

Felicity Parker

0208 489 2919

felicity.parker@haringey.gov.uk

20 July 2012

To: All Members of the Alexandra Palace and Park Board

Dear Member,

Alexandra Palace and Park Board - Tuesday, 24th July, 2012

I attach a copy of the following reports for the above-mentioned meeting which were not available at the time of collation of the agenda:

7. EXEMPT REPORT - APPROVAL OF STATUTORY FINAL ACCOUNTS 2011/12 - TO FOLLOW (PAGES 1 - 34)

To consider the EXEMPT report of the Director of Finance and Resources, Alexandra Palace and Park.

9. APPROVAL OF 2011/12 ACCOUNTS - TO FOLLOW (PAGES 35 - 102)

To consider the report of the Director of Finance and Resources, Alexandra Palace and Park. – Alexandra Palace seeking approval of the Trustees' Report and Consolidated Financial Statements for the year ended 31st March 2012.

Yours sincerely

Felicity Parker
Principal Committee Co-Ordinator

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is exempt

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is exempt

This page is intentionally left blank

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is exempt

This page is intentionally left blank

Report Title: **FINANCE UPDATE**

Report of: **Nigel Watts, Director of Finance & Resources, Alexandra Palace & Park**

1. Purpose

- 1.1 To obtain the Board's approval of the Trustees' Report and Consolidated Financial Statements for the year ended 31st March 2012.
- 1.2 To advise the Board of the results for the two month period ended 31st May 2012

2. Recommendations

- 2.1 The Board review the contents of the letter of representations and nominate the Chair to sign the letter on behalf of the charity.
- 2.2 The Board formally considers whether it is appropriate to prepare the consolidated accounts on a going concern basis.
- 2.3 The Board approves the Trustees Report and Consolidated Financial Statements for 2011/12 and nominates the Chair to sign them on behalf of the Trust for submission to the Charities Commission.
- 2.4 The Board notes the content of the report provided by Deloitte on the audit of the consolidated financial statements for the year ended 31st March 2012
- 2.5 The Board re-appoints Deloitte as auditors to Alexandra Park and Palace Charitable Trust for the financial year 2012/13
- 2.6 The Board notes the results against budget for the two months ended 31st May 2012.

Report Authorised by: **Duncan Wilson, Chief Executive**

Contact Officer: Nigel Watts, Director of Finance & Resources, Alexandra Palace & Park, Alexandra Palace Way, Wood Green, London N22 7AY. Telephone number 0208 365 4310.

3. Executive Summary

- 3.1 The audit of the Trust and its wholly owned trading subsidiary for the financial year

ended 31st March 2012 is now complete and an unqualified audit opinion has been given. The Trustees' Report and Consolidated Financial Statements are attached as Appendix 1 to this report.

- 3.2 Prior to the signing of the accounts, the Board is asked to consider and approve the letter of representations to the auditors in relation to the accounts for the year ended 31st March 2012. This is included as Appendix 2 to this report.
- 3.3 When approving the Trustees' Report and Financial Statements, the trustees should formally consider whether the Trust is able to continue as a going concern for at least twelve months from the date of signing the accounts.
- 3.4 Deloitte have produced a report to the Board on their findings relating to the audit of the accounts of the Trust and Trading Company and this is attached as Appendix 3 to this report.
- 3.5 The Board is also asked to formally re-appoint Deloitte as auditors to the Trust for the financial year ended 31st March 2013.
- 3.6 The Trust's results for April and May are shown against budget in Section 7.

4. Reasons for any change in policy or for new policy development (if applicable)

4.1 N/A

5. Local Government (Access to Information) Act 1985

5.1 No specific background papers were used in compiling this report.

6. Trustees' Report and Consolidated Financial Statements for the year ended 31st March 2012

- 6.1 The draft results for the 2011/11 financial year were presented to the Board at their meeting on 7th June 2012. These showed the trust's deficit on unrestricted funds to be £1.72m. The final result was £1.73m.
- 6.2 The Board's attention is drawn to the requirement to sign the letter of representation. A formal copy will be available for signature at the meeting once the Board has concluded its consideration of the Trustees' Report and Financial Statements.
- 6.3 The auditor's report to the Board is attached at Appendix 3. The auditors have issued an unqualified audit opinion on the accounts.
- 6.4 The Board should note that the Directors' Report and Financial Statements of APTL for the year ended 31st March 2012 were approved by the Directors of the trading company at their meeting of 13th July 2012. In approving the accounts, the Board duly considered whether the trading company is able to continue as a going concern for a period of at least twelve months from the date of signing the

accounts. On the basis of evidence provided at the meeting, the Directors concluded that it was appropriate to sign the accounts on a going concern basis.

- 6.5 In approving the consolidated accounts, the trustees are also required to consider whether the Trust is able to continue to trade as a going concern for at least twelve months from the date of signing the accounts. The trustees should consider that the Council is obliged to provide ongoing financial support to the Trust under statute and that a revenue budget of £2.1m and capital budget of £500,000 have been allocated by the Council for the financial year 2012/13. The Council's current policy is to ensure that funds are provided to maintain the Trust's bank balance at a pre-agreed level, thus financing the working capital of the Trust. On this basis, it would be reasonable to conclude that the Trust is able to continue as a going concern for at least 12 months from the date of signing the accounts. On page 6 of their report, Deloitte confirm that they concur with management's conclusion in this regard.
- 6.6 The provision of external audit services to the Trust and trading company was put out to tender in 2009/10 and Deloitte successfully retained the audit. 2012/13 will be their fourth year of audit following the re-tender. The combined fee for the 2011/12 audit is £32,000, which increases by inflation each year.

7. Results against budget for the two months ended 31st May 2012

- 7.1 The results for the two months ended 31st May 2012 are presented against budget in Table 1.

Table 1 - Trust Results for 2 months ended 31 May 2012

	<i>Budget</i> £'000	<i>Actual</i> £'000	<i>Variance</i> £'000
Income	62.6	67.9	5.3
Expenditure before Regen	(486.9)	(490.7)	(3.8)
Deficit before Regen	(424.3)	(422.8)	1.5
Regeneration Project	(25.0)	(22.7)	2.3
Deficit after Regen	(449.3)	(445.5)	3.8

- 7.2 Income is £5.3k above budget and expenditure before regen is £3.8k over budget, giving a net underspend against budget of £1.5k.
- 7.3 Income is £5k above budget due to the timing of community events income. Expenses are over budget as a result of the timing of maintenance activities. Regeneration project expenses are £2.3k below budget as a result of timing differences.

8. Legal and Financial Comments

- 8.1 The Trust solicitor has no comment on this report
- 8.2 The Council's Acting Head of Legal Services has no comment on this report

8.3 The London Borough of Haringey Chief Finance Officer notes the content of the report

9. Equalities Implications

9.1 There are no perceived equalities implications

10. Use of Appendices / Tables / Photographs

10.1 Appendix I – Trustees' Report and Consolidated Financial Statements for the year ended 31st March 2012

10.2 Appendix 2 – Letter of representations relating to the audit for the year ended 31st March 2012

10.3 Appendix 3 – Report of the Auditor

Alexandra Park and Palace Charitable Trust

Notes to the financial statements For the year ended 31 March 2012

11. Staff costs

	Group 2012 £	Group 2011 £	Trust 2012 £	Trust 2011 £
Wages and salaries	1,783,272	1,585,356	278,264	234,900
Social security costs	143,382	137,542	22,559	20,958
Pension costs	149,908	123,945	43,488	46,540
Agency staff costs	403,050	316,883	43,938	40,718
	<u>2,479,612</u>	<u>2,163,726</u>	<u>388,249</u>	<u>343,116</u>

The number of employees whose emoluments as defined for taxation purposes amounted to over £60,000 were:

	2012 Number	2011 Number
£60,000 - £70,000	2	-
£70,000 - £80,000	-	1
£80,000 - £90,000	-	1
£90,000 - £100,000	1	-

Employer contributions to the defined contribution pension scheme for employees earning over £60,000 in the year were £9,000 (2011: £9,000) relating to one (2011: one) employee. The number of employees earning over £60,000 to whom retirement benefits are accruing under defined benefit schemes is one (2011: one).

The average number of employees, analysed by function, including both permanent employees and casual staff calculated on a full-time equivalent basis (number of permanent employees only illustrated by the bracketed figures) was:

	Group 2012 £	Group 2011 £	Trust 2012 £	Trust 2011 £
Ice rink	18 (3)	10 (4)	-	-
Repairs and maintenance including park	2 (2)	2 (2)	2 (2)	2 (2)
Cost of generating funds	42 (20)	37 (19)	-	-
Support costs	1 (1)	1 (1)	1 (1)	1 (1)
Management and administration	10 (10)	10 (10)	1 (1)	1 (1)
	<u>73 (36)</u>	<u>60 (36)</u>	<u>4 (4)</u>	<u>4 (4)</u>

Of the 18 full-time equivalent staff working in the ice rink in 2012, 2 permanent and 1 casual staff were employed by the Trust but seconded to the trading company.

12. Taxation

Alexandra Park and Palace Charitable Trust is a registered charity. As such its sources of income and gains, received under Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992, are exempt from taxation to the extent that they are applied exclusively to its charitable objectives. The trading subsidiary donates the bulk of its taxable profits to the Trust under Gift Aid. No tax charge has arisen in the year.

Alexandra Park and Palace Charitable Trust

Notes to the financial statements
For the year ended 31 March 2012

10 Analysis of costs by activity (continued)

Trust	Basis of allocation	Security of building and park £	Community events £	Leases and concessions £	Park and Palace running costs £	Governance £	Total 2012 £	Total 2011 £
Costs directly allocated to activities								
Salaries	Direct	491,812	-	-	650,707	-	1,142,519	1,103,193
Professional fees	Direct	-	-	-	98,024	-	98,024	71,677
Audit fees	Direct	-	-	-	-	18,660	18,660	23,431
Direct costs	Direct	-	610	-	1,187,359	-	1,187,969	963,517
Total direct costs		491,812	610	-	1,936,090	18,660	2,447,172	2,161,818
Support costs allocated to activities								
General office and finance support	Staff time and area average	98,180	664	5,129	100,684	37,287	241,944	215,080
Apportioned overhead cost	Staff time and area average	172,505	1,167	9,012	176,905	40,000	399,589	339,528
Apportioned support cost	Staff time and area average	17,883	-	596	18,861	-	37,340	31,895
Total support costs		288,568	1,831	14,737	296,450	77,287	678,873	586,503
Total for Trust		780,380	2,441	14,737	2,232,540	95,947	3,126,045	2,748,321

Cost allocation includes an element of judgement and the charity has had to consider the cost benefit of detailed calculations and record keeping. To ensure full cost recovery on projects the charity adopts a policy of allocating costs to the respective cost headings through the year. This allocation includes support costs where they are directly attributable. Therefore the support costs shown are a best estimate of the costs that have been so allocated.

Alexandra Park and Palace Charitable Trust

Notes to the financial statements
For the year ended 31 March 2012

10. Analysis of costs by activity

Group	Basis of allocation	Cost of generating funds £	Security of building and park £	Community events £	Leases and Concessions £	Park and Palace running costs £	Governance £	Total 2012 £	Total 2011 £
Costs directly allocated to activities									
Expenditure of trading									
Subsidiary	Direct	5,751,375	-	-	-	-	-	5,751,375	4,572,005
Salaries	Direct	-	491,812	-	-	650,707	-	1,142,519	1,103,193
Professional fees	Direct	-	-	-	-	98,024	-	98,024	71,677
Audit fees	Direct	-	-	-	-	-	37,069	37,069	50,616
Direct costs	Direct	-	-	610	-	1,187,359	-	1,187,969	963,517
Total direct costs		5,751,375	491,812	610		1,936,090	37,069	8,216,956	6,761,008
Support costs allocated to activities									
General office and finance support									
Staff	Staff time and area average	-	98,180	664	5,129	100,684	37,287	241,945	215,080
	Staff time and area average	-	172,505	1,167	9,012	176,905	40,000	399,589	339,528
	Staff time and area average	-	17,880	-	596	18,861	-	37,340	31,895
Total support costs		-	288,568	1,831	14,737	296,450	77,287	678,873	586,503
Total for Trust		5,751,375	780,380	2,441	14,737	2,232,540	114,356	8,895,829	7,347,511

Cost allocation includes an element of judgement and the charity has had to consider the cost benefit of detailed calculations and record keeping. To ensure full cost recovery on projects the charity adopts a policy of allocating costs to the respective cost headings through the year. This allocation includes support costs where they are directly attributable. Therefore the support costs shown are a best estimate of the costs that have been so allocated.

Alexandra Park and Palace Charitable Trust

Notes to the financial statements For the year ended 31 March 2012

8. Support costs

	2012	2011
Group and Trust	£	£
Wages and salaries	241,945	215,080
Overheads	436,929	371,423
	<u>678,874</u>	<u>586,503</u>

9. Net outgoing resources

	2012	2011
	£	£
Net outgoing resources is stated after charging:		
Auditor's remuneration: audit fee	32,800	29,661
Auditor's remuneration: taxation	3,000	3,000
Operating lease rentals - land and buildings	9,283	26,922
Operating lease rentals - plant & machinery	10,145	14,849
Depreciation	<u>312,817</u>	<u>7,167,525</u>

Alexandra Park and Palace Charitable Trust

Notes to the financial statements For the year ended 31 March 2012

7. Analysis of total resources expended

Group	Direct costs £	Support costs	Total 2012 £	Total 2011 £
Costs of generating funds				
Expenditure of trading subsidiary	5,751,375	-	5,751,375	4,572,005
Charitable expenditure				
Community events	610	1,831	2,441	8,235
Leases and concessions	-	14,738	14,738	12,589
Park and Palace running costs	1,936,090	296,450	2,232,540	1,935,591
Security of building/park	491,812	288,569	780,381	695,834
	<u>2,428,512</u>	<u>601,588</u>	<u>3,030,100</u>	<u>2,652,249</u>
Governance costs				
Wages and salaries	-	37,287	37,287	32,641
Professional fees	-	40,000	40,000	40,000
Audit fee	37,069	-	37,069	50,616
	<u>37,069</u>	<u>77,287</u>	<u>114,356</u>	<u>123,257</u>
Total for Group	<u>8,216,956</u>	<u>678,875</u>	<u>8,895,831</u>	<u>7,347,511</u>
	Direct costs £	Support costs	Total 2012 £	Total 2011 £
Trust only				
Charitable expenditure				
Community events	610	1,831	2,441	8,235
Leases and concessions	-	14,738	14,738	12,589
Park and Palace running costs	1,936,090	296,450	2,232,540	1,935,591
Security of building/park	491,812	288,569	780,381	695,834
	<u>2,428,512</u>	<u>601,588</u>	<u>3,030,100</u>	<u>2,652,249</u>
Governance costs				
Wages and salaries	-	37,287	37,287	32,641
Professional fees	-	40,000	40,000	40,000
Audit fee	18,660	-	18,660	23,431
	<u>18,660</u>	<u>77,287</u>	<u>95,947</u>	<u>96,072</u>
Total for Trust	<u>2,447,172</u>	<u>678,875</u>	<u>3,126,047</u>	<u>2,748,321</u>

Alexandra Park and Palace Charitable Trust

Notes to the financial statements For the year ended 31 March 2012

4. Activities for generating funds

	2012	2011
Group	£	£
Income from events	5,010,360	3,848,366
Income from the ice rink	1,137,201	396,840
Income from the Bar & Kitchen	724,541	501,443
Other	9,000	-
	<u>6,881,102</u>	<u>4,746,649</u>
Trust only		
Gift aid payment from subsidiary	893,248	72,150
Licence fee	170,000	100,000
	<u>1,063,248</u>	<u>172,150</u>

The ice rink was closed for refurbishment between May 2010 and January 2011 which had a significant impact on the profit of the trading company in 2011, as evidenced by the reduced gift aid payment for that year. The lower licence fee in 2011 reflects the fact that the trading company was unable to trade in the ice rink and ice rink café for nine months of that financial year.

5. Incoming resources from charitable activities

	2012	2011
Group and Trust	£	£
Community events	51,550	32,554
Leases and concessions	180,898	177,885
	<u>232,448</u>	<u>210,439</u>

6. Investment income

	2012	2011
Group	£	£
Bank interest	6,682	1,894
	<u>6,682</u>	<u>1,894</u>

Alexandra Park and Palace Charitable Trust

Notes to the financial statements For the year ended 31 March 2012

2. Accounting policies (continued)

Leased assets

All leases are operating leases and the annual rentals are charged to the Statement of Financial Activities over the period in which the cost is incurred.

Pension contributions

The Group operates a defined benefit pension scheme on behalf of certain employees of Alexandra Palace Trading Limited ('APTL'). The scheme is administered by Haringey Council, although the pension funds relating to the APTL employees are held in a separately managed pool within the overall Haringey scheme. The deficit on the scheme is included within the balance sheet at 31 March 2012.

The difference between the fair value of the assets held in the defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the Group's balance sheet as a pension scheme asset or liability as appropriate.

Changes in the defined benefit pension scheme assets or liabilities arising from other factors than cash contributions by the Group are charged to the Statement of Financial Activities in accordance with FRS17.

The Group also operates a defined benefit pension scheme on behalf of certain employees of Alexandra Park and Palace Charitable Trust, also administered by Haringey. However, the pension funds relating to the APPCT employees are not included in a separate pool and as such, it is not practical for a full FRS 17 valuation for the Trust staff to be disaggregated from the London Borough of Haringey pension fund. Furthermore, a separate valuation would not be relevant as the Trust staff are treated as Council employees for pension fund purposes. For this reason, the scheme has been treated as a defined contribution scheme for the purpose of the financial statements.

The Group also operates a defined contribution pension scheme on behalf of certain employees. For defined contribution schemes the amount charged to the Statement of Financial Activities in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

3. Voluntary income

Voluntary income represents unrestricted and restricted donations to the Trust and includes a £520,126 (2011: £441,022) restricted capital grant from London Borough of Haringey for priority capital works to the building.

Alexandra Park and Palace Charitable Trust

Notes to the financial statements For the year ended 31 March 2012

2. Accounting policies (continued)

Investments

Fixed asset investments are shown at cost less provision for impairment in value in the Trust's accounts.

Valuation of fixed assets

The Act that established the Trust and set down the framework within which it should operate places restrictions on asset disposal. In the past no value has been put on the Park and Palace as this is deemed to be an inalienable asset as the Act of Parliament places restrictions on its disposal. With regard to assets brought forward at the beginning of the year this policy has continued as reliable cost information is not available and conventional valuation approaches lack sufficient reliability and significant costs would be involved which may be onerous compared with the additional benefit derived by users of the accounts. For new assets the Trust has adopted a policy of capitalising improvements to the buildings and other assets purchased.

Tangible fixed assets are shown at cost, less accumulated depreciation to date. Depreciation is provided on all tangible fixed assets and is calculated at rates designed to write off the cost of fixed assets over their expected useful lives. The rates applied are as follows:

Improvements to Palace and Park:	-	on a straight line basis over 10 to 20 years
Plant and machinery:	-	on a straight line basis over 10 years
Office equipment, furniture and fittings:	-	on a 25% reducing balance basis

Valuation of stocks

Stocks consist of purchased goods for resale. Stocks are valued at the lower of cost and net realisable value.

Bank account

The Alexandra Park and Palace bank account is included in the arrangements for the Council's pooled account. This amount is included in the balance sheet both as an asset and as an amount due to Haringey Council.

Provisions for liabilities

These accounts reflect the decision of the Attorney General that Haringey Council is entitled to indemnification for the revenue deficits for 1991/92 to 2011/2012. Haringey Council may also be entitled to indemnification for the years 1988/89 to 1990/91, and this amount has also been provided for in the accounts.

Both of these amounts include interest charged for the outstanding revenue deficits at the Council's Loan Pool Rate, up to 2004/05. No interest was charged between 2005/2006 and 2011/2012 as the Council has now written off that the debt in its accounts. However, as disclosed in the London Borough of Haringey accounts, the Council has not discharged this debt on the basis that it will still collect should the trust be in a position in the future to fully or partially repay. On this basis the trustees have continued to carry the liability in the Trust's accounts.

Related party transactions

Because of the close and unique relationship between Haringey Council and Alexandra Park and Palace, there are a significant number of transactions between the two parties. The extent of this relationship is detailed in Note 21 to the financial statements.

Alexandra Park and Palace Charitable Trust

Notes to the financial statements For the year ended 31 March 2012

1. Basis of accounting

The financial statements have been prepared under the historical cost convention and have been prepared in accordance with the Statement of Recommended Practice Accounting and Reporting by Charities (SORP 2005), and applicable accounting standards.

2. Accounting policies

Basis of consolidation

The consolidated financial statements comprise those of the Trust and its wholly-owned subsidiary, Alexandra Palace Trading Limited. The results of the subsidiary are consolidated on a line by line basis.

Fund accounting and permanent endowment

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Trust for a particular purpose. The aim and use of each restricted fund is set out in the notes to the financial statements.

The designated capital fund represents the net book value of fixed assets purchased with capital grant funding from the Council in 2009/10 and 2010/11.

The unrestricted fund represents the accumulated surpluses and deficits of the Group. The funds generated by the Trust are available for use at the discretion of the trustees in furtherance of the general objectives of the Trust.

Incoming resources

All incoming resources are included in the Statement of Financial Activities when the trust is legally entitled to the income, it is virtually certain that the incoming resource will be received and the amount can be quantified with reasonable accuracy. The financial statements therefore reflect income due to the Group but not received by the end of the year.

Funds received for the purchase of fixed assets are accounted for as restricted income. The treatment of the assets provided depends upon the restriction imposed by the grant and as the fixed assets' acquisition discharges the restriction then the assets will be held in designated funds. A corresponding transfer of the associated restricted income will be made to the designated fund in the year of purchase.

Deferred income within creditors is made up of advance lease payments, together with payments that have been received for events that will take place in future years. The bulk of this sum relates to the charity's trading company, Alexandra Palace Trading Limited.

Resources expended and the allocation of expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to this category. Where costs cannot be attributed to particular headings they have been allocated to activities on a basis consistent with the use of the resources. Allocated costs have been allocated on the average of floor area basis and head count basis.

Governance costs are the costs associated with the governance arrangements of the charity which relate to the general running of the charity as opposed to those costs associated with fundraising or charitable activity. Included within this category are costs associated with the strategic as opposed to day to day management of the charity's activities.

Support costs are those costs incurred in support of the expenditure on the objects of the Trust. These support costs are allocated across the categories of charitable expenditure, governance costs and the cost of generating funds.

Alexandra Park and Palace Charitable Trust

Consolidated cash flow statement For the year ended 31 March 2012

	Group 2012 £	Group 2011 £
Net cash inflow from operating activities	2,709,218	632,216
Returns on investments		
Interest received	6,682	1,894
Capital expenditure		
Fixed asset additions	(456,034)	(2,682,127)
Cash inflow/(outflow) before financing	<u>2,259,866</u>	<u>(2,048,017)</u>
Financing	78,069	2,103,278
Cash at 1 April	998,904	943,643
Cash at 31 March	<u><u>3,336,838</u></u>	<u><u>998,904</u></u>

Note to the consolidated cash flow statement

	Group 2012 £	Group 2011 £
Reconciliation of net outgoing resources to net cash outflow from operating activities		
Net outgoing resources before other recognised losses and transfers	(1,255,088)	(1,922,195)
Depreciation	312,817	167,524
Charges (less than)/in excess of pension contributions	(50,000)	25,000
Interest receivable	(6,682)	(1,894)
(Increase)/decrease in stocks	(1,138)	3,784
Decrease/(increase) in debtors	196,687	(352,513)
Increase in creditors	791,706	1,169,725
Increase in provisions	2,720,916	1,542,785
Net cash inflow from operating activities	<u><u>2,709,218</u></u>	<u><u>632,216</u></u>

Alexandra Park and Palace Charitable Trust

Consolidated and trust balance sheets As at 31 March 2012

	Note	Group 2012 £	Group 2011 £	Trust 2012 £	Trust 2011 £
Fixed assets					
Tangible assets	13	3,280,810	3,137,593	3,268,964	3,122,805
Investments	14	-	-	2	2
		3,280,810	3,137,593	3,268,966	3,122,807
Current assets					
Stocks	15	97,681	96,543	-	-
Debtors: due within one year	16	1,035,664	1,217,351	1,677,769	204,968
Debtors: due after more than one year	17	-	15,000	-	294,831
Cash at bank and in hand		3,336,838	998,904	57,307	90,348
		4,470,183	2,327,798	1,735,076	590,147
Creditors: amount falling due within one year	18	(3,706,750)	(2,637,167)	(761,217)	(901,802)
Net current assets		821,428	(309,369)	1,031,859	(311,655)
Total assets less current liabilities		4,102,242	2,828,224	4,300,825	2,811,152
Creditors: amounts falling due after more than one year	19	(2,091,055)	(2,290,865)	(2,091,055)	(2,070,460)
Provisions for liabilities	22	(45,586,473)	(42,865,557)	(45,586,473)	(42,865,557)
Net liabilities excluding pension scheme liability		(43,633,286)	(42,328,198)	(43,434,703)	(42,124,865)
Defined benefit pension scheme liability	28	(466,000)	(349,000)	-	-
Net liabilities including pension scheme liability		(44,099,286)	(42,677,198)	(43,434,703)	(42,124,865)
Accumulated deficit					
Unrestricted deficit funds		(44,711,522)	(42,987,134)	(44,512,939)	(42,783,801)
Designated capital fund		1,073,793	649,960	1,073,793	649,960
Pension reserve		(466,000)	(349,000)	-	-
	25	(44,103,729)	(42,686,174)	(43,439,146)	(42,133,841)
Restricted funds		4,443	8,976	4,443	8,976
Total deficit		(44,099,286)	(42,677,198)	(43,434,703)	(42,124,865)

Approved by the Board of Trustees on 24 July 2012 and signed on its behalf by:

Councillor Matt Cooke

The notes on pages 16 to 36 form an integral part of these financial statements.

Alexandra Park and Palace Charitable Trust

Trust statement of financial activities For the year ended 31 March 2012

	Note	Unrestricted funds £	Restricted funds £	Total 2012 £	Total 2011 £
Incoming resources:					
Incoming resources from generated funds					
Voluntary income	3	135	520,126	520,261	462,205
Activities for generating funds	4	1,063,248	-	1,063,248	172,150
Incoming resources from charitable activities	5	232,448	-	232,448	210,439
Other incoming resources		250		250	4,129
Total incoming resources		1,296,080	520,126	1,816,206	5,425,316
Resources expended:					
Charitable activities					
Governance costs		3,025,566	4,533	3,030,099	2,652,249
		95,946	-	95,946	96,072
Total resources expended	7, 10	3,121,512	4,533	3,126,045	2,748,321
Net outgoing resources before transfers		(1,825,431)	515,593	(1,309,838)	(1,899,398)
Transfers		520,126	(520,126)	-	-
Net movement in funds		(1,305,305)	(4,533)	(1,309,838)	(1,899,398)
Opening deficit fund balance 1 April		(42,133,841)	8,976	(42,124,865)	(40,225,467)
Closing deficit fund balance	25	(43,439,146)	4,443	(43,434,703)	(42,124,865)

The notes on pages 16 to 33 form an integral part of these financial statements. All of the above amounts are derived from continuing activities. There were no other recognised gains or losses in either year except for those dealt with above.

Alexandra Park and Palace Charitable Trust

Consolidated statement of financial activities For the year ended 31 March 2012

	Notes	Unrestricted funds £	Restricted funds £	Total 2012 £	Total 2011 £
Incoming resources:					
Incoming resources from generated funds					
Voluntary income	3	135	520,126	520,261	462,205
Activities for generating funds	4	6,881,101	-	6,881,101	4,746,649
Incoming resources from charitable activities	5	232,448	-	232,448	210,439
Investment income	6	6,682	-	6,682	1,894
Other incoming resources		250		250	4,129
Total incoming resources		7,120,616	520,126	7,640,742	5,425,316
Resources expended:					
Cost of generating funds					
Fundraising Trading cost of goods sold and other costs		5,751,375	-	5,751,375	4,572,005
Charitable activities		3,025,566	4,533	3,030,099	2,652,249
Governance costs		114,355	-	114,355	123,257
Total resources expended	7, 10	8,891,296	4,533	8,895,829	7,347,511
Net outgoing resources before other recognised losses and transfers		(1,770,680)	515,593	(1,255,087)	(1,922,195)
Transfers		520,126	(520,126)	-	-
Actuarial loss on pension scheme		(167,000)	-	(167,000)	654,000
Net movement in funds		(1,417,554)	(4,533)	(1,422,087)	(1268,195)
Opening deficit fund balance 1 April		(42,686,172)	8,974	(42,677,198)	(41,409,003)
Closing deficit fund balance	25	(44,103,726)	4,441	(44,099,285)	(42,677,198)

The notes on pages 16 to 36 form an integral part of these financial statements. All of the above amounts are derived from continuing activities.

Alexandra Park and Palace Charitable Trust

Independent auditor's report to the Trustees of Alexandra Park and Palace Charitable Trust (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept by the parent charity; or
- the parent charity 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.

Deloitte LLP

Chartered Accountants and Statutory Auditor

London, UK

[Date]

Deloitte LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006 and consequently to act as the auditor of a registered charity.

Alexandra Park and Palace Charitable Trust

Independent auditor's report to the Trustees of Alexandra Park and Palace Charitable Trust (continued)

We have audited the group and parent charity financial statements of Alexandra Park and Palace Charitable Trust for the year ended 31 March 2012 which comprise the Consolidated Statement of Financial Activities, the Trust Statement of Financial Activities, the Consolidated and Trust Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees, as a body, in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act, and The Alexandra Park and Palace (Public Purposes) Act 1900. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement, the trustees are responsible for the preparation of the financial statements which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act and The Alexandra Park and Palace (Public Purposes) Act 1900. 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 group and the parent charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charity's affairs as at 31 March 2012, 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 and The Alexandra Park and Palace (Public Purposes) Act 1900.

Alexandra Park and Palace Charitable Trust

Statement of directors' responsibilities

Related Parties

- 5.8 The Alexandra Park and Palace Charitable Trust does not have any formal links with other charities. It does, however, work closely with other charities through the facilities provided for community uses and the relationship with the Consultative Committee, whose membership comprises representatives of many local charitable organisations.
- 5.9 The "friends" group for the theatre was set up to promote activities to raise awareness of and funds for the refurbishment of the Victorian theatre. The theatre group has benefited from wide publicity and has attracted some high profile celebrities as patrons to support its work.
- 5.10 The other relevant body with whom the Trust has direct links is Haringey Council as corporate trustee. The registered address of the Council is Civic Centre, High Road, Wood Green, London N22 8LE.

Auditor

- 5.11 The Board of Alexandra Park and Palace Charitable Trust has resolved to re-appoint Deloitte LLP as auditor to the Trust for the financial year ended 31 March 2013.

This report was approved and authorised for issue by the Trust on x date and signed on its behalf by:

Councillor Matt Cooke
Chair of the Board of Trustees

Alexandra Park and Palace Charitable Trust

Statement of directors' responsibilities

Statement of trustees' responsibilities

- 5.3 The trustees are responsible for preparing the Annual Report and the financial statements. The trustees have chosen to prepare the financial statements for the charity and the Group in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

United Kingdom charity law requires the trustees to prepare such financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the Group and of the financial activities for that period. In preparing those 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; and
- 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 which disclose with reasonable accuracy at any time the financial position of the charity and the Group and which enable them to ensure that the financial statements comply with the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP 2005). They are also responsible for safeguarding the assets of the charity and the Group and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

Future Plans

- 5.4 The trustees are firmly committed to the regeneration of Alexandra Palace and Park to safeguard these important and historic assets for future generations. A conservation plan and a spatial masterplan have both been drawn up and the results have been the subject of a public consultation exercise during June 2012. Once the results of the consultation have been analysed more detailed plans will be drawn up which are likely to include an application for Heritage Lottery Funding for the theatre and part of the BBC studios and an approach to potential private sector partners to implement other aspects of the plan.
- 5.5 While the project to regenerate Alexandra Palace continues, the trustees intend to use the charity's limited resources to ensure that the delivery of its charitable activities is continued and expanded. Key areas of buildings dilapidations will continue to be addressed using the £500,000 capital grant from the Council.
- 5.6 The appointment of a new Chief Executive to lead both the Trust and the trading company has resulted in closer working and a more integrated approach to planning and decision making. A revised business plan to 2015/16 has been drawn up spanning both entities to provide a "base case" which shows how the Trust would develop without regeneration. The business plans for individual regeneration projects are also being prepared and adjusted as proposals are refined in the light of the public consultation.
- 5.7 Alexandra Palace Trading Limited will continue to focus on its events business, which has brought in an exciting calendar of live music events for the coming year and secured Holland Heineken House for the Olympic Games in 2012. The Company is also expanding its portfolio of live sport, exhibitions, conferences and other events. The Company will continue to build on the success of the re-launched ice rink facility and re-branded Bar & Kitchen pub, with targeted investments in "spend to save" and revenue generating initiatives with a quick payback.

Alexandra Park and Palace Charitable Trust

Statement of directors' responsibilities

5. Financial review

- 5.1 The Trust continues to benefit from substantial funding from its corporate trustee, London Borough of Haringey. All the available net revenue income is directed toward the provision and maintenance of the assets, namely the 79 hectares of parkland and the Grade II listed Victorian property. The charity does not have any capital reserves and limited alternative sources of funding and has not therefore considered it appropriate to develop a formal reserves policy. Trust expenditure is guided by the basic objects of the Trust and aimed toward maximising public benefit from the provision of the Palace and Park. The decisions on items of expenditure are made with independent professional advice, where necessary, in the overall context of the available budget.

Alexandra Park and Palace Charitable Trust is a going concern due to the ongoing financial support of the corporate trustee. It is the Council's current policy to continue to provide funding to the Alexandra Park and Palace Charitable Trust until such time as the support of the Council is no longer required. The Council has confirmed in writing that it has considered and approved within its budgets funding, including ongoing revenue support, for the Trust for a period of not less than twelve months from the date of signing the accounts.

The results of Alexandra Palace Trading Limited are shown in Note 14 of the accounts. 2011/12 was a very good year for the Trading Company, enabling it to make a gift aid contribution of £893k to the Trust. The ice rink was back in operation following its closure for nine months of the 2010/11 and sales grew back up to and exceeded levels experienced before the closure. The events business put in a particularly strong performance with more concerts and a particularly successful Darts event. Following its rebranding the Bar and Kitchen pub also showed significant growth.

The Trust's running costs were £3.1 million and include significant expenditure on repairs to the building and equipment, maintenance of the building and park and security. Total income generated of £1.8m million results in an overall funding shortfall of £1.3 million. This shortfall is met by the London Borough of Haringey.

- 5.2 *In addition there is a cumulative sum of £45.5 million representing cumulative operating deficits of £28.2 million and associated accumulated interest charges of £17.3 million for the years 1989-2004.*

The corporate trustee has previously made arrangements for the funding of the deficit on an annual basis but has now written off that sum in its accounts. However, as disclosed in the London Borough of Haringey accounts the Council has not discharged this debt on the basis that it will still collect should the Trust be in a position in the future to fully or partially repay. On this basis the trustees have continued to carry the liability in the Trust's accounts.

Alexandra Park and Palace Charitable Trust

Statement of directors' responsibilities

Activities

- 4.2 In shaping the Trust's objectives and planning its activities for the year, the trustees have considered the Charity Commission's guidance on public benefit. The Trust's core areas of activity include:
- a) the provision and maintenance of the park for free use by the public, including the establishment and replacement of park footpaths and trails, the provision of a nature/wildlife conservation area, the planting of arboreta, ornamental flowerbeds and rose gardens, upkeep and improvement to a boating lake, children's zoo, children's play area, a skateboard park, cricket pitches, football fields and associated car parking;
 - b) the provision of outdoor events and activities, including a circus, farmer's market, pitch and putt course, children's funfairs, soft play facility, pedalos, school tours, a bicycle trail and the provision of displays and mini exhibitions;
 - c) the continued expenditure on the Victorian building, including the original theatre and organ; the original high definition television studios and the maintenance of areas within the Palace to provide a safe environment for the public; and
 - d) the hiring of space and the provision of catering for a wide range of public and private events including concerts, live sporting events, conferences, banquets, weddings and exhibitions, the running of the Bar & Kitchen public house and the ice rink. These activities are carried out via the Trust's wholly owned trading subsidiary, Alexandra Palace Trading Limited. The company's profits are paid annually to the Trust via gift aid to contribute towards the fulfilment of the Trust's charitable objectives.

Achievements for the year

- 4.3 2011/12 saw Alexandra Palace embrace our heritage with the opening of the BBC studios and transmitter hall to the public in celebration of 75 years of BBC television broadcast. The BBC also celebrated 50 years of Songs of Praise which saw a 6,000 attendance in the Great Hall with famous faces from across the years. Our sporting portfolio continued to grow with the World Darts Championships seeing another successful year completed and the much anticipated inaugural year of the Masters Snooker Championships which moved from their home at Wembley to their new home at Alexandra Palace, both events were broadcast on Sky and BBC respectively.
- 4.4 The 79 hectares of parkland continue to be a strong public attraction for both formal and informal recreation purposes. The park has held a Green Flag Award since 2008, was awarded Silver Gilt by London in Bloom in 2009 and 2011 and achieved the Green Heritage Award in 2010, 2011.
- 4.5 It has been an excellent yet challenging year for Alexandra Palace Trading Limited with over 120 unique events taking place. The amount of live events increased by 73% including 18 nights of music, the venue received its first "Cool Venue" Award from Prestige Events Publishers in recognition for excellent service delivery and creative customer experience. Alexandra Palace also received a top ten spot in Time Out magazine for "London's Best Live Music Venue" voted for by the Time Out readers. Gig of the Week was also won by the Black Keys who performed at Alexandra Palace in February.
- 4.6 The Trust secured £500,000 capital funding from London Borough of Haringey for 2011/12 to address key areas of buildings dilapidations. A number of capital projects have been completed in the year including:
- Fire alarm upgrade
 - Repairs to the fire main
 - Lift repairs
 - Repairs to street lighting
- 4.7 The Trust continued to make improvements in sustainability and value for money during the year, with the successful implementation of a savings plan in 2011 and the introduction of waste recycling bins across the site.

Alexandra Park and Palace Charitable Trust

Statement of directors' responsibilities

The systems can only provide a reasonable and not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

Governance and Regeneration

3.17 In 2011 the charity took significant steps towards improving its governance arrangements during the year. The Board adopted the NCVO Code of Good Governance and resolved to appoint Independent Advisors with specific skills, experience and expertise to assist the trustees with both the Regeneration Project and the overall governance of the charity.

3.18 During that year, following consultation with stakeholders, the Board adopted a new Mission and Vision to shape the future development of the site. The Mission is:

'To uphold, maintain and repair the Palace and to maintain the Park and Palace as a place of public resort and recreation and for other public purposes.'

This Mission is enshrined in the Alexandra Park and Palace Act 1985. The charity's Vision is:

'To regenerate Alexandra Palace & Park, in the pioneering spirit of our founders, creating a proud, iconic London destination with global appeal – a successful, valuable and sustainable asset for all, including the local community and stakeholders'.

The charity's Mission and Vision formed the cornerstone of an Options Appraisal and Feasibility Study on the future development of the site. The study drew on previous reports, studies and consultation exercises and involved detailed consultations with a wide range of stakeholders. The aim of the study was to identify a single 'strategic concept' for the site, which would be commercially viable whilst reflecting its history, heritage and community value.

On 9 May 2011, the Board agreed to adopt a strategic concept of 'Leisure and Entertainment' for Alexandra Palace with 'live music' as its core use, to underpin master planning for the site. Following a detailed survey of the palace by conservation architects Donald Insall Associates, a spatial master plan was prepared by Terry Farrell and Partners which highlighted how the palace could be improved, centred around six ideas: improving first impressions; upgrading the entrances; making it easier to move around; upgrading the main halls; creating a hotel in part of the palace and opening up the derelict spaces, including the theatre and BBC studios. On 7th June 2012 the Board agreed to proceed with a public consultation exercise based around the conservation report and the spatial masterplan, the results of which are currently being analysed.

Volunteers

3.19 The charity employs a number of volunteers in the conservation area and the Information Centre and hopes to develop further volunteering opportunities over the coming years. The charity would like to thank all its volunteers for their very valuable contribution to Alexandra Palace during the year.

4. Objects and activities

Charitable Objects

4.1 The principal object of Alexandra Park and Palace Charitable Trust is the maintenance as an open space and provision of the Park and Palace for the free use and recreation of the public forever, as defined in the 1985 Act.

Alexandra Park and Palace Charitable Trust

Statement of directors' responsibilities

The Consultative Committee

3.13 The trustees have established a Consultative Committee which does not have a statutory role but whose existence allows those organisations who have an interest in Alexandra Park and Palace to exchange views with and receive information from the Trust. The objects of the Consultative Committee are set out in its constitution as:

- 1) *To give representatives of appropriate local and national organisations the opportunity of full discussion on general matters affecting Alexandra Park and Palace;*
- 2) *To give the Board of Charity Trustees the opportunity of discussing and explaining to the organisations matters affecting the overall policy and efficient management of Alexandra Park and Palace;*
- 3) *To promote better understanding between the Board of Charity Trustees and local organisations;*
- 4) *To enable appropriate local (and national) organisations to participate in decisions of direct concern to them; and*
- 5) *To further Alexandra Park and Palace as a conservation area.*

Group Structure and Relationships

3.14 The charity has a wholly owned non-charitable trading subsidiary, Alexandra Palace Trading Ltd. whose objectives, activities and performance are described in paragraphs 4.2, 4.6 and 5.1 below.

Risk Management

3.15 The trustees have overall responsibility for ensuring that adequate systems of control, financial and otherwise, exist. They are responsible for safeguarding the assets of the charity, taking reasonable steps for the prevention and detection of fraud and other regularities and providing reasonable assurance that;

- the charity is operating efficiently and effectively;
- its assets are safeguarded against unauthorised use or disposal;
- proper records are maintained and financial information is reliable; and
- the charity complies with relevant laws and regulations.

The Trust maintains a formal risk management framework and detailed risk register to identify and monitor the key risks facing the charity, supported by more detailed monitoring mechanisms for health and safety and compliance.

3.16 The system of internal financial control is based on a framework of regular management information, administrative procedures, including the segregation of duties, and a system of delegation and accountability. The Trustees have a process to identify, review and manage the significant risks faced by the Trust, including:

- the development of a formal risk register, supported by a compliance matrix and health and safety risk register;
- the appointment of internal auditors, Mazars, and approval of a three year internal audit plan;
- comprehensive budgeting systems with an annual capital and revenue budget which is agreed by the Board;
- the adoption of an annual business plan by the Trust which is aligned to its budget setting process;
- regular monitoring by the trustees of periodic and annual financial reports which show performance against budget and forecast income and expenditure for the financial year;
- setting targets to measure financial and other performance; and
- the Board agreeing the expenditure on the building and park to ensure its appropriateness in meeting the basic objects of the charity.

Alexandra Park and Palace Charitable Trust

Statement of directors' responsibilities

Organisational Management

3.9 The Alexandra Park & Palace Board ("the Board") meets as charity trustees to consider matters of policy, strategy and objectives. The charity trustees hold a set programme of meetings each year. Other special meetings may be called from time to time. During the year ended 31 March 2012 the Board held six ordinary meetings.

3.10 The Board conducts its business under the delegations provided from the corporate trustee as follows:

The Council has delegated to the Board all the functions of the Council as Trustee of Alexandra Park and Palace under the Alexandra Park and Palace Acts and Orders 1900 to (now) 2004 and, without prejudice to the generality of this, these functions include:

- (a) The duty to uphold, maintain and repair the Palace and to maintain the Park and Palace as a place of public resort and recreation and for other public purposes;*
- (b) Acting as the employing body for employees engaged in the working of the Trust at Alexandra Palace, and to be responsible for the setting of staffing policies, conditions of service and terms of employment of those employees; and*
- (c) In relation to the Trust, being responsible for developing and monitoring the implementation of effective policies and practices to achieve equality of opportunity both for employment and service delivery.*

The Board also appoints a panel of members to consider matters of urgency. There were no panel meetings during the financial year.

3.11 The day to day organisation and management of the charity is delegated to the Chief Executive, Duncan Wilson.

The Statutory Advisory Committee

3.12 The Alexandra Park and Palace Board receives advice from the Statutory Advisory Committee which was established under Section 9 of the Alexandra Park and Palace Act 1985. The role of the Advisory Committee is set out in Schedule 1, Part III Section 19 of that Act, which reads:

- 1. The powers and duties of the Advisory Committee shall be to promote the objects of the Trust and assist the trustees in fulfilling the trusts by considering and advising the trustees on the following matters:*
- 2. The general policy relating to the activities and events arranged or permitted in the Park and Palace;*
- 3. The effects of such activities and events on the local inhabitants and local environment;*
- 4. The frequency of activities and events attracting more than 10,000 people at any one time and the maximum number to be permitted on such occasions;*
- 5. The adequacy of car parking arrangements within the Park and Palace so as to avoid overflow into adjoining residential streets;*
- 6. Any proposals which require planning permission;*
- 7. The establishment and maintenance of the Park as a Metropolitan Park; and*
- 8. The furtherance of recreation and leisure in Alexandra Park and Palace.*

Alexandra Park and Palace Charitable Trust

Statement of directors' responsibilities

3. Structure, governance and management

The Governing Document

- 3.1 The Alexandra Park and Palace (Public Purposes) Act 1900 constituted a trustee body corporate to maintain and manage Alexandra Park and Palace. Subsequent Acts of Parliament in 1903, 1905 and 1913 conferred further powers on the trustees. In 1966, an order transferred the functions of the trustees to the now defunct G.L.C. Following a court case in 1967, the trusts declared by the 1900 Act were held to be valid charitable trusts, although they were not registered with the Charity Commission until March 1981. The trusts were transferred to the London Borough of Haringey which became the trustee on 1 January 1980. Subsequent to a major fire in July 1980 and a Public Inquiry which ended in 1983, the Alexandra Park and Palace Act 1985 amended the previous legislation in significant parts.
- 3.2 In February 2004, The Charities (Alexandra Park and Palace) Order 2004 came into force. This empowers the trustees to lease the whole or part or parts of the Palace and its immediate surrounding area for a term not exceeding 125 years subject to obtaining the consent by order made under the Charities Act 1993 of the Charity Commissioners. The Order does not amend the purposes for which either the Park or Palace are held in trust. The governing documents for the Trust are now collectively known as the Alexandra Park and Palace Acts and Orders 1900-2004.

The Governing Body and Appointment of Trustees

- 3.3 The Council of the London Borough of Haringey is trustee of the Trust. The Council delegates the entire function of trustee to the Alexandra Park and Palace Board. The Council annually elects individual members to sit on the Alexandra Park and Palace Board to act as the charity trustees. The appointments reflect the political balance of the Council. The Charity trustees are those persons having the general control and management of the administration of the Trust.
- 3.4 The charity trustees are members of the Council but must act exclusively in the best interests of the Trust when dealing with Trust matters. The Council may elect different charity trustees each municipal year. However, all charity trustees step down for the local government elections. Those re-elected may be re-appointed at the annual general meeting of the Council held in May of each year.
- 3.5 In addition, three members of the Consultative Committee sit on the Board each year but those appointed are not charity trustees and do not have any voting powers. For the year ended 31 March 2012 they were:

Mr C Marr
Ms V Tarpey
Mr N Willmott

- 3.6 The Chair of the Statutory Advisory Committee (see paragraph 3.12) also formally attends the Board meetings in an observer capacity. For the year ended 31 March 2012 it was Mr Dennis Heathcote.
- 3.7 The London Borough of Haringey has been advised by Leading Counsel that the Trust 'is a function of the Council' as defined in Section 101 of the Local Government Act 1972. The Trust is therefore subject to the full range of local government legislation by virtue of this advice in addition to the specific charity legislation.

Trustee Induction and Training

- 3.8 At the beginning of each municipal year, a trustee induction meeting is arranged and takes place under the auspices of the charity's solicitors. The charity trustees are provided with the governing document together with key reports, minutes of previous meetings, budgets and audited accounts for the previous three financial years. Further training is considered on an individual basis.

Alexandra Park and Palace Charitable Trust

Statement of directors' responsibilities

1. Introduction

- 1.1 The trustees are pleased to present their annual report for Alexandra Park and Palace Charitable Trust ("the Trust"), together with the Trust's consolidated financial statements, for the year ended 31 March 2012, prepared in accordance with the Statement of Recommended Practice – Accounting and Reporting by Charities (SORP 2005) and applicable UK accounting standards.

2. Reference and administrative information

Charity number	281991
Chief Executive	Duncan Wilson
Registered Office	Alexandra Palace Alexandra Palace Way Wood Green London N22 7AY
Auditor	Deloitte LLP Chartered Accountants and Statutory Auditor 2 New Street Square London EC4A 3BZ
Bankers	Royal Bank of Scotland plc 280 Bishopsgate London EC2M 4RB
Solicitors	Bates Wells & Braithwaite 2-6 Cavendish Street London EC4M 6YH

Trustees

The following were members of the Board of Trustees during the year and to the date of this report:

Councillor Matt Cooke (Chair of the Board)	(appointed 23 May 2011)
Councillor Patrick Egan (Chair of the Board)	(resigned 23 May 2011)
Councillor James Stewart (Vice-Chair)	(appointed 24 May 2010)
Councillor Alan Strickland (Vice-Chair)	(resigned 23 May 2011)
Councillor Bob Hare	
Councillor Sheila Peacock	
Councillor Neil Williams	
Councillor Nigel Scott	
Councillor Ann Waters	(appointed 23 May 2011, resigned 21 May 2012)
Councillor Ali Demirci	(appointed 21 May 2012)

Alexandra Park and Palace Charitable Trust

Report and financial statements 2012

Contents	Page
Trustees' annual report	1
Independent auditors report	10
Consolidated statement of financial activities	12
Trust statement of financial activities	13
Consolidated and trust balance sheets	1
Consolidated cash flow statement	1
Notes to the financial statements	1

Charity Number: 281991

Alexandra Park and Palace Charitable Trust

**Trustees' Annual Report and Consolidated
Financial Statements**

For the year ended 31 March 2012

Alexandra Park and Palace Charitable Trust

Notes to the financial statements For the year ended 31 March 2012

13. Tangible fixed assets

Group	Improvements to Palace and Park £	Plant and machinery £	Office equipment, furniture and fittings £	Total £
Cost				
At 1 April 2011	2,678,265	870,285	570,503	4,119,053
Additions	55,723	348,059	52,252	456,034
At 31 March 2012	<u>2,733,988</u>	<u>1,218,344</u>	<u>622,755</u>	<u>4,575,087</u>
Depreciation				
At 1 April 2011	163,383	422,779	395,298	981,460
Charge for the year	168,165	94,054	50,598	312,817
At 31 March 2012	<u>331,548</u>	<u>516,833</u>	<u>445,896</u>	<u>1,294,277</u>
Net book value				
At 31 March 2012	<u>2,402,440</u>	<u>701,511</u>	<u>176,859</u>	<u>3,280,810</u>
At 31 March 2011	<u>2,514,882</u>	<u>447,506</u>	<u>175,205</u>	<u>3,137,593</u>

Trust only	Improvements to Palace and Park £	Plant and machinery £	Office equipment, furniture and fittings £	Total £
Cost				
At 1 April 2011	2,678,265	870,285	522,714	4,071,264
Additions	55,723	348,059	51,367	455,149
At 31 March 2012	<u>2,733,988</u>	<u>1,218,344</u>	<u>574,081</u>	<u>4,526,413</u>
Depreciation				
At 1 April 2011	163,383	422,778	362,299	948,459
Charge for the year	168,165	94,054	46,771	308,990
At 31 March 2012	<u>331,548</u>	<u>516,832</u>	<u>409,070</u>	<u>1,257,449</u>
Net book value				
At 31 March 2012	<u>2,402,440</u>	<u>701,511</u>	<u>165,011</u>	<u>3,268,964</u>
At 31 March 2011	<u>2,514,882</u>	<u>447,507</u>	<u>160,415</u>	<u>3,122,805</u>

Alexandra Park and Palace Charitable Trust

Notes to the financial statements For the year ended 31 March 2012

14. Fixed asset investments

Trust only	2012	2011
	£	£
Shares in trading subsidiary At 1 April and 31 March	2	2

The Trust owns the entire share capital of its trading subsidiary Alexandra Palace Trading Limited, a company registered in England and Wales. Alexandra Palace Trading Limited raises funds for Alexandra Park & Palace Charitable Trust through the hiring of halls and catering for exhibitions, banquets, conferences, weddings and other events and the running of the Phoenix Public House and the ice rink.

Alexandra Palace Trading Limited paid £893,248 (2011: £72,150) gift aid to Alexandra Park & Palace Charitable Trust. The net income attributable to the group is consolidated on a line by line basis in the consolidated statement of financial activities. A summary of the results is shown below:

	2012	2011
	£	£
Turnover	66,881,101	4,746,649
Interest income	6,682	1,894
	<u>6,887,783</u>	<u>4,748,543</u>
Cost of sales	(5,092,354)	(3,967,629)
Administrative expenses	(847,430)	(731,561)
	<u>(5,939,784)</u>	<u>(4,699,190)</u>
Net income to the group	947,999	49,353
Gift Aid to the Trust	(893,248)	(72,150)
Retained profit/(loss)	<u>54,751</u>	<u>(22,797)</u>
Retained deficit brought forward	(552,331)	(1,183,534)
Actuarial loss on pension fund	(167,000)	654,000
Retained deficit carried forward	<u>(664,580)</u>	<u>(552,331)</u>

15. Stock

	Group	Group	Trust	Trust
	2012	2011	2012	2011
	£	£	£	£
Food and beverages	78,479	78,543	-	-
Disposables	16,731	15,530	-	-
Other	2,470	2,470	-	-
	<u>97,680</u>	<u>96,543</u>	<u>-</u>	<u>-</u>

Alexandra Park and Palace Charitable Trust

Notes to the financial statements For the year ended 31 March 2012

16. Debtors: amounts falling due within one year

	Group 2012 £	Group 2011 £	Trust 2012 £	Trust 2011 £
Trade debtors	929,517	1,061,928	21,436	75,597
Other amounts due from subsidiary undertaking	-	-	704,383	-
Gift aid due from subsidiary undertaking	-	-	893,248	72,150
Other debtors	-	38,329	-	-
Prepayments and accrued income < one year	106,147	117,094	58,702	57,221
	<u>1,035,664</u>	<u>1,217,351</u>	<u>1,677,769</u>	<u>204,968</u>

17. Debtors: amounts falling due after more than one year

	Group 2012 £	Group 2011 £	Trust 2012 £	Trust 2011 £
Prepayments and Accrued Income	-	15,000	-	-
Amount due from subsidiary undertaking	-	-	-	294,831
	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>294,831</u>

18. Creditors: amount falling due within one year

	Group 2012 £	Group 2011 £	Trust 2012 £	Trust 2011 £
Trade creditors	979,772	864,849	383,083	587,743
Other taxes and social security cost	129,460	237,518	-	-
Other creditors	36,100	20,019	100	-
Accruals	516,654	452,313	284,554	236,955
Deferred income	1,954,474	1,029,650	3,188	44,286
Ice rink refurbishment loan	90,292	32,818	90,292	32,818
	<u>3,706,752</u>	<u>2,637,167</u>	<u>761,217</u>	<u>901,802</u>

Alexandra Park and Palace Charitable Trust

Notes to the financial statements For the year ended 31 March 2012

19. Creditors: amount falling due after more than one year

	Group 2012 £	Group 2011 £	Trust 2012 £	Trust 2011 £
Ice rink refurbishment loan	2,091,055	2,070,460	2,091,055	2,070,460
Deferred income	-	220,405	-	-
	<u>2,091,055</u>	<u>2,290,865</u>	<u>2,091,055</u>	<u>2,070,460</u>

Deferred income represents payments received for events that will take place in future years and lease rental payments received in advance.

The ice rink refurbishment loan is a long term loan from London Borough of Haringey to refurbish the ice rink facility, of which £90,292 is repayable within one year. The remainder of the loan is repayable over a twelve year period.

20. Creditors: amount falling due after more than one year

	Group 2012 £	Group 2011 £	Trust 2012 £	Trust 2011 £
Ice rink refurbishment loan	2,149,055	2,070,460	2,149,055	2,070,460
Deferred income	-	220,405	-	-
	<u>2,149,055</u>	<u>2,290,865</u>	<u>2,149,055</u>	<u>2,070,460</u>

21. Deferred income

	Group 2012 £	Group 2011 £	Trust 2012 £	Trust 2011 £
Reconciliation of movement:				
Balance brought forward	1,250,055	540,139	44,286	48,989
Amount released to SOFA during the year	(54,732)	(540,139)	(44,286)	(48,989)
Amount deferred during the year	759,151	1,250,055	3,188	44,286
Balance carried forward	<u>1,954,474</u>	<u>1,250,055</u>	<u>3,188</u>	<u>44,286</u>

Alexandra Park and Palace Charitable Trust

Notes to the financial statements For the year ended 31 March 2012

22. Provisions for liabilities

	Group 2012 £	Group 2011 £	Trust 2012 £	Trust 2011 £
Haringey Council: Indemnification	45,586,473	42,865,557	45,586,473	42,865,557
Reconciliation of movement:				
Balance brought forward	42,865,557	41,322,772	42,865,557	41,322,772
Amount charged to SOFA	495,682	356,555	495,682	356,555
Transfer to bank less VAT debtor	2,225,234	1,186,230	2,225,234	1,186,230
Balance carried forward	45,586,473	42,865,557	45,586,473	42,865,557

The relationship between the Trust and the London Borough of Haringey:

The Council of the London Borough of Haringey is Trustee of the Trust. The Council delegates the entire function of trustee to the Alexandra Park and Palace Board. The Council elects individual members to sit on the Alexandra Park and Palace Board to act as the charity trustees. The charity trustees are those persons having the general control and management of the administration of the Trust. All employees of the Trust are employees of Haringey Council as trustee and are included in the Council's pension arrangements.

Due to the nature of the relationship between the Trust and Haringey Council there are a number of significant related party transactions. These amounts are consolidated into the Trust's financial statements. However, due to the unique nature and structure of the relationship it is thought appropriate to disclose these items: general rates of £54,360 (2011: £52,080); exhibition licences of £49,187 (2011: £47,850); other licence fees £350 (2011: £7,425) public liability insurance £38,713 (2011: £37,954); APTL liability insurance of £19,356 (2011: £18,977); legal and professional fees £26,581 (2011: £50,208); road repairs £nil (2011: £7,500); printing and other sundry items of £1,021 (2011: £5,144).

Alexandra Park and Palace Charitable Trust is a going concern due to the ongoing support of the corporate Trustee, London Borough of Haringey. It is the Council's current policy to continue providing this support until such time as it is no longer required. The deficits incurred each year form part of the provision due to Haringey Council and are shown as a creditor on the balance sheet.

Alexandra Park and Palace Charitable Trust

Notes to the financial statements For the year ended 31 March 2012

22. Provisions for liabilities (continued)

The analysis of the current year's figure is as follows:

	Accumulated balance £'000	Interest £'000	Total £'000
Indemnification 1991/92 to 1994/95 (1)	5,005	9,881	14,886
Indemnification 1995/96 to 2010/11(2)	22,450	4,854	27,304
Provision: 1988/89 to 1990/91 (3)	755	2,641	3,396
	<u>28,210</u>	<u>17,376</u>	<u>45,586</u>

1. This is the amount which the Attorney General has agreed that Haringey Council is entitled to, in respect of expenditure incurred from operational deficits in the financial years 1991/92 to 1994/95.

2. This is the amount relating to the operational deficits for 1995/96 to 2010/11 which the Attorney General has agreed in principle that Haringey Council is entitled to. The final value has yet to be formally agreed. (The operational deficit is calculated as the deficit for the year before interest, the increase in working capital in the year and the capital spend in the year).

3. Haringey Council may also be entitled to indemnification for the operational deficits from 1988/89 to 1990/91, so this amount has also been provided for.

23. Accumulated unrestricted funds

	Balance 1 April 2011 £	Incoming resources £	Resources expended £	Transfers £	Actuarial gain/loss £	Balance 31 March 2012 £
Trust deficit funds	42,987,134	(7,120,618)	8,845,003	-	-	44,711,519
Pension deficit funds	349,000	-	(50,000)	-	167,000	466,000
Designated capital funds	(649,960)	-	96,293	(520,126)	-	(1,073,793)
	<u>42,686,174</u>	<u>(7,120,618)</u>	<u>8,891,296</u>	<u>(520,126)</u>	<u>167,000</u>	<u>44,103,726</u>

The above amounts represent the deficit equity of the Group and include £719,331 (2010: £552,329) of the trading subsidiary retained losses carried forward.

Alexandra Park and Palace Charitable Trust

Notes to the financial statements For the year ended 31 March 2012

24. Restricted funds

	Balance 1 April 2011	Incoming resources £	Expenditure and transfers £	Balance 31 March 2012
Environment Agency Grant	1,158	-	-	1,158
Organ Appeal Fund	4,533	-	(4,533)	-
Theatre Fund	232	-	-	232
English Heritage	3,053	-	-	3,053
	<u>8,976</u>	<u>-</u>	<u>(4,533)</u>	<u>4,443</u>

The restricted funds balance at 31 March 2012 are represented by cash at bank of £4,443.

The Organ Appeal Fund relates to monies raised for restoration of the organ.

The Theatre Fund and English Heritage Fund are monies raised for restoration work to the theatre.

The Environment Agency grant is for works to the boating lake.

25. Total funds

	Group 2012 £	Group 2011 £	Trust 2012 £	Trust 2011 £
Opening deficit fund balance	42,677,198	41,409,003	42,124,865	40,225,467
Deficit in year	1,255,088	1,922,195	1,309,838	1,899,398
Actuarial (gain)/loss	167,000	(654,000)	-	-
Closing deficit fund balance	<u>44,099,286</u>	<u>42,677,198</u>	<u>43,434,703</u>	<u>42,124,865</u>

26. Audit fees

The Charity Commission requires the Board to appoint an independent Registered Auditor to carry out a full statutory audit of the financial statements. The audit fee for the year was £33,500 (2011: £29,661).

The Local Authority external auditor, as part of the external audit of the Council's accounts, reviews the financial statements for Alexandra Park and Palace Charitable Trust. The Council meets the fee of this external auditor.

27. Commitments under operating leases

	Land and buildings	
	2012 £	2011 £
Payments due within one year on leases expiring:		
Within 1 year	16,836	26,922
Within 2-5 years	-	12,257
	<u>16,836</u>	<u>39,179</u>

Alexandra Park and Palace Charitable Trust

Notes to the financial statements For the year ended 31 March 2012

28. Pension scheme

Trust:

(a) Defined benefit scheme

The Trust operates a defined benefit pension scheme for the benefit of its employees. The assets of the Scheme are in a fund independent from the Trust and are administered by Haringey Council under the provisions of the Local Government Superannuation Act of 12 June 2000. The pension fund assets and liabilities relating to the employees of the Trust are included within the overall Haringey fund and as such, it is not practical or relevant to produce a full FRS17 valuation at the balance sheet date. For this reason, the scheme is treated as a defined contribution scheme for the purposes of the Trust financial statements. This treatment is consistent with previous years.

The Fund is independently valued every three years by a firm of actuaries to assess the adequacy of the Fund's investments and contributions to meet its liability. The last triennial valuation took place as at 31 March 2010. The valuation was carried out in accordance with Guidelines GN9: Funding Defined Benefits – Presentation of Actuarial Advice published by the Board for Actuarial Standards. The valuation was carried out using the Projected Unit Method.

Economic and statistical assumptions were used. The assumptions which have the most significant effect on the results of the valuation are:

	Nominal % per annum
Rate of investment – equities	6.1% per annum compound
Rate of investment – bonds	4.5% Per annum compound
Rate of pensionable salary increases (excl. increments)	1% per annum compound for 2010 – 2012 reverting to 5.3% thereafter
Rate of price inflation/pensions increases	3.3% per annum compound
Discount rate	6.1% per annum compound

Following this valuation, the Actuary agreed that the Trust's contribution would be 23% for the three years of the triennial period.

Trading company:

(a) Defined benefit scheme

The trading company operates a defined benefit pension scheme for the benefit of scheme members who transferred to the trading company, from Alexandra Park and Palace Charitable Trust, on 1 November 1999. There are five (2011: six) scheme members still in the employment of the trading company as at 31 March 2011. The assets of the Scheme are in a fund independent from the trading company and are administered by Haringey Council under the provisions of the Local Government Superannuation Act. The Scheme is accounted for in accordance with FRS 17.

The Fund is independently valued on a regular basis by a firm of actuaries. The purpose is to assess the adequacy of the Fund's investments and contributions to meet its liability. The last actuarial valuation took place as at 31 March 2010. The valuation was carried out in accordance with the Guidelines GN9: Funding Defined Benefits – Presentation of Actuarial Advice published by the Board for Actuarial Standards. The valuation was carried out using the Projected Unit Method.

Alexandra Park and Palace Charitable Trust

Notes to the financial statements For the year ended 31 March 2012

28. Pension scheme (continued)

Economic and statistical assumptions were used. The assumptions which have the most significant effect on the results of the valuation are:

	Nominal % per annum
Rate of investment – equities	6.1% per annum compound
Rate of investment – bonds	4.5% per annum compound
Rate of pensionable salary increases (excl. increments)	1% for 2010 – 2012 reverting to 5.3% thereafter
Rate of price inflation/pensions increases	3.3% per annum compound
Discount rate	6.1% per annum compound

Alexandra Palace Trading Limited employer's contribution is 18.7% of salary. The pension contribution for the year was £27,841 (2011: £35,223).

The actuarial valuation described above has been updated at 31 March 2012 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value using the current bid price.

The major assumptions used for the actuarial valuation were:

	Nominal % per annum compound	
	2012 %	2011 %
Rate of pensionable salary increases (excluding increments)	4.80	5.10
Rate of price inflation/pensions increases	2.80	2.80
Discount rate	4.80	5.50
Expected rate of return on assets	5.60	6.9

The expected rate of return on assets is based on the long-term future expected investment return for each asset class as at the beginning of the period.

Assumptions relating to the average future life expectancy of members at age 65 were as follows:

	Males	Females
Current pensioners	21.9 years	24.7 years
Future pensions	23.3 years	26.1 years

For the year ended 31 March 2012, the expected return on the above assets was £124,000 (2011: £81,000) less the interest on pension scheme liabilities of £139,000 (2011: £113,000) gives a net return of £15,000 (2011: £32,000) as the amount debited to other finance income. Therefore overall the net cost to the profit and loss account for the year ended 31 March 2012 is £57,000 (2011: £58,000) after deduction of the current service cost.

Alexandra Park and Palace Charitable Trust

Notes to the financial statements For the year ended 31 March 2012

28. Pension scheme (continued)

Recognition in the profit and loss account

	2012 £'000	2011 £'000
Current service cost	25	42
Interest cost	124	138
Expected return on employer assets	(133)	(124)
	<u>16</u>	<u>57</u>

Reconciliation of defined benefit obligation

	2012 £'000	2011 £'000
Opening Defined Benefit Obligation	2,274	2,783
Current service cost	25	42
Interest cost	124	139
Contributions by members	7	11
Actuarial losses	105	(598)
Estimated benefits paid	(58)	(103)
	<u>2,477</u>	<u>2,274</u>

Reconciliation of fair value of employer assets

	2012 £'000	2011 £'000
Opening fair value of employer assets	1,925	1,805
Expected return on assets	133	124
Contributions by members	7	11
Contributions by the employer	66	32
Actuarial losses	(62)	56
Benefits paid	(58)	(103)
	<u>2,011</u>	<u>1,925</u>

Alexandra Park and Palace Charitable Trust

Notes to the financial statements For the year ended 31 March 2012

28. Pension scheme (continued)

Amounts for the current and four previous accounting periods are as follows:

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Fair value of employer assets	2,011	1,925	1,805	1,259	1,602
Present value of defined benefit obligation	(2,477)	(2,274)	(2,783)	(1,658)	(1,694)
Deficit	(466)	(349)	(978)	(399)	(92)
Experience gains/(losses) on assets	(62)	56	372	(450)	(395)
Experience gains/(losses) on liabilities	(34)	(25)	-		122

None of the above liabilities derive from schemes that are wholly unfunded.

Fair value of employer assets

	2012 £'000	2011 £'000
Equities	1,448	1,444
Bonds	402	346
Property	141	135
Cash	20	-
Total	2,011	1,925

Analysis of amount recognised within net movement in funds in the SOFA:

	2012 £'000	2011 £'000
Actuarial (loss)/gain	(167,000)	654,000

Analysis of projected amount to be charged to operating profit for the year to 31 March 2012:

	31 March 2012	
	£'000	% of pay
Projected current service cost	14	22.9%
Interest on obligation	117	195.0%
Expected return on plan assets	(112)	(186.7%)
	19	31.2%

b) Stakeholder personal pension scheme

For new employees to the trading company since 1 September 1999, the trading company has established a stakeholder pension and contributes personal pension contributions into this scheme. The employer's contribution is 10% of salary and the pension contribution for the year was £33,761 (2011: £40,406).

Alexandra Park and Palace Charitable Trust

Notes to the financial statements For the year ended 31 March 2012

29. Contingent liability

On 25 March 2009, a pre action protocol letter of claim was submitted by solicitors acting for Firoka (Alexandra Palace) Ltd and Firoka (Kings Cross) Ltd ("Firoka") against the Council as trustee of Alexandra Park and Palace Charitable Trust. The letter asserted that the trustee was in breach of contract and intimated Firoka's intention to claim damages for breach of contract, specified as the failure of the trustee to complete the grant of a long lease of the Palace to Firoka and to enter into other related commercial agreements with Firoka. The value of this claim is £6.234 million.

On 26 May 2009, a detailed response was sent by solicitors acting for the Council as trustee denying any liability. No legal proceedings have yet been commenced by either party. No provision has been made in the Trust's accounts for this claim. The information normally required under FRS12 is not disclosed on the basis that it can be expected to seriously prejudice the outcome of this matter.

(Client's Letterhead)

The Board of Trustees
Alexandra Park and Palace Charitable Trust
Alexandra Palace Way
London
N22 7AY

Our Ref:

Date:

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Alexandra Park And Palace Charitable Trust and its consolidated financial statements for the year ended 31 March 2012 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of Alexandra Park And Palace Charitable Trust as of 31 March 2012 and of the results of its operations, other recognised gains and losses and its cash flows for the year then ended in accordance with the applicable accounting framework and the Charities Act 2011.

We acknowledge as trustees our responsibilities for preparing financial statements for the charity and its consolidated financial statements which give a true and fair view and for making accurate representations to you.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the applicable financial reporting framework and the Charities Act 2011 which give a true and fair view, as set out in the terms of the audit engagement letter.
2. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of FRS8 "Related party disclosures".
4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed.
5. There are no uncorrected misstatements or disclosure deficiencies.
6. We confirm that the financial statements have been prepared on the going concern basis. We do not intend to liquidate the charity or cease trading as we consider we have realistic alternatives to doing so. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the charity's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.

7. Having considered our income streams and based on management's close monitoring of donations, response rates and appeals for funds we are satisfied that the total value of income as reported is not materially misstated.
8. We confirm that:
 - all retirement benefits and schemes, including UK, foreign, funded or unfunded, approved or unapproved, contractual or implicit have been identified and properly accounted for;
 - all settlements and curtailments have been identified and properly accounted for;
 - all events which relate to the determination of pension liabilities have been brought to the actuary's attention;
 - the actuarial assumptions underlying the valuation of the scheme liabilities (including the discount rate used) accord with the directors' best estimates of the future events that will affect the cost of retirement benefits and are consistent with our knowledge of the business;
 - the actuary's calculations have been based on complete and up to date member data as far as appropriate regarding the adopted methodology; and
 - the amounts included in the financial statements derived from the work of the actuary are appropriate.

Information provided

9. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
10. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
11. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
12. We are not aware of any fraud or suspected fraud.
13. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
14. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements
15. We have disclosed to you the identity of the group related parties and all the related party relationships and transactions of which we are aware.
16. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework.

17. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
18. All minutes of directors, management and shareholders meetings during and since the financial year have been made available to you.
19. All grants, donations and other incoming resources, the receipt of which is subject to specific restrictions, terms or conditions, have been notified to you. There have been no breaches of terms or conditions in the application of such incoming resources.
20. We have drawn to your attention all correspondence and notes of meetings with regulators.
21. We acknowledge the circumstances surrounding the gift aid from APTL and consider the likelihood of a challenge resulting in a liability to return the gift to APTL or to pay tax is remote.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

Signed on behalf of the Board of Trustees

Report to the Board on the 2012
Audit – 20 July 2012

Final Report



Board of Trustees
Alexandra Palace
Alexandra Palace Way
Wood Green
London
N22 7AY

20 July 2012

Dear Sirs,

We have pleasure in setting out in this document our report to the board of Alexandra Park & Palace Charitable Trust for the year ended 31 March 2012, for discussion at the meeting scheduled for 24 July 2012. This report covers the principal matters that have arisen from our audit for the year ended 31 March 2012.

In summary:

- The major issues, which are summarised in the Executive Summary, have now been largely addressed and our conclusions are set out in our report.
- There are a number of judgemental areas to which we draw your attention in our report which you should consider carefully.
- There are some outstanding areas of work, which are outlined below.

We would like to take this opportunity to thank the finance team for their assistance and co-operation during the course of our audit work.

Sue Barratt

Senior Statutory Auditor

Contents

Introduction	1
1. Key audit risks	3
2. Other matters	6
3. Accounting and internal control systems	8
4. Independence	10
5. Responsibility statement	11
Appendix 1: Audit adjustments	12
Appendix 2: Briefing on audit matters	13
Appendix 3: Technical update	17

Introduction

Key findings on audit risks and other matters

Our findings on the key audit risks and other matters are as follows:

- **Revenue recognition** – we identified a risk in relation to the cut off of income in Alexandra Park & Palace Charitable Trust (“APPCT”) and completeness of income in Alexandra Palace Trading Limited (“APTL”). The results of our testing proved generally satisfactory, identifying only two small misstatements, both of which were corrected by management.
- **Management override of controls:** International Auditing Standards require that we design and perform audit procedures to respond to the risk of management’s override of controls. We have no matters to draw to your attention.
- **Legal matters** – On 25 March 2009, a pre-action protocol letter of claim was submitted by solicitors acting for Firoka (Alexandra Palace) Ltd and Firoka (Kings Cross) Ltd (“Firoka”) against Haringey Council as trustee of APPCT. The letter asserted that the trustee was in breach of contract and intimated Firoka’s intention to claim damages for breach of contract, specified as the failure of the trustee to complete the grant of a long lease of the Palace to Firoka and to enter into other related commercial agreements with Firoka. No legal claims have been made by either party and there has been no further substantive action since July 2011. Therefore management have concluded that this should continue to be disclosed as a contingent liability. We concur with their conclusion.
- **Contract with Heineken** – During the prior year, APTL entered into a significant contract with Heineken which will allow Heineken to locate the Dutch Olympic delegation’s headquarters outside the Olympic Village (called ‘Heineken House’) at Alexandra Palace during London 2012. We reviewed the contract and considered the accounting treatment adopted by management in respect of the transactions arising during the year. We concur with the treatment adopted.
- **Defined benefit pension scheme** – APTL operates a defined benefit pension scheme for the benefit of 4 employees. The net pension liability recognised at 31 March 2012 was £466,000. We reviewed the actuarial assumptions adopted by management and concluded that they are reasonable..
- **Provision to Haringey Council** – At 31 March 2012 the total provision for Haringey Council indemnification was £45.6 million (2011: £42.9 million). The increase on the prior year relates to the ongoing operational deficits, movements in working capital and capital spend of APPCT. We concur with the accounting treatment adopted by management.
- **Going concern** – the financial statements have been prepared on a going concern basis. We have considered the basis on which management have reached this conclusion and the disclosures made in the financial statements. We have concluded that the approach taken is reasonable. We note that, as in previous years, APTL will have negative reserves after the gift aid payment to APPCT is recognised. Given this position, management requested legal advice on whether the gift aid payment should be made. Having taken this advice into account they concluded that the payment should be made. We concur with the judgement made by management.

Introduction (continued)

Identified misstatements and disclosure deficiencies

Audit materiality was £111,000 (2011: £116,000). We report all identified misstatements over £5,600. There are no uncorrected misstatements. No disclosure deficiencies have been noted as at the date of this report, however our final reviews of the draft financial statements is still ongoing. Corrected misstatements are included within Appendix 1.

Completion of the audit and the auditor's report

The status of the audit is as expected at this stage of the timetable. On satisfactory completion of the outstanding matters listed below, we anticipate issuing an unmodified audit opinion on the truth and fairness of the consolidated financial statements. We will report to you orally in respect of any modifications to the findings or opinions contained in this report that arise on completion of these matters.

- Receipt of signed engagement letter;
- Receipt of signed letter of representation;
- Review of minutes of most recent board meetings;
- Finalisation of audit procedures on a number of minor points;
- Final technical review of the financial statements and review of disclosures; and
- Updating our work on the going concern review and post balance sheet events to the date of approval of the financial statements.

1. Key audit risks

The results of our audit work on key audit risks are set out below:

1. Revenue recognition

Background	International Standards on Auditing (UK and Ireland) require us to presume that there is an increased risk of fraud and / or error in relation to revenue recognition.
Deloitte response	<p>We identified that for APPCT there is an increased risk that revenue may be misstated through incorrect cut-off of rental income between different accounting periods and that for APTL there is an increased risk that revenue from cash-based sales may be incomplete.</p> <p>We performed detailed sample testing on rental income invoiced around the year end, and on income from the ice rink, food and beverage sales made in the Bar and Kitchen. Two misstatements were identified, relating to cut off where revenue was recognised in the wrong period: one in APTL totalling £9,000 and one item in APPCT totalling £10,500. Both of these have been adjusted.</p>

2. Management override of controls

Background	We are required to design and perform audit procedures to respond to the risk of management's override of control.
Deloitte response	<p>We have reviewed and evaluated the design and implementation of controls around the financial reporting process, inclusive of controls over journal entries and other adjustments made in the preparation of the financial statements and have deemed these appropriate.</p> <p>We reviewed accounting estimates for biases that could result in material misstatements due to fraud, including whether any differences between estimates best supported by evidence and those in the financial statements, even if individually reasonable, indicated a possible bias on the part of management. No such items were identified from the work that we performed.</p> <p>We also performed a retrospective review of management's judgements and assumptions relating to significant estimates reflected in last year's financial statements. Our understanding of the business and rationale of significant transactions did not highlight any which were outside the normal course of business, or that otherwise appear to be unusual given our understanding of the Group and its environment.</p>

1. Key audit risks (continued)

3. Legal matters

Background	<p>On 25 March 2009, a pre-action protocol letter of claim was submitted by solicitors acting for Firoka (Alexandra Palace) Ltd and Firoka (Kings Cross) Ltd ("Firoka") against Haringey Council as trustee of APPCT. The letter asserted that the trustee was in breach of contract and intimated Firoka's intention to claim damages for breach of contract, specified as the failure of the trustee to complete the grant of a long lease of the Palace to Firoka and to enter into other related commercial agreements with Firoka. The value of this claim is £6.2 million.</p> <p>On 26 May 2009, a detailed response was sent by solicitors acting for Haringey Council as trustee denying any liability.</p> <p>On 18 July 2011, further correspondence was received from solicitors acting for Firoka (Alexandra Palace) Ltd and Firoka (Kings Cross) Ltd ("Firoka") in relation to their claim against Haringey Council as trustee of APPCT, which had been previously disclosed as a contingent liability in the financial statements.</p> <p>No legal proceedings have yet been commenced by either party. No provision has been made in the APPCT's financial statements for either claim.</p> <p>FRS 12 'Provisions, contingent liabilities and contingent assets' sets out three ways of reflecting the claim in the financial statements depending upon whether it is considered to be: probable, possible or remote.</p> <p>Management have concluded that it is 'possible' that there could be an outflow of economic benefit as a result of a past event. Accordingly, they have disclosed the claim in a note to the financial statements.</p>
Deloitte response	<p>We wrote to APPCT's legal advisors as part of our normal audit procedures. They have confirmed that there has not been any further substantive action since July 2011. We have reviewed the disclosures made in the financial statements and concur that they meet the requirements of FRS 12.</p>

4. Contract with Heineken

Background	<p>APTL entered into a large contract with Heineken Nederland BV ("Heineken") during the year ended 31 March 2011 which will allow Heineken to locate the Dutch Olympic delegation's headquarters outside the Olympic Village (called 'Heineken House') at Alexandra Palace during London 2012. 20% of the hire charges were received in the year ended 31 March 2011, and the remainder of the cash was received in the year ended 31 March 2012. The entire advance income is deferred at year end. In addition, some direct costs incurred in respect of this contract are deferred and included in yearend prepayments.</p>
Deloitte response	<p>We reviewed the contract with Heineken and confirmed that the total value of the contract was included in deferred income at year end. Although last year the deferred income was shown as non-current, we agreed that at 31 March 2012 it is correctly included in current liabilities as the event will be in the 12/13 financial year. We concur with the accounting treatment adopted by management both for revenue under this contract and the associated direct costs.</p>

1. Key audit risks (continued)

5. Defined benefit pension scheme

Background	<p>APTL operates a defined benefit pension scheme for the benefit of 22 scheme members who transferred to the company on 22 November 1999. There are 4 scheme members still in the employment of APTL. The assets of the scheme are administered by Haringey Council under the provisions of the Local Government Superannuation Act.</p> <p>In accordance with FRS 17 'Retirement Benefits', APTL is required to account for its share of the underlying assets and liabilities of the scheme. At 31 March 2012 the net pension liability was £466,000 (2011: £349,000). The increase was principally due to actuarial losses.</p>
Deloitte response	<p>We have utilised our in-house actuaries to review the assumptions used in the calculation of the FRS 17 deficit to ensure that they are within a reasonable range and in line with those used by other entities. These assumptions have been selected by management based on advice from the scheme actuary.</p> <p>The assets of the pension scheme are part of the large London Borough of Haringey scheme. This provided some difficulties around our testing of the assets as they are not individually identifiable. For this reason, we obtained an understanding of the valuation of the assets from the actuary involved and confirmation from them on the assets included within the APTL scheme. In addition, we review the pension fund accounts to perform a high level review of assets and liabilities year on year.</p> <p>The assumptions selected by APTL are within an acceptable range. Selecting appropriate assumptions is not an exact science; however it is important that the directors of APTL satisfy themselves that the assumptions used are reasonable and appropriate to the specific circumstances of the scheme. Due to the sensitivity of the assumptions, small changes can have a significant effect on the deficit. In particular we note that:</p> <ul style="list-style-type: none"> • The deduction to RPI used to set the CPI assumption (and hence the pension increase assumptions) is towards the lower end of the acceptable range. Therefore the pension increase assumption is towards the prudent end of the range. • The return on assets for equity and property, while within acceptable ranges, are towards the prudent end of assumptions used. <p>We have discussed this with management in previous years and they believe that it is appropriate to use assumptions that are consistent with those used by Haringey Council. We will request a specific representation that the Trustees have considered these assumptions and believe that they are appropriate.</p>

2. Other matters

1. Provision to the Council

Background At 31 March 2012 the total provision for Haringey Council indemnification was £45.6 million (2011: £42.9 million).

	Accumulated balance	Interest	Total
Indemnification 1991/92 to 1994/95	5,005	9,881	14,886
Indemnification 1995/96 to 2011/12	22,450	4,854	27,304
Provision: 1988/99 to 1990/91	755	2,641	3,396
	<u>25,490</u>	<u>17,376</u>	<u>45,586</u>

The increase on the prior year relates to the ongoing operational deficits, movements in working capital and capital spend of APPCT. No interest charges were levied by Haringey Council in the current year. Although Haringey Council have provided for this debt in full in their own financial statements, they have not discharged the debt and therefore retain their right to repayment. On this basis management have concluded that it remains appropriate to retain the provision.

FRS 12 sets out three criteria for the recognition of a provision. If these criteria are met, a provision must be made. The criteria are that:

- (a) an entity has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that a transfer of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

In addition to this provision for Haringey Council indemnification, APPCT has recognised a loan creditor of £2.2 million relating to Haringey's 12 year loan to fund the ice rink refurbishment received in the prior year. This is in addition to the provision discussed above, and is interest-bearing.

**Deloitte
response**

We have considered the accounting treatment against the FRS12 criteria and concur that it is appropriate to retain the provision.

2. Other matters (continued)

2. Going concern

Background

Management have undertaken and documented their assessment of whether APPCT is a going concern. They have concluded that the entity will remain a going concern due to the ongoing financial support which Haringey Council ("the Council") is legally obliged to provide. The Council's current policy is to ensure that funds are provided to APPCT to maintain its bank balance at a pre-agreed level. This mechanism funds operational deficits, working capital movements and capital spend and ensures that APPCT is in a position to settle its third party liabilities as they fall due.

Management have also undertaken and documented their assessment of whether APTL is a going concern. They have considered the following factors:

- The cash balance at 31 March 2012 was £3.3 million. Due to the nature of the entity's business, cash is received in advance of events;
- The entity is forecast to be profitable, with a significant profit in 2012/13 (after pension charges but before gift aid) and no significant adverse changes are expected for the remainder of the twelve month period from approval of the financial statements; and
- Management have considered the deficit in the defined benefit pension scheme. They have concluded that this will not have an impact on the going concern assumption as it represents a long term liability which will not crystallise in the coming twelve months.

Management have concluded that it is appropriate for APTL to prepare its financial statements on a going concern basis.

Deloitte response

We have reviewed the assessment performed by management. We concluded that it meets the requirements of the FRC guidance. We concur with management's conclusion.

We note that, as in previous years, APTL will have negative reserves after the gift aid payment to APPCT is recognised. Management requested legal advice on whether the gift aid payment should be made and considered in the light of this advice the likelihood of any challenge to the payment which might give rise consequent tax liability. Their conclusion was that the probability of a challenge was remote and that the gift aid payment should therefore be made.

3. Accounting and internal control systems

Control observations

During the course of our audit we identified the following control observations:

Risk register

Description	There was a lack of consistency within the risk register reviewed at the time of the audit, and some of the assumptions made appeared unnecessarily pessimistic. The lack of consistency and coherence within the register makes it less useful for the management team to identify and mitigate risks affecting the charity
Recommendation	The current format and purpose of the risk register should be reviewed and changes made to make it easier to use and an integral part of management. It should also be reviewed regularly. We noted an update was made in July 2012 following our discussions on this point with management.
Management response	Agreed. A revised register has been drawn up and we will implement these recommendations going forwards.
Timeframe:	Immediate
Owner:	Senior management team

Community events - cut-off

Description	It was noted from our testing that the Circus event in April 2012 was recognised as income in 2011/12 when billed, although it occurred in 2012/13 and should therefore have been deferred and recognised in the following year. This error led to a highly immaterial overstatement of revenue and accrued income which was subsequently corrected by management.
Recommendation	It is recommended that controls be put in place to prevent this from continuing to occur, with a reconciliation of events income and a review of events held in the year to ensure no items are incorrectly recognised.
Management response	The controls around events income in APPCT are not as strong as those which exist in APTL, and this issue will be rectified following implementation of the new accounting system.
Timeframe:	During the current financial year
Owner:	Nigel Watts

3. Accounting and internal control systems (continued)

Agreement with GSR

Description	APTL uses a third party stock counter (GSR). From discussions with the Catering department at APTL, we understand that no formal written agreement exists with this party. This is likely to be due to significant staff changes since the contract was signed.
Recommendation	It is recommended that a contract is put in place.
Management response	GSR and APTL have been working together for several years with no issues, but it may be worth issuing an updated agreement in order to clarify the position of both entities. A new catering manager is starting in July. He is likely to want to get the department in order then so it will be left until then to be actioned.
Timeframe:	Immediate
Owner:	Catering Manager

4. Independence

As part of our obligations under International Standards on Auditing (UK & Ireland) we are required to report to you on the matters listed below.

Confirmation	We confirm that we comply with APB Revised Ethical Standards for Auditors and that, in our professional judgement, we are independent and our objectivity is not compromised.
---------------------	---

Non-audit services	In our opinion there have not been any breaches of APB Revised Ethical Standards for Auditors in respect of the supply of non audit services.
---------------------------	---

Fees	Details of the non audit services provided by Deloitte and the fees charged in relation thereto in the period from 1 April 2011 to 31 March 2012 are presented below.		
		2012	2011
		£	£
	Fees payable to the Trust's auditors for the audit of the Trust's annual accounts	17,500	16,840
	Fees payable to the Trust's auditors for the audit of the Trust's subsidiary pursuant to legislation	16,000	15,340
	Audit services provided to all group entities	<u>33,500</u>	<u>32,180</u>
	Taxation services	3,000	3,250
	Preparation of new template for the financial statements	-	1,500
	All other services	<u>3,000</u>	<u>4,750</u>
	Total	<u>36,500</u>	<u>36,930</u>

Relationships	There are no business or personal relationships between us and Alexandra Park and Palace Charitable Trust, its trustees and senior management and its affiliates.
----------------------	---

5. Responsibility statement

This report should be read in conjunction with the "Briefing on audit matters" attached as Appendix 2 and sets out those audit matters of governance interest which came to our attention during the audit. Our audit was not designed to identify all matters that may be relevant to the board and this report is not necessarily a comprehensive statement of all deficiencies which may exist in internal control or of all improvements which may be made.

This report has been prepared for the Board of Trustees, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. It should not be made available to any other parties without our prior written consent.

Deloitte LLP

Chartered Accountants

London
20 July 2012

Appendix 1: Audit adjustments

Uncorrected misstatements

No uncorrected misstatements have been identified up to the date of this report.

We only report to you uncorrected misstatements that are not clearly trivial which is defined as all adjustments greater than £5,600.

Recorded audit adjustments

We report all individual identified recorded audit adjustments in excess of £5,600 in the table below.

		(Charge) to current year SOFA £	Increase/ (decrease) in current or fixed assets £	(Increase)/ decrease in liabilities £	(Decrease) in income £
Factual misstatements					
Revenue recognised in the incorrect period – APPCT	[1]	(10,500)	-	(10,500)	(10,500)
Revenue recognised in the incorrect period – APTL	[1]	(9,000)	(9,000)	-	(9,000)
Incorrect calculation of the Lengard Accrual	[2]	-	33,150	(33,150)	-
Total		(19,500)	24,150	(43,650)	(19,500)

[1] See Section 1

[2] During our testing of accruals, it was noted that there was an accrual relating to work performed by Lengard on the ice rink. Our testing showed an under accrual of £33,150 and an associated undervaluation of fixed assets. This was adjusted by management.

Disclosure misstatements

Auditing standards require us to highlight significant disclosure misstatements to enable audit committees to evaluate the impact of those matters on the financial statements. No disclosure deficiencies have been noted to date, however our final technical review of the financial statements is still on going.

Appendix 2: Briefing on audit matters

Published for those charged with governance



This document is intended to assist those charged with governance to understand the major aspects of our audit approach, including explaining the key concepts behind the Deloitte Audit methodology including audit objectives and materiality. Further, it describes the safeguards developed by Deloitte to counter threats to our independence and objectivity.

This document will only be reissued if significant changes to any of those matters highlighted above occur.

We will usually communicate our audit planning information and the findings from the audit separately. Where we issue separate reports these should be read in conjunction with this "Briefing on audit matters".

Approach and scope of the audit

Primary audit objectives

We conduct our audit in accordance with International Standards on Auditing (UK & Ireland) as adopted by the UK Auditing Practices Board ("APB"). Our statutory audit objectives are:

- to express an opinion in true and fair view terms to the trustees on the financial statements;
- to express an opinion as to whether the accounts have been properly prepared in accordance with UK GAAP;
- to express an opinion as to whether the accounts have been prepared in accordance with the Charities Act; and
- to form an opinion on whether adequate accounting records have been kept by the charity.

Other reporting objectives

Our reporting objectives are to:

- present significant reporting findings to those charged with governance. This will highlight key judgements, important accounting policies and estimates and the application of new reporting requirements, as well as significant control observations; and
- provide timely and constructive letters of recommendation to management. This will include key business process improvements and significant controls weaknesses identified during our audit.

Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to appropriate accounting principles and statutory requirements.

"Materiality" is defined in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements" in the following terms:

Materiality (cont'd)

"Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful."

We determine materiality based on professional judgment in the context of our knowledge of the audited entity, including consideration of factors such as stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements.

We determine materiality to:

- determine the nature, timing and extent of audit procedures; and
- evaluate the effect of misstatements.

The extent of our procedures is not based on materiality alone but also local considerations of subsidiaries and divisions of the group, the quality of systems and controls in preventing material misstatement in the financial statements, and the level at which known and likely misstatements are tolerated by you in the preparation of the financial statements.

For local statutory reporting purposes, individual materiality levels will be set for each of the subsidiary companies.

Uncorrected misstatements

In accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK and Ireland)") we will communicate to you all uncorrected misstatements (including disclosure deficiencies) identified during our audit, other than those which we believe are clearly trivial.

ISAs (UK and Ireland) do not place numeric limits on the meaning of 'clearly trivial'. The Audit Engagement Partner, management and those charged with governance will agree an appropriate limit for 'clearly trivial'. In our report we will report all individual identified uncorrected misstatements in excess of this limit and other identified errors in aggregate.

We will consider identified misstatements in qualitative as well as quantitative terms.

Audit methodology

Our audit methodology takes into account the changing requirements of auditing standards and adopts a risk based approach. We utilise technology in an efficient way to provide maximum value to trustees and create value for management and the Board whilst minimising a "box ticking" approach.

Our audit methodology is designed to give trustees the confidence that they deserve.

For controls considered to be 'relevant to the audit' we evaluate the design of the controls and determine whether they have been implemented ("D & I"). The controls that are determined to be relevant to the audit will include those:

- where we plan to obtain assurance through the testing of operating effectiveness;
- relating to identified risks (including the risk of fraud in revenue recognition, unless rebutted and the risk of management override of controls);
- where we consider we are unable to obtain sufficient audit assurance through substantive procedures alone; and
- to enable us to identify and assess the risks of material misstatement of the financial statements and design and perform further audit procedures.

Other requirements of International Standards on Auditing (UK and Ireland)

ISAs (UK and Ireland) require we communicate the following additional matters:

ISA (UK & Ireland)	Matter
ISQC 1	Quality control for firms that perform audits and review of financial statements, and other assurance and related services engagements
240	The auditor's responsibilities relating to fraud in an audit of financial statements
250	Consideration of laws and regulations in an audit of financial statements
265	Communicating deficiencies in internal control to those charged with governance and management
450	Evaluation of misstatements identified during the audit
505	External confirmations
510	Initial audit engagements – opening balances
550	Related parties
560	Subsequent events
570	Going concern
600	Special considerations – audits of group financial statements (including the work of component auditors)
705	Modifications to the opinion in the independent auditor's report
706	Emphasis of matter paragraphs and other matter paragraphs in the independent auditor's report
710	Comparative information – corresponding figures and comparative financial statements
720	Section A: The auditor's responsibilities relating to other information in documents containing audited financial statements

Important safeguards and procedures have been developed by Deloitte to counter threats or perceived threats to our objectivity, which include the items set out below.

Safeguards and procedures

- Every opinion (not just statutory audit opinions) issued by Deloitte is subject to technical review by a member of our independent Professional Standards Review unit.
- Where appropriate, review and challenge takes place of key decisions by the Second Partner and by the Independent Review Partner, which goes beyond ISAs (UK and Ireland), and ensures the objectivity of our judgement is maintained.
- We report annually to those charged with governance our assessment of objectivity and independence. This report includes a summary of non-audit services provided together with fees receivable.
- There is formal consideration and review of the appropriateness of continuing the audit engagement before accepting reappointment.
- Periodic rotation takes place of the audit engagement partner, the independent review partner and key partners involved in the audit in accordance with our policies and professional and regulatory requirements.
- In accordance with the Revised Ethical Standards issued by the APB, there is an assessment of the level of threat to objectivity and potential safeguards to combat these threats prior to acceptance of any non-audit engagement. This would include particular focus on threats arising from self-interest, self-review, management, advocacy, over-familiarity and intimidation.

Safeguards and procedures (cont'd)

- In the UK, statutory oversight and regulation of auditors is carried out by the Professional Oversight Board (POB) which is an operating body of the Financial Reporting Council. The Firm's policies and procedures are subject to external monitoring by both the Audit Inspection Unit (AIU), which is a division of POB, and the ICAEW's Quality Assurance Directorate (QAD). The AIU is charged with monitoring the quality of audits of economically significant entities and the QAD with monitoring statutory compliance of audits for all other entities. Both report to the ICAEW's Audit Registration Committee. The AIU also reports to POB and can inform the Financial Reporting Review Panel of concerns it has with the accounts of individual companies.

Independence policies

Our detailed ethical policies' standards and independence policies are issued to all partners and employees who are required to confirm their compliance annually. We are also required to comply with the policies of other relevant professional and regulatory bodies.

Amongst other things, these policies:

- state that no Deloitte partner (or any immediate family member) is allowed to hold a financial interest in any of our UK audited entities;
- require that professional staff may not work on assignments if they (or any immediate family member) have a financial interest in the audited entity or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the audited entity;
- state that no person in a position to influence the conduct and outcome of the audit (or any immediate family member) should enter into business relationships with UK audited entities or their affiliates;
- prohibit any professional employee from obtaining gifts from audited entities unless the value is clearly insignificant; and
- provide safeguards against potential conflicts of interest.

Remuneration and evaluation policies

Partners are evaluated on roles and responsibilities they take within the firm including their technical ability and their ability to manage risk.

APB Revised Ethical Standards

The Auditing Practices Board (APB) has issued five ethical standards for auditors that apply a 'threats' and 'safeguards' approach.

The five standards cover:

- maintaining integrity, objectivity and independence;
- financial, business, employment and personal relationships between auditors and their audited entities;
- long association of audit partners and other audit team members with audit engagements;
- audit fees, remuneration and evaluation of the audit team, litigation between auditors and their audited entities, and gifts and hospitality received from audited entities; and
- non-audit services provided to audited entities.

Our policies and procedures comply with these standards.

Appendix 3: Technical update

Planning for the future of UK Generally Accepted Accounting Principles ("UK GAAP")

In January 2012, the Accounting Standards Board ("ASB") published its revised proposals for the future of reporting in the UK and the Republic of Ireland in the form of three exposure drafts:

- draft FRS 100 – setting out the accounting framework;
- draft FRS 101 – proposing a reduced disclosure regime for members of a group preparing accounts under full IFRSs; and
- draft FRS 102 – a single Financial Reporting Standard applicable in the UK and Republic of Ireland to replace current UK accounting standards. It also sets out a reduced disclosure framework for members of a group preparing accounts under FRS 102.

Based on feedback to its 2010 proposals, the ASB proposed extensive amendments to the proposed three tier reporting framework in the UK, and FRED 45 which focused on accounting for public benefit entities. The vision is a replacement of current UK GAAP with a single standard, based on the International Accounting Standards Board's (IASB) *IFRS for SMEs*, for those currently within its scope, plus reduced disclosure regimes for qualifying subsidiaries of parents that report under full IFRSs or UK GAAP. It results in a Financial Reporting Standard (FRS 102), which is closer to current UK GAAP than the 2010 proposals, but with improvements.

Key changes to the previous proposals include:

- reference to 'public accountability' eliminated so that there is no mandatory extension in scope of full IFRSs;
- income tax simplified;
- principle for amending the *IFRS for SMEs* extended so that existing accounting treatments in FRSs, that are aligned with EU adopted IFRSs, are allowed, e.g. capitalisation of development costs and revaluation of property, plant and equipment;
- guidance for public benefit entities incorporated in the FRS (specific areas are prefaced with "PBE"); and
- FRSSSE to be retained but amended once EU changes to small company accounting are finalised.

The period of consultation on the revised proposals has just ended and the final standards are likely to be issued later in 2012. In respect of charities, the current proposals appear to have confused the definitions of restricted income and performance conditions and we expect that this to be resolved when the final standards are published.

Impact on UK charities

Particular areas where UK charities may be impacted are:

- Income from donations – the previous proposals required all donated goods to be included as income from the date of receipt and the revised proposals allow the charity more discretion over whether the income can be reliably measured and whether the benefits outweighs the costs;
- Financial instruments – derivatives will be held on balance sheet at fair value;
- Investments – listed investment and investment property revaluations will not be put at the bottom of the SOFA in other recognised gains and losses but will be required to be included with other income and expenditure;
- Pension schemes – the treatment of where pension scheme movements go in the SOFA will be aligned with IFRSs. No multi-employer exemption will be available where entities are under common control.

The Charities SORP will be revised to give more guidance on the accounting treatment under the new standard.

Effective Date

The new regime is expected to come into force for periods commencing on or after 1 January 2015. A March year end reporter would first prepare financial statements under the new standard for the year ended 31 March 2016. Early adoption will be possible once the revised SORP has been issued.

Appendix 3: Technical update (continued)

Other updates

Charities Act 2011

With effect from 14 March 2012, the Charities Act 1993 has been superseded by the Charities Act 2011. Therefore, regardless of the period the report relates to, all reports which have previously referred to the Charities Act 1993 should be updated to refer to the Charities Act 2011.

Approved Alterations to Listed Buildings

There is a change to remove the VAT zero rate for approved alterations to protected buildings. This will apply to both listed residential dwellings as well as listed buildings used for charitable and other residential purposes. It does not apply to supplies of repairs and maintenance which are already subject to VAT.

For VAT purposes a protected building is a listed building or scheduled monument that is (or will become on completion of the work) a dwelling, a residential building such as a nursing home or student accommodation; or a building used by a charity for non-business purposes.

The change removes zero rating from building materials and construction services supplied in the course of an approved alteration to a listed building. The change will be introduced with effect from 1 October 2012. However, where a signed contract was in place before 21 March 2012, works specified in that contract will continue to benefit from the zero rate provided the works are performed before 20 March 2013. Any works performed after that date will be subject to VAT at the standard rate. HMRC have recently finished a consultation period. It is possible that there may be changes to the proposed legislation, or to the transitional rules, following feedback received during that consultation.

Please note that works of repair and maintenance to protected buildings are standard-rated for VAT purposes and alterations to all other types of building are also standard-rated.

Zero-rating also applies to the first grant by a developer of a major interest in a substantially reconstructed protected building. This zero-rating provision is not affected by the change.

Energy saving materials in charity buildings

At present, the installation of energy saving materials in buildings used for non-business purposes by charities qualifies for the 5% rate of VAT. Legislation to remove the relief from such work (and hence to make it liable to VAT at the standard rate) is to be introduced in the Finance Bill 2013. The 5% rate will continue to be available for energy saving materials installed in residential accommodation (including that owned and operated by charities).

VAT cost-sharing exemption

The VAT cost-sharing exemption is a provision in EU law that allows businesses and organisations making VAT exempt and/or non-business supplies to form cost-sharing groups to achieve cost savings and economies of scale whilst reducing the burden of irrecoverable VAT. The Government is planning to introduce this provision into UK legislation. Currently, the irrecoverable VAT creates a barrier to the sharing of costs and services by these businesses and organisations. The cost-sharing exemption aims to remove this barrier in certain circumstances.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.co.uk/about for a detailed description of the legal structure of DTTL and its member firms.

Deloitte LLP is the United Kingdom member firm of DTTL.

© 2012 Deloitte LLP. All rights reserved.

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Tel: +44 (0) 20 7936 3000 Fax: +44 (0) 20 7583 1198.

Member of Deloitte Touche Tohmatsu Limited