

Company Registration No. 2060996 (England and Wales)
Registered Charity No. 1062085

Hackney Empire Limited

**Trustees' report
and financial statements
for the year ended 31 March 2016**

Saffery Champness
CHARTERED ACCOUNTANTS



Hackney Empire Limited

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Hackney Empire Limited

Legal and administrative information

Constitution

Hackney Empire Limited is a company limited by guarantee, not having a share capital. The company is a registered charity governed by its Memorandum and Articles of Association.

Objects

The company's main objects, as set out in the Articles, are to advance public education and appreciation of the arts and to provide the theatre facility for recreation and leisure time occupation in the interests of social welfare with the object of improving the conditions of life, particularly of the inhabitants of the London Borough of Hackney.

Organisation

The board of directors of the company and the sub-committees have overall responsibility for the running of the company. Through regular board meetings and sub-committee meetings the directors, who are the trustees for the charity, advise the management of the company, in particular on strategy. The Board appoints a Chief Executive who is responsible for policy and day to day management of the charity.

Hackney Empire Limited has a wholly own subsidiary company, Hackney Empire Trading Limited. This company was formed to generate commercial income at Hackney Empire for the benefit of the parent company to which it gift aids any profits made. For the first time group accounts have been prepared, recognising its increasing levels of activity.

Board of directors

Delphine Brand
Jo Cottrell
Sean Egan
Franny Moyle
Jean Nicholson
Jay Sheth (Appointed 8 December 2015)
Nicola Stanhope (Chair)
Chris Unitt (Appointed 8 December 2015)
Emma Williams (Resigned 13 October 2015)
Caroline Yeats

All directors are appointed in accordance with the Articles of Association. Except where indicated, the directors listed served throughout the year and up to the date of this report.

Hackney Empire Limited

Legal and administrative information (continued)

Board of directors (continued)

Finance and general purposes

Delphine Brand (Chair)
Jo Cottrell
Jean Nicholson
Nicola Stanhope
Caroline Yeats

Audit and compliance

Jean Nicholson (Chair)
Nicola Stanhope

Board development

Jo Cottrell
Jean Nicholson (Chair)
Nicola Stanhope

Participation and Learning Advisory Committee

Nicola Baboneau
Susie McKenna
Franny Moyle (Chair)
Orphy Robinson
Hardeep Singh Kohli
Emma Williams (Resigned 13 October 2015)

Chief executive

Clarie Middleton

Other principal officers

Director of Operations and
Deputy Chief Executive
Creative Director
Finance Manager
Interim Finance Manager

Jo Hemmant
Susie McKenna
Josephine Olugbekan (from 2 November 2015)
Louisa Charles (from 28 May to 27 November 2015)

Technical Manager
Producer
Executive Producer
Head of Development
Programme Manager

Othman Reid
Joanne Benjamin (resigned 30 November 2015)
Clive Chenery (from 9 November 2015)
Sultan Fiappi (from 1 June 2015)
Jane Walsh

Company number

206996

Charity number

1062085

Hackney Empire Limited

Legal and administrative information (continued)

Registered office	The Hackney Empire 291 Mare Street London E8 1EJ
Auditors	Saffery Champness 71 Queen Victoria Street London EC4V 4BE
Bankers	Barclays Bank Plc 27 Soho Square London W1Dd 3Q4
Connected charities	Hackney Empire Limited is connected with the Hackney Empire Preservation Trust, which owns the theatre building. Hackney Empire Limited benefits from the continued occupation of this property at a peppercorn rental.

Hackney Empire Limited

Trustees' report

For the year ended 31 March 2016

The Trustees present their report and financial statements for the year ended 31 March 2016.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and United Kingdom Generally Accepted Accounting Practice as it applies from 1 January 2015 including the Statement of Recommended Practice Accounting and Reporting by Charities - Charities SORP (FRS 102).

Objectives and Activities

Hackney Empire Limited (HEL) seeks to develop and maintain the Hackney Empire Theatre as a leading arts and performance centre in London serving the widest possible range of audiences. Embracing both local and global communities of artists and audiences, it is determined to nurture and present work that is at once extraordinary, inclusive, inspirational and transformative.

Driven by its core values of quality, diversity and engagement HEL aspires to make the Empire a creative hub and a first class international cultural destination venue for a very wide range of audiences. Key to this aspiration is the exceptional work on the main stage, together with the outstanding participatory work carried out at the Empire and around the Borough of Hackney.

Achievements and performance

During the year the Empire continued to present a high quality programme that attracted an audience that was diverse in terms of age, gender, socio-economic and ethnic backgrounds, and truly representative both of the Borough of Hackney and of London as a whole. The Empire is proud to be a leading example of this level of engagement and inclusivity.

Opera and Musical Theatre

The Empire's stage and auditorium are ideal for opera and musical theatre and these lyric forms demonstrate HEL's commitment to bridging the gap between "art" and "popular culture". Highlights from this part of the programme included a return visit by Sasha Regan's ever popular production of *The Pirates of Penzance* and the beginning of a highly fruitful relationship with the Royal Academy of Music with their presentation of *The Marriage of Figaro* directed by Janet Suzman and conducted by Jane Glover. English Touring Opera delighted audiences with their regular spring visit to the Empire in February 2016.

Family Work

The Hackney Empire's annual pantomime ("London's Number 1 pantomime" - The Times) continues to be a jewel in the Empire's crown. In 2015/16 the pantomime was *Jack and the Beanstalk*. Detailed analysis of audience data by Baker Richards again allowed the Empire to further refine its schedule and pricing structures for this production. This, coupled with strict control of expenditure and an excellent marketing and PR campaign, ensured that the production contributed a margin of £453,906 and played to 50,642 people. Its total gross box office take was £1,008,908 over 63 performances. This result was even better than that for *Mother Goose* in 2014/15 and made it the Empire's most successful pantomime to date.

Hackney Empire Limited

Trustees' report

For the year ended 31 March 2016

Other family work programmed for 2015/16 included *Ben and Holly's Little Kingdom* in April 2015, *Octonauts and the Deep Sea Adventure* in June 2015, *What the Ladybird Heard* in September 2015 and *Horrible Histories* in October 2015.

Comedy

Key comedy artists who performed at the Empire during 2015/16 included *John Bishop, Richard Blackwood, Slim, Oliver Samuels, Jonathan McReynolds* and *Stephen K Amos*.

There were twelve evenings featuring comedy during 2015/16 that earned an average margin per show towards overheads of £6,671 (£6,062 2014/15).

Music

The Empire, as a venue for music events, continues to receive considerable acclaim from promoters, audiences and the media. Twelve main stage music gigs during the year delivered an average margin towards overheads of £8,058 (£6,768 2014/15) per performance day.

The *BBC Concert Orchestra* brought 7 concerts to the Empire in 2015/16. Other music gigs included *Rudimental, Show of Hands* and *King Crimson*.

Local and Community Work

These events are invaluable to the Empire as they ensure that the theatre is accessible to as many as possible of the different groups and communities in the borough, giving them "ownership" and making the venue a true local resource. For 2015/16 these events included:

- *The Music Services Gala* and *Borough Beats* promoted by LBH and providing a platform for the work of the *Hackney Music Trust*
- *Boroughs United* which provides a unique platform for young people at risk
- *The Apollo Schools Concerts*.

Alter Ego (as part of *Discover Young Hackney*) in February was again very successful this year playing to a capacity audience

Creative Learning and Participation

The Empire is an important contributor of many and varied arts experiences for the communities of Hackney and beyond. Fundamental to its role as a thriving cultural and creative hub was its ongoing partnership with *Connecting Young Hackney (LBH)* and *The Monument Trust*, to deliver after school, half term and summer holiday activities for young people in Hackney: *Empire Next Generation*

The Empire's programme of creative learning and participation in 2015/16 included:

- the *Artists' Development Programme (ADP)* in August. This was an especially successful ADP in which the young people devised their own version of *Macbeth*. This led to the "graduates" of the programme forming their own company *The Way I See Theatre (TWIST)* which went on to take the production to the Edinburgh Festival in 2016.
 - the *Hackney Empire Community Choir*,
 - *Hackney Village*, creating a piece of musical theatre with vulnerable young people under 12.
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Hackney Empire Limited

Trustees' report

For the year ended 31 March 2016

HEL continued to work with Baker Richards to inform pricing and marketing strategies for all of its work.

The capturing of data is still being considerably enhanced through the use of the Patronbase box office system and the proper tracking of digital marketing impact. Approximately 60% of tickets are now being regularly booked online.

Financial Review

The group financial statements show an operating surplus on unrestricted funds of £114,601 (£263,746 2014/15). The accumulated operating surplus on unrestricted funds is £180,455 (£764,826 2014/15). Please see Note 18.1 to see how the Board of Trustees have decided to utilise a proportion of the unrestricted reserves in 2015/16.

The loan of £230,000 from the London Borough of Hackney has a formal repayment structure and a further £50,000 was repaid in 2015/16. The remaining £50,000 will be repaid over the next three years with the final instalment of £16,667 to be paid in 2018/19.

The unrestricted income from HEL charitable activities (£2,766,232) is higher than 2014/15 (£2,566,663). This is due to the high box office for the pantomime and enhanced margins earned on other performances.

The costs of operating the theatre are £2,718,232 compared to costs of £3,457,591 in 2014/15. This reduction of approximately 22% has been achieved through careful cost control during a year of organisational growth and increased resilience.

The Board gratefully acknowledges the valuable continuing support from all of its major stakeholders (Arts Council England, London Borough of Hackney and The Monument Trust) through 2015/16. The Board and senior management are meeting regularly and frequently to review the business modelling and are in constant dialogue with the key stakeholders.

HEL is a National Portfolio Organisation of the Arts Council (2015/16 to 2017/18).

Fundraising

£82,909 was raised from donations, trusts and foundations, gifts and legacies in 2015/16 (£100,289 2014/15). This decrease of 18% was a disappointing outcome and the outcome was considerably lower than had been budgeted. In the light of this HEL is reviewing its fundraising strategy.

Hackney Empire Trading Limited

A wholly-owned trading subsidiary, Hackney Empire Trading Limited (HETL) is in operation to generate commercial income for the benefit of the parent charity (HEL).

The company has three distinct areas of activity:

Firstly, it deals with commercial opportunities such as photo shoots and film work.

Secondly, it manages service contract with third party suppliers to run the theatre bars and the catering operation.

Trustees' report

For the year ended 31 March 2016

Finally, it acts as a production company producing commissioned pieces of theatre.

All of HETL's profits are gift-aided back to the parent charity. This allows HEL to enhance its overall resilience through diversification of income streams. For 2015/16 HETL was commissioned to produce the pantomime, *Jack and the Beanstalk*, and will be claiming Theatre Tax Relief of £66,601 in respect of this production.

The total margin achieved for filming etc in 2015/16 was £226,838 (£113,288 2014/15).

The total gift-aided contribution from HETL to HEL in 2015/16 was £252,625 (£91,335 2014/15).

The considerably enhanced contribution to HEL from HETL is due to number of large contracts in the year. Particularly pleasing was the decision by the BBC to record the *John Bishop Show* at Hackney Empire. As well as contributing to overheads with a substantial margin of £64,031, this was a tremendous vehicle for enhancing awareness of Hackney Empire in London and across the UK.

Bars and Catering

The bars inside the theatre building are run by Passa Parolla Limited who pay a fixed monthly rental and a rising percentage of turnover above £115,000. This relationship continues to prove fruitful.

Stage 3 (the Empire's café) is run by Platterform who also pay a fixed monthly rental together with a percentage of any profit. As well as providing a catering service during the day, Platterform promote small gigs and events in the space. HETL continues to work with Platterform to further consolidate their business model.

The total net contribution from the bars and catering operations rose 26% to £109,420 from £86,807 in 2014/15.

Reserves Policy

The company operates in a challenging environment and this has been exacerbated by the growing recession and cuts in public spending. Despite this the organisation has succeeded in showing an annual operating surplus over the last few years. In 2015/16 this surplus was £114,601, allowing the Trustees to increase the designated funds to £80,000 and increasing the free reserves to £100,455. It is particularly pleasing that 2015/16 has seen the establishment of small cash reserves; and it is the intention of the Board to build up these reserves to approximately £400,000. These reserves will strengthen the organisation's capacity to cope with unforeseen but necessary expenditure as well as planned work on the fabric of the building, the purchase/replacement of capital items, and the strategic development of the organisation as a whole.

In addition, the Trustees have designated specific reserves to support the maintenance of the building and strategic decision making around the artistic programme as set out in Note 19.

Continued support from the Arts Council and the London Borough of Hackney has been invaluable to the organisation through 2015/16. This income, together with careful cost control, the revenue earned from its charitable activities and through gift aid from HETL has ensured the stability of HEL's operating position and the Board consider the organisation to be a sound going concern.

Hackney Empire Limited

Trustees' report (continued) For the year ended 31 March 2016

Plans for Future Periods

2016/17 and beyond

The overall aspiration for the period 2016/17 and beyond is for HEL to maintain and enhance the current stability and resilience of its business model and further grow and develop its quality artistic offer – particularly within the continuum from opera to musical theatre.

Some major projects planned or in development include:

- A co-production with Northampton Theatres Trust of *Soul* by **Roy Williams** – a new play with music about Marvin Gaye in June 2016.
- An on-going relationship with the *Armel Festival* in Budapest:
 - *The Magic Flute* in October 2016
 - *Bluebeard's Castle* in October 2017
- The first visit to the UK by *Mayumana* with *Currents* in April 2017
- An on-going relationship (2017 – 2020) with *Opera Philadelphia* for the co-commissioning, co-production and presentation of work:
 - *Charlie Parker's Yardbird* starring **Lawrence Brownlee** in June 2017
 - *We Shall Not Be Moved* a new piece by **Daniel Roumain** and **Marc Joseph** in October 2017
- *Tree*, a new musical based around music by **Idris Elba**, 2017 or 2018
- *Gumboots Revisited* (working title) in autumn 2018
- *Eddie O* by **Brian Protheroe** and **Martin Duncan** – 2018 or 2019

New income sources such as film location and corporate work will be further developed through HETL.

The Empire will continue to collaborate on the development of work with appropriate artists and companies. Appropriate artists and/or producers will be engaged to curate specific time-limited programming projects and to bring particular expertise to the Empire.

Governance

Statement of Trustees' responsibilities

The trustees (who are also directors of Hackney Empire Limited for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Trustees confirm that in planning the activities of the charity they have had due regard to the Charity Commission's guidance on public benefit and in particular the guidance for fee charging charities.

Trustee induction

The Board Development Sub-Committee meets through the year as required. Board members and senior managers are able to make suggestions for new members when vacancies arise. These are considered against set criteria which relate to areas of expertise and experience required. The nominator provides the sub-committee with a biography or CV of the nominee and the reason for the nomination. The sub-committee contacts the nominee to inform them of the procedure. Where the sub-committee decides to proceed the sub-committee meets the nominee and if both sides wish to proceed after that the nominee is asked to tour the theatre buildings and meet the Chief Executive and other senior managers, if available. If the response to this meeting is positive the sub-committee makes a formal proposal to the Board and further circulate the appropriate CV(s). If the main Board agrees, the nominee is informed and is sent an introductory pack of recent Board papers, current strategic planning documents and a history of the theatre. The nominee is then invited to the next Board meeting where a formal appointment is made.

Hackney Empire Limited

Trustees' report (continued) For the year ended 31 March 2016

There is a further meeting with the nominee, the Chairman and the Chief Executive which form a part of the induction process.

Remuneration of key management personnel

The pay of all staff is reviewed annually by the Chief Executive with reference to UK industry norms. The remuneration of key management personnel is then reviewed by the Finance and General Purposes Committee.

Risk management

The Directors have examined the major strategic, business and operational risks that the company faces and confirm that systems have been established so that the necessary steps can be taken to mitigate these risks.

The Audit & Compliance Committee conducts an annual review of the risk register which details the risks the charity may face; the risk register is subsequently reviewed by the Board annually. The committee reviews the systems and procedures in place to mitigate those risks, advises on improvements and monitors on a regular basis. The Committee then ensures there is proper implementation of the procedures with the objective of minimising any potential impact on the charity should those risk materialise.

The key risks as identified in 2015/16 and their mitigating factors were:

Risk	Mitigation
Inadequate reserves	Continued income diversification and cost control with regular review of the reserves policy
Cashflow sensitivity	Production of regular information and projections that are reviewed by management and Trustees
External forces impact on business	Good forward planning and monitoring of external environment
Loss of key staff	Succession planning and good internal documentation of procedures.

Auditors

A resolution proposing the re-appointment of Saffery Champness as auditors will be put to the Annual General Meeting.

The Trustees Report, which includes the strategic report in accordance with the Companies Act 2006, was approved by the board of directors on and signed on its behalf by:



Nicola Stanhope
Chair

6 December 2016

Hackney Empire Limited

Independent auditors' report (continued) To the members of Hackney Empire Limited

We have audited the financial statements of Hackney Empire Limited on pages 13 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by laws, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of trustee and auditors

As explained more fully in the Statement of Trustees' responsibilities, the Trustees (who are also the directors of the company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the charity and the group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the group's and the parent charity's state of affairs as at 31 March 2016 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report, which includes the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Hackney Empire Limited

Independent auditors' report (continued)
To the members of Hackney Empire Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- the parent charity has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Saffery Champness

Cara Turlington (Senior Statutory Auditor)
For and on behalf of Saffery Champness

Chartered Accountants
Statutory Auditors

6 December 2016

71 Queen Victoria Street
London
EC4V 4BE

Hackney Empire Limited

Consolidated statement of financial activities (Including income and expenditure account) For the year ended 31 March 2016

	Notes	Unrestricted Funds £	Restricted funds £	2016 Total £	2015 Total £
Income from:					
Donations, gifts and legacies		82,909	-	82,909	30,289
Grants receivable	4	468,514	181,036	649,550	538,514
Investment income		115	-	115	66
Income from trading activities	5	414,301	-	414,301	421,134
<i>Income from charitable activities</i>					
Income from running theatre	6	1,800,393	-	1,800,393	2,145,529
Total income		2,766,232	181,036	2,947,268	3,135,532
Expenditure on:					
<i>Cost of raising funds</i>					
Fundraising costs	7	118,013	-	118,013	64,289
<i>Charitable activity</i>					
Cost of operation of the theatre	8	2,600,219	798,986	3,399,205	3,478,418
Total expenditure	9	2,718,232	798,986	3,517,218	3,542,707
Net income / (expenditure) for the year		48,000	(617,950)	(569,950)	(407,175)
Transfers between funds	18.1	(698,972)	698,972	-	-
Corporation tax	11	66,601	-	66,601	53,413
Net movement in funds		(584,371)	81,022	(503,349)	(353,762)
Opening fund balances		764,826	10,219,854	10,984,680	11,338,442
Closing fund balances	18,19	180,455	10,300,876	10,481,331	10,984,680

There were no recognised gains and losses other than the movements in funds shown above. All operations are continuing.

The notes on pages 16 to 30 form part of the financial statements.

Hackney Empire Limited

Balance sheets As at 31 March 2016

	Notes	Group		Charity	
		2016 £	2015 £	2016 £	2015 £
Fixed assets					
Tangible assets	12	10,561,363	11,145,241	10,561,363	11,145,241
Investments	13	-	-	1	1
		<u>10,561,363</u>	<u>11,145,241</u>	<u>10,561,364</u>	<u>11,145,242</u>
Current assets					
Debtors	14	273,300	264,426	297,909	366,495
Cash at bank and in hand		197,153	177,137	148,401	70,535
		<u>470,453</u>	<u>441,563</u>	<u>446,310</u>	<u>437,030</u>
Creditors: Amounts falling due within one year	15	(517,485)	(552,124)	(493,343)	(547,592)
Net current assets		<u>(47,032)</u>	<u>(110,561)</u>	<u>(47,033)</u>	<u>(110,562)</u>
Total assets less current liabilities		<u>10,514,331</u>	<u>11,034,680</u>	<u>10,514,331</u>	<u>11,034,680</u>
Creditors: Amounts falling due after one year	16	(33,000)	(50,000)	(33,000)	(50,000)
Net assets		<u>10,481,331</u>	<u>10,984,680</u>	<u>10,481,331</u>	<u>10,984,680</u>
Represented by:					
Restricted funds	18	10,300,876	10,219,854	10,300,876	10,219,854
Unrestricted funds					
Designated funds	19	80,000	30,000	80,000	30,000
General funds	19	100,455	734,826	100,455	734,826
Total	20	<u>10,481,331</u>	<u>10,984,680</u>	<u>10,481,331</u>	<u>10,984,680</u>

Approved by the Board of directors on 6 December 2016 and signed on its behalf.



Nicola Stanhope
Chair

Company number 2060996

The notes on pages 16 to 30 form part of the financial statements.

Hackney Empire Limited

Cash flow statement

For the year ended 31 March 2016

	2016		2015	
	£	£	£	£
Reconciliation of net expenditure to cash inflow from operating activities				
Net (expenditure)	(569,950)		(407,175)	
Depreciation	629,943		634,102	
Interest received	(115)		(66)	
Interest paid	6,589		2,215	
Decrease /(increase) in debtors	57,728		(74,918)	
(Decrease)/increase in creditors (excluding loans)	(1,640)		40,020	
Net cash inflow from operating activities		122,555		194,178
Cash flows from investing activities				
Interest received	115		66	
Interest paid	(6,589)		(2,215)	
Payments to acquire tangible fixed assets	(46,065)		(10,565)	
		(52,539)		(12,714)
Cash flows from financing activities				
Loan repayments		(50,000)		(53,822)
Change in cash and cash Equivalents		20,016		127,642
Cash at 1 April 2015		177,137		49,495
Cash at 31 March 2016		197,153		177,137

The notes on pages 16 to 30 form part of the financial statements.

1 Accounting policies

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention. The accounts (financial statements) have been prepared in accordance with the Statement of Recommended Practice: 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, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Companies Act 2006 and UK Generally Accepted Practice as it applies from 1 January 2015.

The Charity constitutes a public benefit entity as defined by FRS102.

The financial statements are prepared in sterling, which is the functional currency of the Charity. Monetary amounts in these financial statements are rounded to the nearest £.

1.2 Going concern

At the time of approving the financial statements, the trustees have a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future. Thus the Trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Income

Income from donations and grants, including capital grants, is included in incoming resources when there is entitlement, probability of receipt and the amount can be measured with sufficient reliability, unless the donor has specified that the donation or grant relates to a future period or that certain pre-conditions must be fulfilled before use. In these cases amounts received are recognised in the relevant period or when the pre-conditions have been met and until then treated as deferred income. Donations and grants for particular purposes are included in incoming resources as restricted funds.

Production Income is included in incoming resources in the period in which the relevant performance takes place. Income related to productions in a subsequent period is treated as deferred income.

All other income is recognised on an accruals basis once the charity is legally entitled to receipt.

All incoming resources are recorded net of VAT.

1.4 Expenditure

Expenditure is included in the Statement of Financial Activities on an accruals basis, inclusive of any VAT which cannot be recovered.

Expenditure is recognised when a liability is incurred.

Hackney Empire Limited

Notes to the accounts (continued) For the year ended 31 March 2016

- Costs of raising funds are those costs incurred in attracting voluntary income and those incurred in the operation of trading activities which raise funds.
- Charitable activities include expenditure associated with the operation of the theatre and such directly associated activities as educational programmes. Cost of charitable activities includes both the direct cost of activities and related support costs.
- Support costs include central functions and have been allocated to activity costs on a basis consistent with the use of resources. This is frequently on the basis of staff time spent in each area but other bases such as usage are also employed. Support costs also include Governance costs.
- Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

Where performances of a production straddle the balance sheet date, production costs are apportioned in relation to the number of performances falling within each period and the amount relating to performances after the balance sheet date are treated as debtors.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, once brought into use, as follows:

Freehold land	Nil
Freehold buildings	2% straight line
Theatre improvements	over 30 years straight line
Fixtures, fittings and equipment	From 20% to 33% straight line

Individual fixed assets consisting more than £1,000 are capitalised at cost.

1.6 Leasing

Rent payable under operating leases is charged against income on a straight line basis over the lease term.

1.7 Investments

The Statement of Recommended Practice requires investments to be stated at market value. The investments of Hackney Empire Limited consist of one wholly owned subsidiary, Hackney Empire Trading Limited. The company is not quoted and the directors consider it appropriate to include the investment at cost.

1.8 Pensions

The charity operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the Statement of Financial Activities in the year they are payable.

1.9 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the Statement of Financial Activities.

1.10 Consolidation

The consolidated financial statements present information about the company and its wholly owned subsidiary Hackney Empire Trading Limited. The consolidation has been performed on a line by line basis.

A separate statement of financial activities for the charity is not included as permitted by the Companies Act 2006. Total income of the charity for the year is £2,983,265.

1.11 Fund accounting

Funds received for a purpose specified by the donor are credited to restricted funds. Expenditure incurred on these purposes is then charged to the funds as it is incurred (see note 18).

All other income is treated as unrestricted funds. The Trustees have chosen to designate certain funds for specific future expenditure as explained in the Trustees' Report.

1.12 Financial instruments

The Charitable only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method. The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Impairment of financial assets

Financial assets, other than those held at fair value through the statement of financial activities, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in the statement of financial activities.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

Hackney Empire Limited

Notes to the accounts (continued) For the year ended 31 March 2016

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Charity obligations are discharged, cancelled, or they expire.

1.13 Transition

This is the first set of accounts prepared in accordance with FRS 102. The date of transition was 1 April 2014. No transition adjustments have been required and the reported reserves at the date of transition are as previously stated.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

3 Status of company

The company is a registered charity, limited by guarantee.

The company has 9 members, who are also directors. The liability of each member on a winding up is limited to a maximum of £1.

4 Grants receivable

	Unrestricted Funds £	Restricted Funds £	Total 2016 £	Total 2015 £
<u>Core funding</u>				
Arts Council England	368,514	-	368,514	368,514
London Borough of Hackney	100,000	-	100,000	100,000
<u>Project Funding</u>				
Harold Hyam Wingate Trust	-	10,000	10,000	-
Bruce Wake Trust	-	1,000	1,000	-
Andrew Lloyd Webber	-	16,458	16,458	-
Monument Trust	-	70,000	70,000	70,000
LBH – Cultural Department	-	20,000	20,000	-
London Borough of Hackney	-	63,578	63,578	-
	468,514	181,036	649,550	538,514

Hackney Empire Limited

Notes to the accounts (continued) For the year ended 31 March 2016

Grant – London Borough of Hackney

In accordance with sub-section 37(4) of The Local Government and Housing Act 1989, this grant has been fully utilised in accordance with the terms under which it was originally granted and has been fully expended on revenue/capital items in the normal course of the charitable company's business.

5 Income from trading activities

	2016 £	2015 £
Bars and catering income	109,420	86,807
Location and filming income	288,756	133,289
Other income	16,125	201,038
	<u>414,301</u>	<u>421,134</u>

6 Income from theatre operation

	2016 £	2015 £
Box office	1,042,659	1,170,646
Theatre hire	384,214	639,084
Grants	-	74,910
Merchandise	58,791	24,894
Booking fees	83,820	91,872
Theatre recharges	218,155	144,123
Other income	12,754	-
	<u>1,800,393</u>	<u>2,145,529</u>

7 Fundraising costs

	2016 £	2015 £
Staff costs	73,990	48,232
Fundraising expenses	44,023	16,057
	<u>118,013</u>	<u>64,289</u>

Hackney Empire Limited

Notes to the accounts (continued)
For the year ended 31 March 2016

8 Costs of operation of the theatre

	Unrestricted Funds	Restricted Funds	Total Funds 2016	Total Funds 2015
	£	£	£	£
Staff and staff-related costs	1,089,334	135,036	1,224,370	1,106,739
Depreciation	11,993	617,950	629,943	634,103
Promoters/production costs	730,797	-	730,797	1,056,996
Education	18,301	-	18,301	15,546
Publicity	197,046	-	197,046	227,407
Premises and general running costs	418,360	46,000	464,360	368,681
Overhead/administrative Costs	125,138	-	125,138	48,119
Governance costs	9,250	-	9,250	20,827
	<u>2,600,219</u>	<u>798,986</u>	<u>3,399,205</u>	<u>3,478,418</u>

9 Net income / (expenditure)

Net income / (expenditure) is stated after charging

	2016 £	2015 £
Amounts payable to auditors - audit	8,250	8,000
Amounts payable to auditors – other service	2,000	-
Depreciation	629,943	634,103
Operating lease payments	56,456	50,000
	<u>696,649</u>	<u>1,322,103</u>

10 Employees and Directors

	2016 £	2015 £
Aggregate staff costs are made up as follows:		
Salaries and wages	1,123,430	1,039,130
Social security costs	79,623	86,657
Pension costs	15,316	16,224
	<u>1,218,369</u>	<u>1,142,021</u>

Hackney Empire Limited

Notes to the accounts (continued) For the year ended 31 March 2016

10 Employees and Directors (continued)

The number of staff receiving a salary over £60,000 was:	2016 No.	2015 No.
£70,000 - £79,999	1	1
£60,000 - £69,999	-	1

Pension contributions of £1,097 (2015: £nil) were made on behalf of higher paid employees during the year.

The total number of employees was 125 (2015: 122) of which 26 were permanent staff and 99 were involved in performances.

Key management personnel are considered to be the Chief Executive, the Director of Operations/Deputy Chief Executive and the Finance Manager. The total amount paid to key management personnel in the year was £166,477 (2015: £173,290)

10.1 Transactions with Trustees

No payments are made to Trustees for their services as Trustees, nor were any expenses reimbursed to them during the current or preceding period.

One director received payments in the form of fees for professional services totalling £1,775 (2015: 2 directors totalling £2,165). Such remuneration is allowed for within the company's memorandum and articles.

No donations were received from the Trustees during the period (2015: £nil).

11 Taxation

No charge to corporation tax is expected to arise due to the company's charitable status. The trading subsidiary benefits from a theatrical tax credit received on its production activities.

Hackney Empire Limited

Notes to the accounts (continued) For the year ended 31 March 2016

12 Tangible fixed assets

	Freehold land and buildings	Theatre improve- ments	Fixtures fittings and equipment	Total
Group and Charity	£	£	£	£
Cost				
At 1 April 2015	222,758	18,231,009	457,242	18,911,009
Additions	-	-	46,065	46,065
At 31 March 2016	222,758	18,231,009	503,307	18,957,074
Depreciation				
At 1 April 2015	81,331	7,259,405	425,032	7,765,768
Charge for the year	4,455	607,700	17,788	629,943
At 31 March 2016	85,786	7,867,105	442,820	8,395,711
Net book value				
At 31 March 2016	136,972	10,363,904	60,487	10,561,363
At 31 March 2015	141,427	10,971,604	32,210	11,145,241

All assets are in use for charitable purposes. Legal charges exist over the freehold properties to secure the interests of the public bodies, bankers and other lenders funding their purchase and the cost of theatre improvements.

13 Investment in subsidiary

	2016 £	2015 £
Investment in subsidiary undertaking	1	1

The charity holds 100% of the issued ordinary share capital of the following company:

Subsidiary	Country of registration	Class	Shares held
Hackney Empire Trading Limited	England	Ordinary	100%

Hackney Empire Limited

Notes to the accounts (continued) For the year ended 31 March 2016

13 Investment in subsidiary

(continued)

The principal activities of the subsidiary are to generate commercial income for Hackney Empire Limited and to produce theatrical work on commission. The subsidiary started trading in February 2011. A summary of the results of the subsidiary is set out below.

	2016 £	2015 £
Income	1,481,281	1,232,642
Cost of sales	(970,306)	(755,461)
Administrative expenses	(324,952)	(439,259)
Profit on ordinary activities before taxation	186,023	37,922
Corporation tax	66,601	53,413
Profit on ordinary activities after taxation	252,624	91,335
Amount gifted to Hackney Empire Limited	(252,624)	(91,335)
Retained profit	-	-
Turnover comprised:		
Catering operations	109,420	86,807
Pantomime production	1,022,121	811,508
Location and filming fees	331,615	133,289
Other income	18,125	201,038
	1,481,281	1,232,642

Hackney Empire Limited and the subsidiary have a group VAT registration. Any profit made by the subsidiary is paid under gift aid to Hackney Empire Limited.

The assets and liabilities of the subsidiary were:

	2016 £	2015 £
Current assets	244,232	234,049
Creditors: amounts falling due within one year	(244,231)	(234,048)
Net assets	1	1
Shareholder's funds	1	1

Hackney Empire Limited

Notes to the accounts (continued) **For the year ended 31 March 2016**

14 Debtors

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Trade debtors	35,936	111,296	7,951	74,550
Prepayments and accrued income	117,350	99,717	69,873	94,717
Amounts owed by subsidiary undertakings	-	-	220,085	197,228
Corporation tax	120,014	53,413	-	-
	<u>273,300</u>	<u>264,426</u>	<u>297,909</u>	<u>366,495</u>

15 Creditors: Amounts falling due within one year

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Trade creditors	175,876	66,071	160,787	65,286
Box office advance seats	203,433	170,607	203,433	170,607
OTSS	56,533	(1,076)	54,519	31,213
Other creditors and accruals	64,643	266,522	57,604	230,486
Loan from London Borough of Hackney (note 16)	17,000	50,000	17,000	50,000
	<u>517,485</u>	<u>555,124</u>	<u>493,343</u>	<u>547,592</u>

Hackney Empire Limited

Notes to the accounts (continued) For the year ended 31 March 2016

16 Creditors: Amounts falling due after one year

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Loan from London Borough of Hackney	33,000	50,000	33,000	50,000
	<u>33,000</u>	<u>50,000</u>	<u>33,000</u>	<u>50,000</u>

The loan is repayable by instalments as follows:

	2016	2015
	£	£
Loan from London Borough of Hackney:		
Within one year	17,000	50,000
In more than one year but not more than two years	17,000	50,000
In more than one year but not more than five years	16,000	-
	<u>50,000</u>	<u>100,000</u>

17 Future financial commitments

The group is committed to the total future lease payments:

	2016	2015
	£	£
Land and buildings:		
Within one year	50,000	50,000
Between two and five years	200,000	200,000
Over 5 years	7,000,000	7,050,000
	<u>7,250,000</u>	<u>7,300,000</u>

This represents a 150 year lease over 117 Wilton Way

	2016	2015
	£	£
Office equipment		
Within one year	6,456	6,456
Between two and five years	8,049	13,415
Over 5 years	-	-
	<u>14,505</u>	<u>19,871</u>

Hackney Empire Limited

Notes to the accounts (continued) For the year ended 31 March 2016

18 Restricted Funds

Charity and Group	Balance 1 April 2015 £	Incoming resources £	Resources used £	Transfers Between funds £	Balance 31 March 2016 £
Capital					
Freehold property	145,883	-	-	-	145,883
Capital projects	10,073,971	-	(617,950)	698,972	10,154,993
Revenue					
Monument trust	-	70,000	(70,000)	-	-
Harold Hyam Wingate	-	10,000	(10,000)	-	-
Andrew Lloyd Webber	-	16,458	(16,458)	-	-
Bruce Wake Trust	-	1,000	(1,000)	-	-
LBH – Cultural	-	20,000	(20,000)	-	-
LBH	-	63,578	(63,578)	-	-
Total restricted funds	10,219,854	181,036	(798,986)	698,972	10,300,876

Freehold property

These funds represent resources held in the form of building.

Capital projects

These represents funds provided for major re-developments of the theatre.

Monument trust

A mix of funding, mostly devoted to the support of youth development programmes in the theatre.

Harold Hyam Wingate Trust

Funds to support our fundraising and development activities

Andrew Lloyd Webber

Funding to support the ADP Graduate Programme (GADP 2016)

LBH – Cultural Department

Funds were received from London Borough of Hackney to fund Alter Ego 2016, a specific youth engagement programme.

London Borough of Hackney - LBH

London Borough of Hackney supported our 'Connecting Young Hackney' and other youth involvement programmes.

Bruce Wake Trust

A contribution to the installation of automatic doors in the theatre.

Hackney Empire Limited

Notes to the accounts (continued) For the year ended 31 March 2016

18.1 Transfer between funds

During the year the Trustees have carried out an extensive review of the reserves policy. Part of this exercise involved reviewing the assets allocated to restricted and unrestricted funds. As noted above the restricted fund represents the monies that were raised specifically to fund the restoration of the theatre. At the time, funds raised were insufficient and a loan was obtained to fund the shortfall with the proviso that it would only be paid back when certain conditions occurred. In 2013 and 2014 the funds were raised to repay the loan but these were treated as unrestricted leaving a disparity between the net book value of the asset and the value of the restricted fund.

A transfer has been made in year to clearly allocate the whole of the building to a single fund as no separation of any part is possible and to make it clearer to the users of the accounts the value of the free reserves of the charity.

19 Unrestricted funds

Charity and Group	Balance 1 April 2015 £	Incoming resources £	Resources used £	Transfers between funds £	Balance 31 March 2016 £
General funds	734,826	2,832,833	(2,718,232)	(748,972)	100,455
Designated funds					
Building reserve	15,000	-	-	25,000	40,000
Project reserve	15,000	-	-	25,000	40,000
Total unrestricted funds	764,826	2,832,833	(2,718,232)	(698,972)	180,455

The Trustees have elected to create two designated funds to represent their future intentions.

The Building reserve reflects the significant drain that can be placed on resources by managing a substantial specialist building. It is their intention to build this reserve up to reflect the long term capital and maintenance plan they have in place.

The Project reserve is intended to provide strategic funds to invest in the development of the artistic programme and the organisation including, but not necessarily limited to, commissioning, rights purchase and development of intellectual property.

Hackney Empire Limited

Notes to the accounts (continued) For the year ended 31 March 2016

20 Analysis of net assets between funds

	Tangible Fixed assets	Net current liabilities	Other liabilities	Total
	£	£	£	£
Group and charity				
Restricted funds	10,500,876	(200,000)	-	10,300,876
Designated funds	-	80,000	-	80,000
Unrestricted funds	60,487	72,968	(33,000)	100,455
	<u>10,561,363</u>	<u>(47,032)</u>	<u>(33,000)</u>	<u>10,481,331</u>

21 Related party transactions

The charity has a wholly owned subsidiary company (Hackney Empire Trading Limited (HETL)) of which more details can be found in note 13. A summary of the transactions between the entities is as follows:

	2016	2015
	£	£
Fee charged by HETL for producing pantomime	1,022,121	811,508
Recharge of costs by Charity	540,611	297,718
License fees	2,577	2,577
Profits paid to the charity by gift aid	252,625	91,355

At the year end HETL owed the Charity £220,085.

There were no other related party transactions not disclosed elsewhere in these accounts

Hackney Empire Limited

Notes to the accounts (continued) For the year ended 31 March 2016

22 Comparative statement of financial activities

	Unrestricted Funds £	Restricted funds £	2015 Total £
Income from:			
Donations, gifts and legacies	30,289	-	30,289
Grants receivable	468,514	70,000	538,514
Investment income	66	-	66
Income from trading activities	421,134	-	421,134
<i>Income from charitable activities</i>			
Income from running theatre	2,070,619	74,910	2,145,529
Total income	2,990,622	144,910	3,135,532
Expenditure on:			
<i>Cost of raising funds</i>			
Fundraising costs	64,289	-	64,289
<i>Charitable activity</i>			
Cost of operation of the theatre	2,716,000	762,418	3,478,418
Total expenditure	2,780,289	762,418	3,542,707
Net income / (expenditure) for the year	210,333	(617,508)	(407,175)
Corporation tax	53,413	-	53,413
Net movement in funds	263,746	(617,508)	(353,762)
Opening fund balances	501,080	10,837,362	11,338,442
Closing fund balances	764,826	10,219,854	10,984,680