

	2016 %	2015 %
Inflation	3.7%	3.4%
Salary increases	n/a	4.95%
Rate of discount	2.8%	4.0%
Pension increases	3.6%	3.3%

### Assumed life expectancy in years at age 65:

	2016	2015
Retiring today – Males	22.3	22.2
Retiring today – Females	24.5	24.3
Retiring in 20 years' time – Males	24.8	24.7
Retiring in 20 years' time – Females	27.1	27.0

The assets in the scheme were:

	Value at 31 December 2016 £'000	Value at 31 December 2015 £'000
<b>Assets</b>		
Equities	3,043	2,358
Multi-asset/strategy fund	2,389	2,449
Gilts	8,641	6,990
Cash	45	23
Value of secured pensions	1,099	895
Total market value of assets	15,217	12,715
Actuarial value of liability	(13,840)	(10,532)
Surplus in Scheme	1,377	2,183
Unrecognised asset	(1,377)	(2,183)
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 2016.

## Notes to the accounts 31 December 2016

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

	2016 £'000	2015 £'000
Fair value of assets at 1 January	12,715	12,529
Interest on assets	507	463
Company contributions	230	204
Contributions by Scheme participants	-	-
Benefits paid	(296)	(215)
Return on plan assets less interest	2,061	(266)
Fair value of assets at 31 December	15,217	12,715

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

	2016 £'000	2015 £'000
Actuarial value of liabilities at 1 January	10,532	11,116
Current service cost	-	-
Contributions by Scheme participants	-	-
Past service cost	-	-
Interest cost	415	407
Benefits paid	(296)	(215)
Experience (gain) on defined benefit obligation	(92)	(95)
Changes to demographic assumptions	207	(80)
Changes to financial assumptions	3,074	(601)
Actuarial value of liabilities at 31 December	13,840	10,532

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 2016.

	2016 £'000	2015 £'000
<b>Analysis of the amount charged within resources expended</b>		
Current service cost	-	-
Past service cost	-	-
Total amount included within resources expended	-	-
<b>Analysis of net return on scheme</b>		
Interest assets	415	407
Interest on liabilities	(415)	(407)
Net return	-	-
<b>Analysis of amount recognised as an actuarial loss within the statement of financial activities</b>		
Gain/(loss) on scheme assets in excess of interest	2,061	(266)
Experience gains on liabilities	92	95
(Losses)/gains from changes in assumptions	(3,281)	681
Adjustment in respect of restriction of surplus	898	(714)
Actuarial loss recognised within statement of financial activities	(230)	(204)

## 23 Operating leases

At 31 December 2016 the charity had aggregate minimum lease payments commitments under non-cancellable operating leases with respect to equipment as follows:

	2016	2015
	£'000	£'000
Charity and group		
Operating leases commitments payable:		
Within one year	15	29
Within one to two years	7	17
Within two to five years	0	10
	<u>22</u>	<u>56</u>

## 24 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, other debtors and accrued income of £53,225k (2015: £47,725k) and financial liabilities at amortised cost, comprising expense, other creditors and accruals of £7,642k (2015: £5,923k). Total interest income received in respect of financial assets held at amortised cost totalled £323k (2015: £312k).

## 25 2015 Consolidated statement of financial activities

	Unrestricted funds £'000	Restricted funds £'000	2015 Total funds £'000
<b>Income:</b>			
Donations and legacies	—	4,090	<b>4,090</b>
<i>Income from charitable activities:</i>			
Operation of Hall	11,852	—	<b>11,852</b>
Investment income and interest	312	—	<b>312</b>
<i>Income from other activities:</i>			
Commercial trading operations	14,813	—	<b>14,813</b>
<b>Total income</b>	<b>26,977</b>	<b>4,090</b>	<b>31,067</b>
<b>Expenditure:</b>			
<i>Costs of raising funds:</i>			
Costs of generating voluntary income	240	—	<b>240</b>
<i>Expenditure on charitable activities</i>			
Maintaining and developing the Hall	4,911	—	<b>4,911</b>
Promoting the arts and sciences	17,052	45	<b>17,097</b>
<b>Total expenditure</b>	<b>22,203</b>	<b>45</b>	<b>22,248</b>
<b>Net income/(expenditure)</b>	<b>4,774</b>	<b>4,045</b>	<b>8,819</b>
Transfer between restricted and unrestricted	4,039	(4,039)	—
Actuarial gains/(losses) on defined benefit pension scheme	(204)	—	<b>(204)</b>
<b>Net movement in funds</b>	<b>8,609</b>	<b>6</b>	<b>8,615</b>
<b>Fund balances brought forward at 1 January 2015</b>	<b>33,541</b>	<b>53</b>	<b>33,594</b>
<b>Fund balances carried forward at 31 December 2015</b>	<b>42,150</b>	<b>59</b>	<b>42,209</b>