

THE CORPORATION OF THE HALL
OF ARTS AND SCIENCES



Royal Albert Hall

ANNUAL REPORT AND CONSOLIDATED ACCOUNTS

31 DECEMBER 2017



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

**Annual Report and
Consolidated Accounts**

31 December 2017
Charity Registration Number 254543

Patron

Her Majesty The Queen

Elected Council members

President

Honorary Treasurer & Vice-President

Vice-President

Vice-President

Vice-President

Jon Moynihan OBE

Michael Jackson MA FCA

Leon Baroukh MA CFA

Mrs Ken (Lin) Craig

Ian McCulloch

Dr Monica Bloch PhD

Jonathan Crystal

David A G Elyan MA FCIS FRSA

Peter B M Lim FCA MBA

Robert Lipson

James Max BSc Hons MRICS

Martin B M Williams FSA (Retired 18th May 2017)

Stuart Newey (Appointed 6th April 2017)

Anthony Ratcliffe FRICS FRSA

Mark T Schnebli FInstD FBIM

Charles Swan

Richard C Waterbury MA

John Cooper FCA CTA (Elected 18th May 2017)

Stephen Brandon MA MBA CEng (Elected 18th May 2017)

Appointed Council members

G F Bowden TD MA FRICS

(Appointed by the Secretary of State for Digital, 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)

Secretary to the Corporation

Julie Hope

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)

Executive

Chief Executive

Chief Operating and Financial Officer

Artistic and Commercial Director

Director of External Affairs

Director of Visitor Experience

Director of Building & Operations

Craig Hassall

James Ainscough

Lucy Noble

Sarah Woods

Anthony Winter-Brown

Amanda Squires (resigned 27th November 2017)

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

Principal Office

Royal Albert Hall

Kensington Gore

London

SW7 2AP

0207 589 3203

www.royalalberthall.com

Email: admin@royalalberthall.com

Banker

Coutts & Co

440 Strand

London

WC2R 0QS

Auditors

Crowe Clark Whitehill LLP

St Bride's House

10 Salisbury Square

London

EC4Y 8EH

Solicitors

Bates Wells Braithwaite LLP

10 Queen Street Place

London

EC4R 1BE

Charity registration number 254543

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Report of the Council Year to 31 December 2017

Report of the Council Year to 31 December 2017

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 2017.

The accounts have been prepared in accordance with the accounting policies set out on pages 38 to 43 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 15 to 31.

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 & Outreach programme which reaches over 180,000 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 2017, the financial results and implications for the charity from this activity and what the charity expects to achieve in 2018.

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 2017-2021

The Royal Albert Hall is a unique and highly successful charity. Originally the brainchild of Prince Albert, part of his master plan for the entire Albertopolis site, and set up by Royal Charter nearly 150 years ago, it is the one of the world's best-loved and busiest performance venues. Our Grade I listed building, supported by significant investment, has been maintained and enhanced to enable the wide programme of public benefit work which is seen today.

The Hall is held in trust for the nation whose purpose is to promote the Arts & Sciences and to preserve and enhance our Grade 1 listed building. Unlike many other venues, the Hall operates without any recurrent government funding and generates revenue from three key sources; revenue from its operational activities, the Members' annual contribution, and funds raised through philanthropy. In recent years, the Hall has produced an annual surplus, every penny of which is reinvested in our charitable purposes.

The Hall's programme of public benefit work is significant and wide ranging. It allows as many people as possible to access the building through a varied programme of events along with a growing Education & Outreach programme which has continually evolved since its inception in 2004.

The period of this plan, 2017-2021, covers a crucial period for the Royal Albert Hall – the lead up to, and execution of, our 150th anniversary. This is a unique moment in the Hall's history and provides a tremendous opportunity to reflect on the role the Hall has played in the U.K's cultural history as well as look to our future direction.

There are four main themes of the Business Plan under which we will focus our activity:

1. Creating unforgettable experiences at the Hall
2. Inspiring artists and audiences worldwide
3. Caring for our staff, our building and our finances
4. Celebrating 150 years and beyond

During the period of the plan we have continued to develop a diverse programme of events which appeal to the widest possible audience and make the best possible use of the building. We will focus and expand our Education & Outreach work, changing lives through music, and raising the profile of our building as a visitor attraction by opening up it up to more people, bringing to life our value of 'Open to All.'

As more people than ever seek to enjoy experiences at the Hall and recognise our duty to preserve and enhance the building, and in order to fulfil our purpose to preserve and enhance our building, we will undertake a range of building projects to further improve the visitor experience as well as a programme of planned preventative maintenance. Already

underway is a key project within the Business Plan - 'The Great Excavation' – a two-storey, double height basement which will provide much-needed space for artists, crew and promoters as well as a new public space for daytime and evening enjoyment and focusing on our extensive archive. A review of the acoustics in the auditorium has also commenced, enhancing the natural acoustic state of the Hall and improving the sound for amplified performances fit for a world renowned venue.

The direction and control of the Corporation is determined by Council who ensure that the charity continues to develop plans to meet its charitable objects. 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 page 4. A detailed explanation of how these objectives have been achieved in 2017 is set out in the following section.

Major Achievements for 2017

The Hall's major achievements for 2017 are set out below and correspond to the main Business Plan themes outlined above.

The most significant major project in 2017 was the preparatory work for The Great Excavation which set the scene for the excavation itself. The work continues in 2018 and is on track for completion by 2019. During 2017 work began to carry out a quadrant by quadrant external repair and clean of the building's fabric. Scaffolding is being erected to carry out the works and to enable a more detailed inspection of the fabric, to ensure that all elements of the façade are fully conserved. This project is the most significant restoration of the Hall's façade for many decades and will be completed for our 150th celebrations in 2021.

Other works of note during the year include upgrades to lifts throughout the building, and new rooftop chillers to bring much needed cool air to the Hall's arena and restaurants during the summer months. This will be completed across 2018/2019.

The activity on the stage at the Hall is at the heart of our operations at the Hall. 2017 saw a hugely successful programme at the Hall. We produced a host of unique, unforgettable events including five sold out screenings of *Harry Potter and The Philosopher's Stone* with John Williams' enchanting score performed live by the Royal Philharmonic Concert Orchestra, and the world premiere of *Casino Royale in Concert*, continuing the Hall's distinct relationship with this enduring British franchise. This year also featured our first co-promote with Birmingham Royal Ballet with seven performances of the Nutcracker.

We worked with a number of key promoters which saw a number of spectacular musical events grace the Hall's stage. SJM brought the godfathers of techno music Kraftwerk to the Hall for 3 stunning shows with accompanying 3D visuals. Triple A presented three nights of Eric Clapton, who continues his unrivalled run as the most-featured artist in the Hall's history with an incredible record of over 200 performances. Teenage Cancer Trust returned with another stellar week-long line-up including Ed Sheeran, The Who, Paul Weller and Pet

Shop Boys, continuing their invaluable work to support young people and their families. Live Nation secured a landmark occasion in recent musical history, bringing Phil Collins back to the Hall for five nights for his first London shows in over 10 years. The quality and distinctiveness of these incredibly special events is testament to our external promoters' enduring regard for the Hall and its ability to create unique and lasting memories.

The Hall also played host to some of the arts world's most illustrious events including, for the very first time, the Olivier Awards, another dazzling season of the BBC Proms, the Fashion Awards and the long-awaited return of the BAFTA Awards, which last took place at the Hall in the 1970s. 2017 was brought to a spectacular finish as the Hall took its audiences to a galaxy far, far away with the Royal European Premiere of Star Wars Episode VII: The Last Jedi, a star-studded event that saw the red carpet overrun with Stormtroopers and Droids - much to the amusement of their Royal Highnesses the Duke of Cambridge and Prince Harry.

A key part of our work also takes place beyond the main stage each year. We run a successful 'Beyond the main stage' programme which sees events, seminars and performances in The Elgar Room, other spaces around the Hall and beyond the building. We have a passionately-held belief in the power of music to change lives, and our ambitions to welcome people of all ages and background, and inspire them through music are realised through an extensive Education & Outreach programme. Our comprehensive Education & Outreach programme comprises of a series of important partnerships with local boroughs, educational institutions and cultural partners. The impact of this programme is significant and we reached over 180,000 people in 2017 through our activity and partnerships. From concerts in care homes to school workshops, and from Storytelling & Music for babies to Tea Dances in our main auditorium, Education & Outreach at the Royal Albert Hall creates memories, changes lives and provides inspiration through music for all, regardless of age or background. We also actively support the next generation of our industry through initiatives such as our Young Producers Scheme and our ongoing Apprenticeships.

2017 was a significant year in our Apprenticeship Scheme. We are very committed to developing talent in our industry and the results last year were very positive. The feedback from one parent sums this up as follows;

"It is so encouraging to see that large institutions in the public eye, such as yourselves, are investing in young people. You have been open-handed with your venue, your partners and your contacts to give a full and meaningful experience of work in the entertainment industry. Their training and work experience with you has enabled them both to move into well paid work that is better than they could have dreamed of."

We commenced a comprehensive project to upgrade the Hall's acoustics and sound. We engaged a UK specialist acoustic firm, Sandy Brown Associates, to review our natural acoustics and shepherd the process of integration as we consider bringing amplified sound systems in-house during 2018.

As part of our constant ambition to improve the visitor experience, and strengthen our brand as a leading service provider, a project began in 2017 to develop business attire for all customer-facing roles, in order for these teams to proudly represent our brand, as well as be easily identifiable to our visitors. The new uniforms have all been proudly designed and manufactured in Britain and include a bespoke new uniform for our Stewards, Supervisors and Duty Stewarding Managers. The uniforms will be now rolled out to all front facing staff including box office, tour guides and security staff.

Philanthropy is at the heart of all that we do at the Royal Albert Hall and we are reliant on the support of our donors to achieve our ambitious plans for the building. Last year, we welcomed three new Honorary Fellows of the Royal Albert Hall, David and Patricia Thompson, David Laing and Lawrence Tang and family. Being an Honorary Fellow is a recognition bestowed on our closest and most generous supporters and we remain eternally grateful for their ongoing support for our charity.

We also launched the Royal Albert Hall Friends & Patrons scheme in September and were delighted by the popularity of the scheme with numbers increasing rapidly (almost 2,000 in three months) as our new Friends and Patrons signed up to support the Hall and establish a new groundswell of support for the charity.

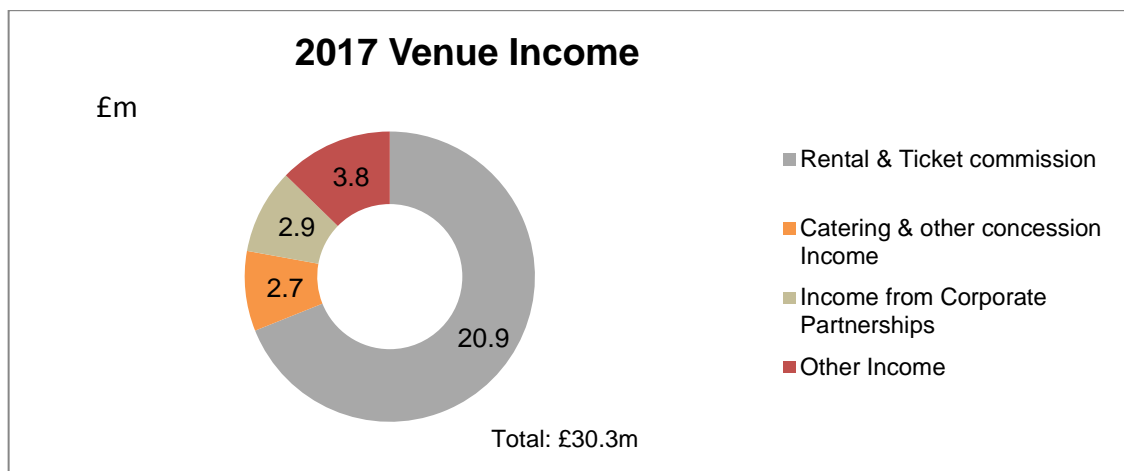
A review of all existing commercial relationships has been undertaken in 2017 with suppliers and sponsors resulting in stronger partnerships and new sponsors for the festivals presented by the Hall. We have also begun to establish commercial partnerships beyond supply agreements which will come to fruition in 2018.

In October 2017 the Hall installed a new telephone and contact centre system. This new system will significantly improve our service offer across different platforms (phone, email and social media). A number of modifications were also made to the website to improve the site's functionality; most notably the introduction of a Select Your Own Seat plan which dramatically improved the booking experience for our customers. Work was undertaken to improve our metadata and analytics, which has ensured that the Hall's online brand remains prominent.

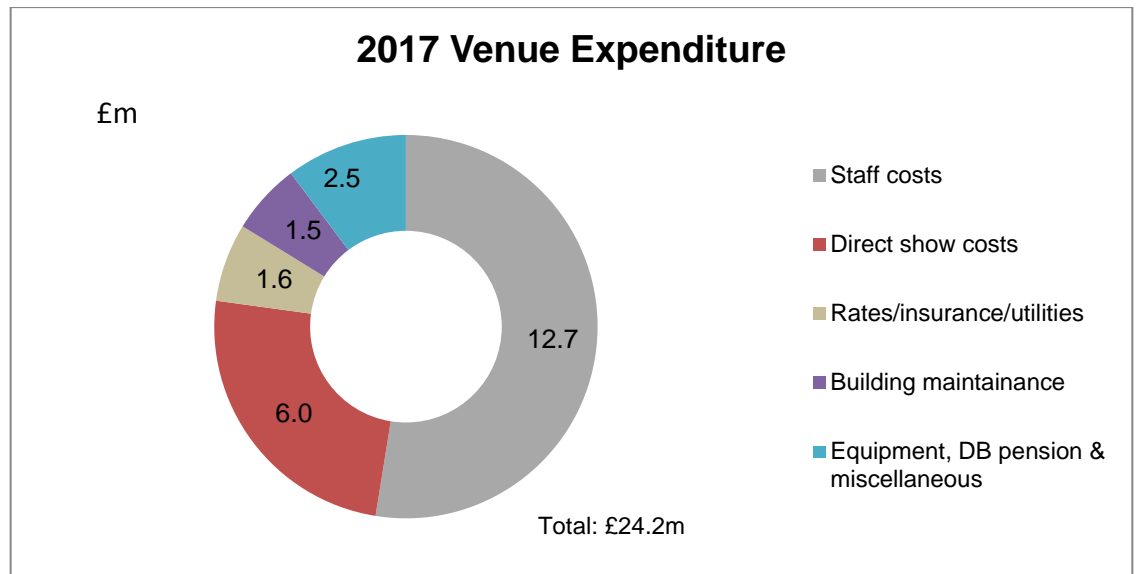
Financial review

The Royal Albert Hall's generates financial surpluses from performance activity, commercial activity, bank interest and philanthropic support. These funds are used to support our education and outreach programme, as well as preserving and enhancing our Grade I listed building.

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



- Rental and ticket commission rose by £1.6m (8%) on 2016. This was due to a stellar line up of artists most notably Eric Clapton, Phil Collins and Joe Bonamassa, the continued profitability of the Royal Albert Hall promoted and co-promoted events (such as the popular cinema with live orchestra screenings) and high demand for tickets for a large number of varied events at the Hall.
- Catering income increased by 28% during 2017 boosted by the new multi-year catering contract. The high standards from our valued catering partner Rhubarb, the strong calendar of events, and targeted food and beverage offerings all contributed to this result.
- Improved sponsorship arrangements with two new keys partners, Laurent Perrier and Schweppes, enabled refreshed bar concepts, improved supply deals and a range of corporate opportunities. In addition, we saw a healthy uptake in new Hospitality packages, which also further enhanced our customers' 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 booking fees, merchandise sales and the provision of technical & lighting show services) and others which are ancillary (such as the Hall's Tour programme).



- Staff costs increased by £1.5m due to the annual pay rise as well as a commitment to continued investment in the Hall's workforce to deal with the increase in the number and complexity of events.
- Security costs increased significantly during the year in response to the recent terrorist attacks experienced in the UK. The Hall introduced more visible security measures including the installation of a Hostile Vehicle Management system as well as increasing the number of security personnel and a comprehensive review of procedures.
- Direct show costs (artist, orchestral costs & film rights), increased by £0.6m compared with 2016 due to the varying nature of the programme.

Reserves Policy and Financial Position

The Hall's reserves are essential to fund ongoing operations, provide a contingency for unforeseen events, and to ensure that we adequately provide for long term maintenance and improvement.

Total reserves held at 31 December 2017 were £57.2m of which £2.3m were restricted funds (see note 19). The remaining £54.9m forms the Hall's unrestricted funds (see note 20). Of this total £50.1m have been allocated as designated funds and the remaining £4.8m represents the free reserves of the Hall.

In determining the appropriate level of funding for both designated funds and free reserves, the Council has adopted the reserves policy set out below, which is designed to ensure that funds are available to meet both foreseeable demands and unexpected occurrences in the years ahead:

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- ◆ 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 2017 the level of this reserve was £28.2m.
- ◆ 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 adhere to the long-term resourcing plan for the Plant and Fabric Sinking 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 a 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 has increased to £2.0m.
- ◆ 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 £55.6 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 2017 related to the south west basement preparatory and excavation works and cooling improvements for the Circle level. The fund balance at year-end is £14.0m. £12 million of this is budgeted to be spent in 2018, of which £11.8m was already contracted by year-end (and is therefore included as part of the capital commitments figure in note 11).

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Major Building Development Fund: income & expenditure:

	All prior years £'000	2017 £'000	Total £'000
Donations Received	8,337	2,488	10,825
Supplementary Seat Rate	1,900	381	2,281
Earned Income	26,573	2,837	29,410
Total Incoming Resources	36,810	5,706	42,516
Direct Projects Costs	(18,900)	(6,919)	(25,818)
Project & Fundraising Expenditure	(2,360)	(372)	(2,733)
Total Expenditure	(21,260)	(7,291)	(28,551)
Balance as at 31 December	15,550	(1,585)	13,964

- ◆ Free reserves: To maintain a Contingency Fund of £3.8m 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. 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 £3.8m 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 2017.

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 & 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 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 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 2017.

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 ensuring that the Scheme receives the funding it needs to meet all its current and future liabilities. Throughout 2017 the Hall made voluntary contributions to the Scheme in line with a funding programme agreed in 2015 that runs to 2020, intended to eliminate the deficit and minimise volatility, within the context of the relative strength of the Sponsor's covenant and the investment policy of the Scheme. This funding programme will be revised and reviewed as soon as the results of the 2018 Triennial Valuation are available.

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 2018

The Hall's major objectives for 2018 are set out below and correspond to the main Business Plan themes.

The most significant major project for 2018 will be the continued construction of the South West Basement (The Great Excavation) to create a two storey basement comprising multi-functional accommodation for Hall visitor benefit. Excavation works are due for completion in mid-2018 with the internal fit-out to complete 2018/2019. The current boiler house will move to the new basement enabling the original industrial Victorian space to be

decommissioned and stripped out in early 2019 ready to become a much needed backstage artists' bar.

An important feature of the building work is the relocation of an original staircase to improve delineation between front and back of house areas, as well as improving security. The designs are being completed and Listed Building Consent will be sought during the Spring of 2018. Work will continue on the external building restoration and the north-west quadrant work should commence in September 2018 with completion in June 2019. A feasibility study has commenced for the Mains Water Replacement Project which will ensure the Hall's water supply is suitably resilient, future-proofed and facilitates our future expansion plans. 2018 will also see the completion of the lift refurbishment program for the entire building.

In 2018 we will present our very first Royal Albert Hall Christmas season activating the entire building through a series of events both on the stage and beyond with an array of Education & Outreach events supporting the main activity.

The acoustic review will continue through 2018 in concert with the in-house audio project. Our acousticians Sandy Brown Associates will make recommendations based on their research, testing and acoustic modelling.

An online RAH retail offer will be launched during 2018 which will provide worldwide access to an expanded product range. The online range is currently in development and will ensure the Royal Albert Hall's brand values are promoted through the products and ranges we will sell. There will also be opportunity to include RAH bespoke branded products, co-branded products and event merchandise and specialist publications.

Further investment will be made in the website to improve purchase conversion rates, improve e-ticketing and to ensure that the on-line experience is as streamlined as possible. A new Virtual Reality experience for our visitors will be launched and audiences will also be offered unique content to improve their visit. In preparation for our 150th anniversary, we will develop a new digital platform from which to share the stories our audiences, staff and artists tell us. This content will be available in advance of 2021 and beyond, allowing more people than before to engage in stories about the Hall's past.

During the first six months of the year, we will roll out further system improvements to our communications systems including establishment of a contact center model, improved business efficiency for customer interface and improved credit card processing.

A full audit of all security measures and systems will be undertaken in early 2018. The audit will identify, cost and prioritise recommendations for future action which will include access control improvements - visitor systems, CCTV, alarm and system integration, hostile vehicle mitigation and other issues.

Structure, governance and management

Constitution

The Corporation was incorporated under a Royal Charter dated 8 April 1866, 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. 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 the Hall for the nation's benefit. These arrangements continue to this day – currently the Seatholders own 1,270 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 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. It is instead letting the Hall "shorn of" the Seatholders' rights. The Seatholders access their allocation from the seats available under their 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 Seatholders to take up their property rights.

- Given that the charity has never had a right to the Seatholders' tickets, Seatholders are not depriving the charity by exercising their rights to use their tickets. Therefore, the Hall and the promoters of events have not forgone any income by virtue of the Seatholders' attendance at certain performances.
- 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 on the allocated nights at which their rights are in force. 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 (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, as the Hall has evolved over the decades, the Seatholders have volunteered to financially support the Hall's charitable objectives by agreeing to be bound by an Annual Contribution, or "seat rate".

The current form of the seat rate, as set out in the 1966 Act, is a minimum 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 26 for the terms of reference and membership).

At the 2017 AGM, the Seatholders voted unanimously for a seat rate of £1,510 per seat plus VAT (£1,467 in 2016). This comprised the £10 compulsory element plus an additional £1,200 towards the Hall's annual costs and a Supplementary Seat Rate of £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 2017.

Ordinary and Exclusive Lets

Over time the Seatholders have also assisted 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 Seatholders are excluded from the hall”.

In 2017 the rebate paid to Seatholders was £0.7m, the effect of which was to reduce the annual contribution by £578 per seat (£549 in the previous year).

The performances that the Seatholders have access to, known as “Ordinary” lets, accounted for 248 of the 386 lettings in 2017. Therefore, in total, the 337 Seatholders received just over 316,000 tickets.

Other ways in which the Seatholders support the charity

Donations

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

Community Ordinaries

A Community Ordinary is a type of Ordinary Let only available to promoters of community events. In the case of Community Ordinaries, Seatholders 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 2017, there were twenty performances and the vast majority of Seatholders 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 Seatholders tickets for each “Ordinary let” performance from the Hall’s own box office and in particular to avoid as much as possible the 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 Seatholders 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 Seatholders' 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 TRS is advantageous to the charity not only because it enables the charity to generate a direct income via the standard booking 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 booking fee income and the indirect impact on rental revenue). On average a Seatholder 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 Seatholder 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 Corporations 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 Seatholders) 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.

Charity Governance Code

The Council of the Royal Albert Hall has considered the Charity Governance Code in detail, and abides by and supports the Code's seven principles of organisational purpose; leadership; integrity; decision-making, risk and control; board effectiveness; diversity; and openness and accountability. The Trustees have debated how to apply the Code's recommendations and note that the intention is that the Code is aspirational, and a tool for continuous improvement towards the highest standards.

The Hall's constitution, in several Royal Charters and Acts of Parliament, sets out the majority of the processes which the Council and the Hall's Executive Team must follow, giving a governance structure for the Hall which is already of the highest standard. The Council is applying the Code's recommendations where appropriate, and where they do not contradict or affect the constitution itself.

There are some recommendations that cannot be applied, because the charity's constitution specifies otherwise. These include the size of the Hall's Council, and its composition – the Hall's constitution requires up to 24 Council members, not the 'maximum of 12' recommended by the Code; and specific terms for Trustee appointments. The charity already goes further than some recommendations – for example, it has a Conflicts Committee and a published Conflicts Policy, as well as applying the recommendations for identifying, dealing with and recording conflicts of interest.

The Council will be reviewing the application of the Code annually.

Report of the Council Year to 31 December 2017

As a charity, the Hall is regulated by the Charity Commission. The Trustees are currently in discussion with the Commission about 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 146 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 2017

Council members

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

The following Council members served during 2017:

Council members

President of the Corporation:

J Moynihan OBE

Re-elected 18th May 2017

Other elected members:

L Baroukh MA CFA

Dr M Bloch PhD

S Brandon MA MBA CEng (elected 18th May 2017)

J Cooper FCA CTA (elected 18th May 2017)

L Craig

J Crystal

D A G Elyan MA FCIS FRSA

M Jackson MA FCA

P B M Lim FCA MBA

R Lipson

I McCulloch

J Max BSc Hons SFDR MRICS

S Newey (appointed 6th April 2017)

A Ratcliffe FRICS FRSA

M T Schnebli FInstD FBIM

C Swan

R C Waterbury MA

M B M Williams FSA (retired on 18th May 2017)

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

Secretary to the Corporation

J Hope

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 44, with a further 122 owned by related parties. During 2017 the annual contribution payable to the Hall by each Seatholder was £1,510 per seat plus VAT (2016: £1,467). The 'rebate' that Seatholders were entitled to during 2017, relating to prior year lettings where Seatholders were excluded, was £578 per seat plus VAT (2016: £549). Therefore in total in 2017 Council members and their related parties paid a seat rate to the Hall of £250,660 and, offset against this, a total rebate from the Hall of £95,948. Therefore the net contribution in the year was £154,712.

The Hall's Council members actively supported the operation of the Ticket Return Scheme (TRS - please see page 17 for a full explanation of how the TRS works). For the 166 seats owned by the Hall's Council Members and their related parties (see above), 23,566 tickets were returned to the TRS (being 57% 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 £557,015 (equivalent to approximately £3,356 per seat) for those seat holders (paid to them during 2017, relating to the performance period November 2016 to October 2017), equivalent to £23.64 per ticket returned to the TRS (which, as stated on page 18, 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 (2016 - £nil). One member of Council received out of pocket expenses of £190 in 2017 (2016 - £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 2017 totalling £35,414 (2016: £36,141). During the year the Hall's Council Members and their related parties purchased 85 tickets (total value of £6,165.47) for events in 2017 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 the Kirby Laing Box (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 the Kirby Laing Box. Or, they may swap a number of their own tickets for the same number in the Kirby Laing Box, 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 the Kirby Laing Box, Elected members are asked to donate the difference to the charity, particularly if the member is taking more than two seats in the Kirby Laing Box. For Exclusive Lettings, all Council members have access to the Kirby Laing Box 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 43 tickets in the year other than in the Kirby Laing Box and received 32 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 (2016 - £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 Digital, Culture, Media and Sport; the Trustees of the Natural History Museum; the governors of the Imperial College of Science, Technology and Medicine; the Council of the Royal College of Music and the Royal Commission of the Exhibition of 1851. The 18 members of Council who are also Members of the Corporation are elected at Annual General Meetings. The Members of the Corporation, also at the AGM, appoint a President who is eligible to stand for re-election every year for a maximum term of six years, at which point the President retires from office. The Treasurer is also elected annually at the AGM.

The Corporation's Oversight and Appointments Committee considers how the Council should fill any casual vacancies¹, 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.

¹ 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 properly and effectively managed.

Report of the Council Year to 31 December 2017

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 19th 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 19th May 2016, Mrs Ken (Lin) Craig became the Trustee with safeguarding responsibility.

During 2016 an internal audit review was performed to look at the safeguarding policy and procedures at the Hall. The report concluded that, for day to day activities involving children and vulnerable adults, the audit found reasonable and appropriate safeguarding arrangements are in place. However, there are a number of areas where the Hall should strengthen its arrangements to ensure its overall framework for safeguarding its sufficiently robust. These areas include review and refresh of the safeguarding policy, further clarity on the allocation of responsibilities, ensuring consistent and agreed operational procedures for some areas and improving the oversight and reporting framework. Work will begin in 2018 to ensure the areas highlighted above have been addressed.

◆ *Conflicts Committee*

The Committee considers and respond to any "minded to" decision referred to it under paragraph 19 of the Conflicts Policy (published on the Hall's website), to determine whether the decisions have been made in the best interests of the charity.

At the request of the President, it also 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; 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 Stuart Newey, 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 Seatholders 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. Stuart Corbyn chairs this Committee which meets at least five times a year. Other members during the year were Gerald Bowden, Michael Jackson, Stuart Newey, Anthony Ratcliffe and Martin Williams, with Nigel George, Lawrance Hurst, and Tim Jones serving as co-opted members.

◆ *Philanthropy 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 Robert Lipson, other members during the year were James Max.

◆ *Programming and Marketing Committee*

Council appoints a Chief Executive who, together with the Executive Team, is responsible for all aspects of the day-to-day running of the Hall, including programming the annual calendar of performances. 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. Section 14 of the 1966 Act specifies the number of occasions on which Seatholders may be excluded from the Hall – each year at the AGM, the Members of the Corporation agree to more Exclusives than the 1996 Act allows, enabling the Hall to operate with more latitude than the Acts would otherwise allow, to the benefit of the charity

Report of the Council Year to 31 December 2017

and at the expense of the Seatholders. 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).

◆ *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, and Ian McCulloch.

◆ *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, Stephen Brandon, John Cooper and Mark Schnebli. Larry Viner has served as a co-opted member 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 James Max; Members during the year were Leon Baroukh; Mrs Ken (Lin) Craig; 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.

Hall Staff

◆ *Executive Team*

The day-to-day management of the Corporation is the responsibility of the Chief Executive, Craig Hassall, who took up the role on 3rd 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 Building & Operations	Amanda Squires (resigned 27 November 17)
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 and also include the financial information of subsidiary RAH Concerts Ltd (company number: 10664172) which is wholly owned by subsidiary Royal Albert Hall Developments Limited (company number: 01539294) which itself is wholly owned by the Corporation of the Hall of Arts and Sciences; and a related charity, the Royal Albert Hall Trust (charity number: 285111). 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. Its subsidiary RAH Concerts Ltd (RAHCL) is also responsible for income generating activities such as the production and co-promotion of events at the Hall. 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 2017 were Chris Cotton, Craig Hassall, David Elyan, Michael Jackson, Peter Lim, Stuart Newey 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 £2.6m to the Corporation in 2017 (2016 - £1.9m). For further details of the Royal Albert Hall Trust please see note 15.

Fundraising

The Corporation does not engage any third parties or consultants in our fundraising efforts and all approaches and relationships are managed by our six person internal Philanthropy team with introductions or referrals being affected by our Philanthropy Board. The Corporation's Philanthropy Board performs an introductory function, allowing the team to meet more potential supporters with an interest in the Royal Albert Hall. The efforts of the Philanthropy Board (which has an external Chairman, Ben Elliot) are monitored by the Philanthropy Committee which is the conduit between the Philanthropy Board and the Hall's Council. During the year the Corporation did not receive any complaints regarding Fundraising. The Hall is a member of the Fundraising Regulator and adheres to the Fundraising Code and all good standards of practice. As set out in our Philanthropy Policy, the Hall's fundraising team adheres to Section 1.2 of the Code of Fundraising Practice and

is committed to protecting vulnerable donors. We comply with all legal requirements relating to data protection, under the Data Protection Act 1998 and do not share any data for the purposes of fundraising with third parties or data sharing schemes.

We had a successful year of fundraising activities, consistently meeting and exceeding our objectives through a well-received programme of prospecting events, the launch of the Friends and Patrons Scheme to diversify our voluntary income streams and raising significant funds for investment in our capital projects.

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"> • Strict adherence/enforcement of procedures, codes of practice etc. • Built-in resilience / dual capacity / back-up systems and processes. • Permit system and induction process. • Organisation-wide staff awareness, training and vigilance. • Detailed contingency planning. • Comprehensive insurance.
Long-term damage to the Hall's reputation, impacting long-term operational and financial resilience (e.g. from falling service standards, adverse reviews, significant reduction in the number of main-stage performances, failure to comply with statutory or safeguarding requirements, data	<ul style="list-style-type: none"> • Monitoring and review of all Hall activities on a daily basis. • Staff training & procedures. • Long-term contracts and strong relationships with major promoters and corporate partners. • Proactive and reactive media

<p>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.).</p>	<p>strategies.</p> <ul style="list-style-type: none">• Conflicts Committee.• Appropriate disclosure on governance in the annual statutory accounts, other statutory documents and website.• Ongoing dialogue with the Charity Commission.
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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 27.

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 12 April 2018
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

Opinion

We have audited the financial statements of the Corporation of the Hall of Arts and Sciences for the year ended 31st December 2017 which comprise the Consolidated Statement of Financial Activities, the Charity and Consolidated Balance Sheets, the Consolidated Cash Flow Statement, the principal accounting policies and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 charity's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charity's affairs as at 31st December 2017 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.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient accounting records have not been kept by the parent charity; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 24, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section [151 or 152 for smaller charities opting for an audit rather than an independent exam] of the Charities Act 2011 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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

A further description of our responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Crowe Clark Whitehill LLP

Crowe Clark Whitehill LLP

Statutory Auditor

London

19/4/18

Crowe Clark Whitehill LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.

Consolidated statement of financial activities Year to 31 December 2017

	Notes	Unrestricted funds £'000	Restricted funds £'000	2017 Total funds £'000	2016 Total funds £'000
Income:					
Donations and legacies	1	—	3,861	3,861	2,917
<i>Income from charitable activities:</i>					
Operation of Hall	2	12,335	20	12,355	11,475
Investment income and interest		250	—	250	323
<i>Income from other activities:</i>					
Commercial trading operations	3	19,842	—	19,842	17,901
Total income		32,427	3,881	36,308	32,616
Expenditure:					
<i>Costs of raising funds:</i>					
		507	1	508	317
<i>Expenditure on charitable activities:</i>					
Maintaining and developing the Hall	4	6,863	—	6,863	5,094
Promoting the arts and sciences	4	21,185	184	21,369	19,302
Total expenditure		28,555	185	28,740	24,713
Net income		3,872	3,696	7,568	7,903
Transfer between restricted and unrestricted	19/20	2,488	(2,488)	—	—
Actuarial gains/(losses) on defined benefit pension scheme	21	(237)	—	(237)	(230)
Net movement in funds		6,123	1,208	7,331	7,673
Fund balances brought forward at 1 January 2017		48,834	1,048	49,882	42,209
Fund balances carried forward at 31 December 2017		54,957	2,256	57,213	49,882

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 £16.6m (2016 - £20.5m) and net incoming resources were (£0.5m) (2016 - £6.7m).

The notes on pages 38 to 63 form an integral part of these financial statements.

Balance sheets 31 December 2017

	Notes	Corporation 2017 £'000	Group 2017 £'000	Corporation 2016 £'000	Group 2016 £'000
Fixed assets					
Tangible assets	11	27,470	27,470	21,067	21,067
Intangible assets	12	748	748	234	234
Heritage assets	13	—	—	—	—
Investments	14	10,073	10,073	14,608	14,608
Investment in subsidiary	15	25	—	25	—
		38,316	38,291	35,934	35,909
Current assets					
Debtors	16	4,342	5,387	10,076	3,374
Investments	14	11,927	13,927	7,392	9,392
Cash at bank and in hand		9,305	26,254	9,257	26,604
		25,574	45,568	26,725	39,370
Liabilities					
Creditors: amounts falling due within one year	17	15,575	26,646	13,825	25,397
Net current assets		9,999	18,922	12,900	13,973
Total net assets		48,315	57,213	48,834	49,882
Represented by					
Funds and reserves					
<i>Income funds:</i>					
Restricted funds	19	—	2,256	—	1,048
Unrestricted funds					
. Designated funds	20	43,468	50,110	44,330	44,330
. General funds					
. Free reserves	20	4,847	4,847	4,504	4,504
. Pension reserves	21	—	—	—	—
		48,315	57,213	48,834	49,882

The notes on pages 38 to 63 form an integral part of these financial statements

Approved by the Trustees on 12 April 2018 and signed on their behalf by:

Jon Moynihan OBE
President

Michael Jackson MA FCA
Honorary Treasurer

Consolidated cash flow statement Year to 31 December 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
	A	8,149	12,744
Cash flows from investing activities			
	B	(8,499)	(9,567)
Changes in cash and cash equivalents in the reporting period		(350)	3,177
Cash and cash equivalents at the beginning of the reporting period		26,604	23,427
Cash and cash equivalents at the end of the reporting period		26,254	26,604
		2017 £'000	2016 £'000
Comprising			
Short term deposit		24,000	24,000
Cash at bank and in hand		26,254	26,604
Total cash and cash equivalents at the end of the reporting period		50,254	50,604

Notes to the cash flow statement for the year to 31 December 2017

A Reconciliation of cash flows from operating activities

	2017 £'000	2016 £'000
Net income for the reporting period (as per the statement of financial activities)	7,568	7,903
Adjustments for:		
FRS 102 pension adjustment	(237)	(230)
Depreciation charges	1,834	1,593
Loss on disposal of fixed asset	-	51
Dividends, interest and rents from investments	(250)	(323)
Increase in debtors	(2,013)	(409)
Increase in creditors	1,247	4,159
Net cash provided by operating activities	8,149	12,744

B Cash flows from investing activities

	2017 £'000	2016 £'000
Dividends, interest and rents from investments	250	323
Purchase of property, plant and equipment	(7,918)	(7,813)
Purchase of intangible assets	(831)	(77)
Purchase of investments	-	(2,000)
Net cash (used) in investing activities	(8,499)	(9,567)

Principal accounting policies Year to 31 December 2017

Company information

The Corporation of the Hall of Arts and Sciences (“the Corporation”), its wholly-owned subsidiary, Royal Albert Hall Developments Limited (RAHDL) and subsequent wholly owned subsidiary RAH Concerts Limited, 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 wholly owned subsidiary RAH Concerts Limited, 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.

Principal accounting policies Year to 31 December 2017

Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

Principal accounting policies Year to 31 December 2017

each show takes place. Income from licensing of boxes and Members' annual contributions is recognised over the period to which it relates.

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

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: 100% 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 50% of the 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 or (iii) the employee's contract is terminated and payment has been made in full.

Principal accounting policies Year to 31 December 2017

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. The cost is split by department depending on the role of the individual.

◆ *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.

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 (see note 5):

- ◆ 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 2017

- ◆ 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.

The property rights from the purchase of the RNLI second tier box also entitle the seller to a right to five hundred complimentary tickets for the next 10 years which are currently based at an estimated value of £0.

Intangible fixed assets are amortised at the following annual rates in order to write them off over their estimated useful lives (see Depreciation and amortisation in note 5):

- ◆ Website / Software 33% per annum based on cost
- ◆ Property rights 10% per annum based on cost

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.

Principal accounting policies Year to 31 December 2017

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.

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

	2017 £'000	2016 £'000
Donations	3,861	2,917

2 Income from charitable activities

	2017 Restricted funds £'000	2017 Unrestricted funds £'000	2016 Unrestricted funds £'000
Rentals	-	3,347	3,214
Ticket commission	-	6,238	5,250
Members' contribution	-	1,924	1,869
Other	20	826	1,142
	20	12,335	11,475

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). 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.

Royal Albert Hall Developments Ltd has a wholly owned subsidiary RAH Concerts Ltd which is incorporated in the United Kingdom (company number 10664172). The principal activity of the company is the licensing of the Royal Albert Hall to third parties.

4 Analysis of expenditure on charitable activities

	Maintaining and developing the Hall £'000	Promoting the arts and sciences £'000	2017 Total £'000	2016 Total £'000
Building maintenance	1,561	—	1,561	1,503
Building refurbishment and improvements	2,020	—	2,020	963
Security and housekeeping	1,446	—	1,446	1,119
Archives	143	—	143	136
Ticketing	—	2,156	2,156	2,075
Show management and production	—	5,969	5,969	5,684
Front of house services	—	2,919	2,919	2,569
Security and housekeeping	—	1,113	1,113	948
Programming, marketing and PR	—	1,490	1,490	1,216
Education activities	—	473	473	445
Miscellaneous	—	1,467	1,467	937
Support costs (see note 5)	1,693	5,782	7,475	6,801
	6,863	21,369	28,232	24,396

5 Support costs

	Maintaining and developing the Hall £'000	Promoting the arts and sciences £'000	2017 Total £'000	2016 Total £'000
Finance and information systems	283	1,114	1,397	1,287
Administration and human resources	324	1,387	1,711	1,600
Overheads and insurance	456	722	1,178	1,146
Utilities	144	842	986	877
Depreciation and amortisation	117	1,717	1,834	1,593
Governance costs (note 6)	369	-	369	298
	1,693	5,782	7,475	6,801

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	2017 Total £'000	2016 Total £'000
Salaries, wages and related costs	240	-	240	179
General office	39	-	39	60
Audit fees	35	-	35	33
Legal and other professional fees	55	-	55	26
	369	-	369	298

7 Auditor's remuneration

	2017 £'000	2016 £'000
Group audit	35	33
Pension audit	9	5
Taxation services	7	3
Other services	10	4

8 Staff costs

	2017 £'000	2016 £'000
Salaries	11,356	9,900
Social security costs	892	808
Pension costs	481	481
	12,729	11,189

The Council Members were not paid, did not receive any other benefits from employment with the Corporation or its subsidiaries in the year (2016: £nil), One member of Council received out of pocket travelling expenses totalling £190 for the year (2016 £nil). No Council Member received payment for professional or other services supplied to the Corporation (2016: £nil).

Ex gratia and termination payments in the year totalled £146,072 (2016: £38,767). Of this amount, at the year-end £122,895 (2016: £14,000) 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 £2,192,033 (2016: £1,973,333).

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

	2017 Number	Full-time equivalent 2017 Number	2016 Number	Full-time equivalent 2016 Number
Generating funds	5	5	3	3
Maintaining the Hall	45	38	40	36
Promoting arts and sciences	324	222	310	202
Administration and support	31	26	32	30
Governance	2	2	2	2
	407	293	387	273

Notes to the accounts 31 December 2017

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:

	2017 Number	2016 Number
£60,001 - £70,000	7	10
£70,001 - £80,000	6	4
£80,001 - £90,000	2	-
£90,001 - £100,000	2	-
£100,001 - £110,000	2	3
£110,001 - £120,000	1	1
£120,001 - £130,000	-	1
£140,001 - £150,000	1	-
£160,001 - £170,000	-	1
£180,001 - £190,000	1	-
£210,001 - £220,000	-	1
	22	21

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 (2016 – £60,000). Total employer's pension contributions for the provision of money purchase benefits for employees whose emoluments exceeded £60,000 were £209,964 (2016 – £143,024).

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 (2016 - £12,760) and the cover provided totalled £10 million (2016 - £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 22-23.

As highlighted in note 15 during the year, the Royal Albert Hall Trust a related charity made a donation to the Corporation of £2.7m (2016: £1.9m). 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 £2.1m (2016: £8.2m) an intercompany debtor between the Corporation and RAH Concerts Limited of £8k and for Royal Albert Hall Trust a creditor balance with the Corporation of £132k (2016: £6k).

A number of Trustees provided donations to the charity to carry out its charitable objectives during 2016 totalling £35k (2016: £36k)

Notes to the accounts 31 December 2017

At the year end there was a total of £93,624 (2016: £95,948) due to Council Members in respect of rebate income collected during 2017 which will be paid across in 2018. There were no amounts outstanding due from related parties.

The key matters are summarised in the table below

	2017 Number	2016 Number
Number of seats owned by Seatholders	1,270	1,275
Number of seats owned by Council members	44	46
Number of seats owned by parties related to Council members	122	95
Number of tickets returned by Council members & related parties through ticket return scheme	23,566	21,213
Number of tickets purchased by Council members from box office	85	83
Hosting and dress rehearsal tickets used by Council members	75	92
	2017 £	2016 £
Seat rate contribution (mandatory) per seat	£10	£10
Seat rate contribution (voluntary) per seat	1,500	1,457
Total seat rate amount paid by Council members and related parties	250,660	206,847
Rebate per seat	578	549
Total rebate amount received by Council members and related parties	95,948	77,409
Amount distributed to Council members & related parties for returned ticket	557,015	486,399
Value of tickets purchased by Council members from box office	6,165	4,452
Donations from Council members	35,414	36,141

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.

11 Tangible fixed assets (Group and charity)

	Freehold land £'000	Leasehold land £'000	Archival collections £'000	Property Costs £'000	Plant, fixtures, fittings & equipment £'000	Computers & office equipment £'000	Assets under construction £'000	Total £'000
Cost or valuation								
As at 1 January 2017	1,575	-	1,496	1,071	14,254	1,406	6,218	26,020
Additions	-	629	-	5	61	0	7,223	7,918
Disposals	-	-	-	-	-	-	-	0
Transfers	-	-	-	51	-	1,020	(1,071)	0
As at 31 December 2017	1,575	629	1,496	1,127	14,315	2,426	12,370	33,938
Valuation 2001	1,575	-	1,496	-	-	-	-	3,071
Cost	-	629	-	1,127	14,315	2,426	12,370	30,867
	1,575	629	1,496	1,127	14,315	2,426	12,370	33,938
Depreciation								
As at 1 January 2017	-	-	-	428	3,322	1,203	0	4,953
Charge for year	-	-	-	113	1,087	315	-	1,515
Disposals	-	-	-	-	-	-	-	0
As at 31 December 2017	-	-	-	541	4,409	1,518	-	6,468
Net book values								
As at 31 December 2017	1,575	629	1,496	586	9,906	908	12,370	27,470
As at 1 January 2017	1,575	-	1,496	643	10,932	203	6,218	21,067

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:

Notes to the accounts 31 December 2017

- ◆ 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.
- ◆ Leasehold land comprising the purchase of additional land to enable the basement development work to the south west of the building.
- ◆ 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 2017 the Corporation had capital commitments of £11.8m (2016 - £0.1m).

12 Intangible fixed assets (Group and Charity)

	Website / software £'000	Property rights £'000	Total £'000
Cost or valuation			
As at 1 January 2017	625	0	625
Additions	256	575	831
Transfers from Assets under construction			0
As at 31 December 2017	881	575	1,456
Amortisation			
As at 1 January 2017	391	0	391
Charge for year	260	57	317
As at 31 December 2017	651	57	708
Net book values			
As at 31 December 2017	230	518	748
As at 1 January 2017	234	0	234

All intangible fixed asset additions were acquired and none were internally developed.

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 £327 million, based on a valuation as at June 2017 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.
- ◆ 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 2017 totalled £6.9m. These costs related to the South West basement project.

Notes to the accounts 31 December 2017

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 refurbishment of the Box Office facility during the upgrading of the Door 12 area (£0.9m) and a quadrant by quadrant external repair and clean of the building fabric (£1.0m). 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.

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Expenditure on heritage assets	—	—	—	—	—
Capital expenditure					
Facilities for performers and the public	61	591	—	—	1,071
Other building works and fees	6,830	4,694	3,886	5,728	619
	6,891	5,285	3,886	5,728	1,690
Revenue expenditure					
Facilities for performers and the public	60	35	—	1,077	668
The building's structure	1,110	8	47	22	262
The auditorium	—	18	32	6	42
Other building works and fees	—	93	250	274	364
	1,170	154	329	1,379	1,336
	8,061	5,439	4,215	7,107	3,026

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 £13.9m (2016: £9.4m) Cash held for long term use within Fixed Assets was £10.1m (2016: £14.6m). Further details can be found in the Investment Policy on page 12.

There were no listed investments held at 31 December 2017 (2016 - nil).

15 Investment in subsidiary undertakings and related charity

The Corporation's subsidiary is Royal Albert Hall Developments Limited which is incorporated in England (company number 1539294) and its wholly owned subsidiary RAH Concerts Limited which is incorporated in England (company number 10664172). The principal activities of Royal Albert Hall Developments Limited 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. A summary of the financial results of the company is shown below.

Royal Albert Hall Developments Limited

Profit and loss account	2017 £'000	2016 £'000
Turnover	19,353	17,901
Cost of sales	(12,731)	(12,195)
Operating profit	6,622	5,705
Net interest receivable	32	67
Profit for the year before tax and Deed of Covenant	6,654	5,772
Deed of Covenant payable to Corporation	-	(5,756)
Profit on ordinary activities before taxation	6,654	16
Tax on ordinary activities	(12)	(16)
Profit for the financial year retained in subsidiary	6,642	-

Summarised balance sheet	2017 £'000	2016 £'000
Current assets	20,477	20,302
Creditors: amounts falling due within one year	(13,810)	(20,277)
Net assets	6,667	25
Called up share capital	25	25
Profit and loss account	6,642	—
	6,667	25

Notes to the accounts 31 December 2017

The principal activities of RAH Concerts Limited are the licensing of the Royal Albert Hall to third parties and the production and co-promotion of certain events. Royal Albert Hall Developments Limited's investment in RAH Concerts Limited comprises 1 ordinary share of £1 each, being the entire issued share capital of that company. A summary of the financial results of the company is shown below.

RAH Concerts Limited

Profit and loss account	2017 £'000
Turnover	488
Cost of sales	(486)
Operating profit	2
Net interest receivable	-
Profit for the year before tax	2
Profit on ordinary activities before taxation	0
Tax on ordinary activities	0
Profit for the financial year retained in subsidiary	2

Summarised balance sheet	2017 £'000
Current assets	75
Creditors: amounts falling due within one year	(73)
Net assets	2
Called up share capital	—
Profit and loss account	2
	2

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.

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:

Notes to the accounts 31 December 2017

Royal Albert Hall Trust

Summarised statement of financial activities	2017 £'000	2016 £'000
Incoming resources	3,881	2,918
Resources expended		
. Cost of generating funds		
. Donation to Corporation	2,672	1,928
. Governance costs	1	1
Total resources expended	2,673	1,929
Net movement in funds	1,208	989
Fund balances brought forward	1,048	59
Fund balances carried forward	2,256	1,048

Summarised balance sheet	2017 £'000	2016 £'000
Current assets	2,333	1,049
Creditors: amounts falling due within one year	(77)	(1)
Net assets	2,256	1,048
Unrestricted funds	—	—
Restricted funds	2,256	1,048
	2,256	1,048

16 Debtors

	Corporation 2017 £'000	Group 2017 £'000	Corporation 2016 £'000	Group 2016 £'000
Stock	-	48		
Rentals and concession income receivable	496	1,508	473	875
Other debtors	110	2,695	55	1,289
Amount due from subsidiary	1,943	—	8,206	—
VAT	814	—	493	—
Prepayments and accrued income	979	1,136	849	1,210
	4,342	5,387	10,076	3,374

17 Creditors: amounts falling due within one year

	Corporation 2017 £'000	Group 2017 £'000	Corporation 2016 £'000	Group 2016 £'000
Expense creditors	3,740	4,951	2,658	3,992
Other creditors	2,093	2,676	1,391	2,018
Social security and other payroll taxes	521	521	541	541
Accruals	1,958	2,277	1,375	1,632
VAT	-	447	-	642
Deferred Income (see note 18)	7,263	15,774	7,860	16,572
	15,575	26,646	13,825	25,397

18 Deferred Income

	Corporation 2017 £'000	Group 2017 £'000
Balance as at 1 January 2017	7,860	16,572
Amount released to incoming resources	(7,716)	(16,414)
Amount deferred in year	7,119	15,616
Balance as at 31 December 2017	<u>7,263</u>	<u>15,774</u>

Deferred income for the Corporation comprises deposits on future lettings of £1.3m (2016: £1.0m), advance ticket sales of £6.0m (2016: £6.9m) and other advance income £0m (2016: £0.01m) relating to performances after the balance sheet date. Deferred income for the Group comprises deposits on future lettings of £2.7m (2016: £2.3m), advance ticket sales of £11.5m (2016: £12.7m) and other advance income £1.5m (2016: £1.6m) 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 2017	—	—	1,048	1,048
Incoming resources	—	—	3,881	3,881
Resources expended	(184)	—	(1)	(185)
Transfers	—	(2,488)	—	(2,488)
Donation from Royal Albert Hall Trust	184	2,488	(2,672)	—
Balance at 31 December 2017	<u>—</u>	<u>—</u>	<u>2,256</u>	<u>2,256</u>

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

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.

Notes to the accounts 31 December 2017

During the year the Trust made a grant of £0.1m to the Corporation's Education & Outreach Programme (2016 - £0.06m) (see note 9). It also made a grant of £2.6m (2016 - £1.8m), 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 2017. 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 £2.6m from restricted to unrestricted funds on the consolidated statement of financial activities.

20 Designated funds

	Tangible & intangible fixed assets fund £'000	Education & Outreach fund £'000	Plant and fabric sinking fund £'000	Major building development fund £'000	Unrestricted fund £'000	Total £'000
Corporation						
Balance at 1 January 2017	21,301	400	7,079	15,550	4,504	48,834
Income	—	—	—	—	16,616	16,616
New designations	6,917	—	2,000	2,845	(11,762)	—
Transfer	—	—	—	2,488	—	2,488
Utilisation	—	—	(1,551)	(6,919)	(11,153)	(19,623)
Balance at 31 December 2017	28,218	400	7,528	13,964	(1,795)	48,315

	Tangible & intangible fixed assets fund £'000	Education & Outreach fund £'000	Plant and fabric sinking fund £'000	Major building development fund £'000	Unrestricted fund £'000	Total £'000
Group						
Balance at 1 January 2017	21,301	400	7,079	15,550	4,504	48,834
Income	—	—	—	—	32,427	32,427
New designations	6,917	—	2,000	2,845	(11,762)	—
Transfer	—	—	—	2,488	—	2,488
Utilisation	—	—	(1,551)	(6,919)	(20,322)	(28,792)
Balance at 31 December 2017	28,218	400	7,528	13,964	4,847	54,957

	Tangible & intangible fixed assets fund £'000	Education & Outreach fund £'000	Plant and fabric sinking fund £'000	Major building development fund £'000	Unrestricted fund £'000	Total £'000
Corporation and group						
Balance at 1 January 2016	15,055	400	7,063	15,280	4,352	42,150
New designations	6,246	—	1,149	4,515	152	12,062
Transfer	—	—	—	1,839	—	1,839
Utilisation	—	—	(1,133)	(6,084)	—	(7,217)
Balance at 31 December 2016	21,301	400	7,079	15,550	4,504	48,834

Notes to the accounts 31 December 2017

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 £6.9m 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 £2.6m from the restricted Building Fund.

The Education & 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 £0.5m during 2017 comprised a gross contribution of £2.0m to the fund, less £1.5m of expenditure in the year on the external cleaning of the building, electrical and power supply maintenance and fabric and machinery repairs. The majority of the fund is expected to be utilised during 2018 and 2019 on the quadrant by quadrant cleaning work.

The Major Building Development Fund exists to help meet the cost of future major building developments. The net movement of £1.6m during 2017 comprised a gross contribution of £5.3m to the fund, less £6.9m of expenditure in the year, mostly on the South West Basement project. The fund is expected to be utilised during 2018 and 2019 due to the ongoing work of the South West Basement project.

The deficit in the unrestricted fund in the Corporation is due to a timing difference caused by the non-recognition of the Gift Aid payment from RAHDL to the Corporation in 2017. The RAHDL profit and loss account shows a corresponding positive balance at the year end.

Analysis of net assets between funds

	Unrestricted fund				Unrestricted fund £'000	2017 Total £'000
	Fixed asset fund £'000	Education and Outreach fund £'000	Plant and fabric sinking fund £'000	Major building development fund £'000		
Corporation						
Tangible & Intangible fixed assets	28,218	—	—	—	—	28,218
Investments	—	400	3,792	2,034	3,872	10,098
Net current assets	—	—	3,736	11,930	(5,667)	9,999
Total net assets	28,218	400	7,528	13,964	(1,795)	48,315

Notes to the accounts 31 December 2017

Group	Unrestricted fund				Unrestricted fund £'000	Royal Albert Hall Trust £'000	2017 Total £'000
	Fixed asset fund £'000	Education and Outreach fund £'000	Plant and fabric sinking fund £'000	Major building development fund £'000			
Tangible & Intangible fixed assets	28,218	—	—	—	—	—	28,218
Investments	—	400	3,792	2,034	3,847	—	10,073
Net current assets	—	—	3,736	11,930	1,000	2,256	18,922
Total net assets	28,218	400	7,528	13,964	4,847	2,256	57,213

Corporation	Unrestricted fund				Unrestricted fund £'000	2016 Total £'000
	Fixed asset fund £'000	Education and Outreach fund £'000	Plant and fabric sinking fund £'000	Major building development fund £'000		
Tangible & Intangible fixed assets	21,301	—	—	—	—	21,301
Investments	—	400	3,174	7,530	3,504	14,608
Net current assets	—	—	3,905	8,020	1,000	12,925
Total net assets	21,301	400	7,079	15,550	4,504	48,834

Group	Unrestricted fund				Unrestricted fund £'000	Royal Albert Hall Trust £'000	2016 Total £'000
	Fixed asset fund £'000	Education and Outreach fund £'000	Plant and fabric sinking fund £'000	Major building development fund £'000			
Tangible & Intangible fixed assets	21,301	—	—	—	—	—	21,301
Investments	—	400	3,174	7,530	3,504	—	14,608
Net current assets	—	—	3,905	8,020	1,000	1,048	13,973
Total net assets	21,301	400	7,079	15,550	4,504	1,048	49,882

21 Pension commitments

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

For staff who choose not to join the Stakeholder Pension Plan, or are not eligible to join, the Hall uses “The 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.

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 £1.4m as at 31 December 2016 has increased to £1.8m as at 31 December 2017. The main reasons for this include:

- ◆ the Scheme’s assets performed much better than expected over the year which increased the surplus;
- ◆ the Hall paid deficit reducing contributions of £0.2m;

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.

Notes to the accounts 31 December 2017

Pension expenses have been split between maintaining and developing the Hall and promoting the arts and sciences based on allocation of staff within unrestricted funds.

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

	2017 £'000	2016 £'000
Defined benefit section	237	230
Defined contribution section / Stakeholder Scheme	343	345

Total expected voluntary contributions to the defined benefit scheme for 2018 are £245,000.

FRS 102 requires the surplus or deficit on the Scheme as at 31 December 2017, 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):

	2017 %	2016 %
Inflation	3.6%	3.7%
Salary increases	n/a	n/a
Rate of discount	2.6%	2.8%
Pension increases	3.5%	3.6%

Assumed life expectancy in years at age 65:

	2017	2016
Retiring today – Males	22.4	22.3
Retiring today – Females	24.6	24.5
Retiring in 20 years' time – Males	25.0	24.8
Retiring in 20 years' time – Females	27.3	27.1

Notes to the accounts 31 December 2017

The assets in the scheme were:

	Value at 31 December 2017 £'000	Value at 31 December 2016 £'000
Assets		
Equities	3,380	3,043
Multi-asset/strategy fund	2,148	2,389
Gilts	9,065	8,641
Cash	191	45
Value of secured pensions	581	1,099
Total market value of assets	15,365	15,217
Actuarial value of liability	(13,592)	(13,840)
Surplus in Scheme	1,773	1,377
Unrecognised asset	(1,773)	(1,377)
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 2017.

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

	2017 £'000	2016 £'000
Fair value of assets at 1 January	15,217	12,715
Interest on assets	423	507
Company contributions	237	230
Contributions by Scheme participants	-	-
Benefits paid	(428)	(296)
Return on plan assets less interest	(84)	2,061
Fair value of assets at 31 December	15,365	15,217

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

	2017 £'000	2016 £'000
Actuarial value of liabilities at 1 January	13,840	10,532
Current service cost	-	-
Contributions by Scheme participants	-	-
Past service cost	-	-
Interest cost	382	415
Benefits paid	(428)	(296)
Experience (gain) on defined benefit obligation	(574)	(92)
Changes to demographic assumptions	-	207
Changes to financial assumptions	372	3,074
Actuarial value of liabilities at 31 December	13,592	13,840

Notes to the accounts 31 December 2017

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 2017.

	2017 £'000	2016 £'000
Analysis of the amount charged within resources expended		
Current service cost	-	-
Past service cost	-	-
Total amount included within resources expended	<u>-</u>	<u>-</u>
Analysis of net return on scheme		
Interest assets	382	415
Interest on liabilities	(382)	(415)
Net return	<u>-</u>	<u>-</u>
Analysis of amount recognised as an actuarial loss within the statement of financial activities		
Gain/(loss) on scheme assets in excess of interest	(84)	2,061
Experience gains on liabilities	574	92
(Losses)/gains from changes in assumptions	(372)	(3,281)
Adjustment in respect of restriction of surplus	(355)	898
Actuarial loss recognised within statement of financial activities	<u>(237)</u>	<u>(230)</u>

22 Operating leases

At 31 December 2017 the charity had aggregate minimum lease payments commitments under non-cancellable operating leases with respect to equipment as follows:

	2017 £'000	2016 £'000
Charity and group		
Operating leases commitments payable:		
Within one year	6	15
Within one to two years	0	7
	<u>6</u>	<u>22</u>

23 Finance leases

At 31 December 2017 the charity had aggregate minimum finance payments commitments under non-cancellable finance leases with respect to the leasehold land as follows:

	2017 £'000	2016 £'000
Charity and group		
Finance leases commitments payable:		
Within one year	-	-
Within one to five years	313	-
	<u>313</u>	<u>-</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 £54,539k (2016: £53,225k) and financial liabilities at amortised cost, comprising expense, other creditors and accruals of £9,904k (2016: £7,642k). Total interest income received in respect of financial assets held at amortised cost totalled £250k (2016: £323k).

25 2016 Consolidated statement of financial activities

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