

Royal Academy of Music Financial Statements 2010–2011



Royal
Academy
of
Music





Financial Accounts for the year ended 31st July 2011

Contents

Governors and Senior Managers	2
Operating and Financial Review for the year ended 31st July 2011	3
Corporate Governance Statement.....	11
Statement on Internal Control and Risks	12
Responsibilities of the Governing Body	13
Independent Auditors' Report to the Academy's Governing Body	14
Statement of Principal Accounting Policies	16
Income and Expenditure.....	20
Notes to the Financial Statements.....	25

The Royal Academy of Music, Britain's oldest conservatoire, was established by Royal Charter in 1830 (supplemental charter granted in 1998). The Academy is a registered charity, number 310007 and a company registered with Companies House, number RC000438.

Patron

HM The Queen

President

HRH The Duchess of Gloucester GCVO HonFRAM

Vice Presidents

Sir David Lumsden MA DPhil HonRAM HonFRCO

David Josefowitz CBE HonFRAM

Sir Elton John CBE HonRAM

Members of the Governing Body

Lord Burns GCB HonFRAM (Chairman)

Sir John Ritblat HonFRAM (Deputy Chairman)

Lady Sainsbury of Turville CBE HonFRAM (Deputy Chairman)

John Burgess (appointed September 2010)

Sir Howard Davies HonFRAM

Matthew Ferrey

Lesley Garrett CBE FRAM

Professor Roger Parker

Laurel Powers-Freeling

Simon Robey HonFRAM

Martin Smith HonFRAM

Jonathan Sumption QC HonFRAM

Tony Travis HonFRAM

John Willan ARAM FRSA FCA

Elected Members of Governing Body

Keith Bragg HonRAM (Academic Staff Representative)

Nicola Mutton HonARAM (Administrative Staff Representative)

Hayley Pullen (Student Union President)

Principal

Professor Jonathan Freeman-Attwood BMus MPhil HonRAM FKC

Deputy Principals

Mark Racz BA MFA

Dr Timothy Jones MA DPhil LTCL

Director of Development

Carol McCormack BA

Acting Director of Finance

Judith Barber BSc CPFA

Operating and Financial Review for the year ended 31st July 2011

The Governors of the Royal Academy of Music present their annual report and audited financial statements for the year ended 31st July 2011 and confirm that they comply with the requirements of the Charities Act 1993, as amended by the Charities Act 2006, the Academy's Charter and the Statement of Recommended Practice 'Accounting for Further and Higher Education' (SORP) published in October 2007.

The Academy's Mission

The Academy operates under the terms of its Royal Charter, granted in 1830, which requires it 'to promote the Cultivation of the Science of Music'. The Academy aims to enrich musical culture through the training and education of the most talented students to the highest standards. To this end it offers full-time programmes of study at undergraduate and postgraduate levels; it promotes musical research; it cultivates an ambitious, student-centred artistic profile, producing over 500 public events each year; it is the custodian of globally-renowned collections that support its educational purposes; and it engages in outreach activities designed to enhance pre-tertiary music-educational opportunities and to encourage wider access to higher education.

Public Benefit

The Governing Body has had due regard to the Charity Commission's public benefit guidance in considering the Academy's objectives and activities. The Academy makes a significant contribution, via its teaching, research and other activities, to the public benefit in terms of:

- the advancement of education
- the advancement of the arts, culture and heritage
- the relief of those in need, by reason of youth, age, ill-health, disability, financial hardship or other disadvantage.

The Academy contributes to the advancement of education through its full-time programmes of study, through its calendar of publically-accessible artistic and research events, through its outreach events designed to encourage learners from traditionally low-participation sectors of the community to participate in higher education, and through the conservation, display, and practical use of its collections to educational ends.

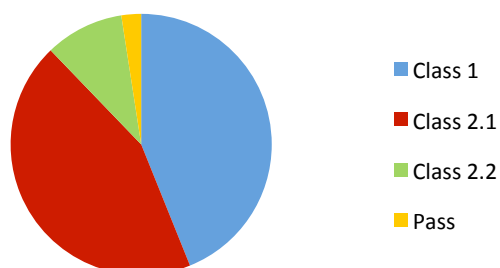
The charitable relevance of the Academy's core activities to the advancement of arts, culture and heritage is self evident. By finding the most promising British musical talent and nurturing it through the delivery of world-class education and vocational training, we are able to produce exceptional artists who will shape the future of music in this country and beyond. We thereby support the UK's cultural infrastructure, generate development in the cultural industries, and provide international leadership in music. By collaborating with leading venues and ensembles, supporting musical research, commissioning new music and bringing before the public new and unfamiliar work, the Academy enriches the UK's musical culture. By the preservation, display and use of its globally-significant collection of musical artefacts, the Academy contributes to the advancement of the UK's musical heritage.

The Academy is aware of the need to ensure that people from all backgrounds can benefit from its activities and that people in financial hardship are not excluded from the opportunity to benefit. Some of the Academy's activities, notably its programmes of study, are economically dependent on fee income. We invested £1.6 million (from our endowment and raised by Development) in scholarships and financial support in 2010/11 to enable talented musicians who could not otherwise afford to undertake programmes to attend the Academy. We recognise that not everyone has the same level of educational opportunity, support or information, and we continue to develop our successful access initiatives through the work of the Junior Academy and through Open Academy, our specialist outreach department. Many of our students are committed to working in the community through Open Academy projects: in 2010/11 168 Academy students took part in 28 projects that reached over 1,500 external participants.

Academic Achievements

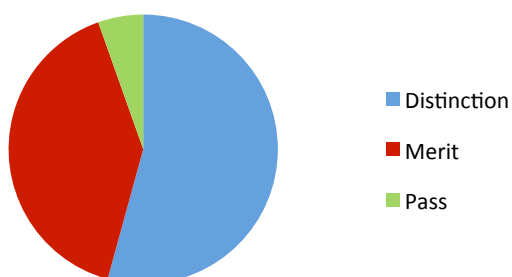
In 2010/11 84 students were awarded the BMus (University of London: RAM). Of these, 72 (86%) achieved either a First or an Upper Second. This represents a 4% increase on the figures for 2009/10.

BMus Results 2011



162 students received awards at the end of taught postgraduate programmes. Of 129 students who graduated from the MA programme, 70 (54%) achieved a Distinction and 52 (40%) achieved a Merit. The number of Distinctions awarded represents an increase of 4% on the figure from 2009/10.

MA Results 2011



Four students were awarded a University of London PhD during 2010/11.

The number and quality of applicants to the Academy's programmes of study remain buoyant. For entry in September 2010 there were 2,039 applications for 341 places (that is, six applicants per studentship).

Artistic Achievements

The Academy produced a calendar of over 500 artistic events in 2010/11. Highlights include three opera productions (including the world premiere of *Kommilitonen!* by Sir Peter Maxwell Davies and David Pountney, conducted by Jane Glover); three musical theatre productions (including *Follies* and *Tommy*); orchestral concerts conducted by Sir Colin Davis, Sir Simon Rattle, Trevor Pinnock, Yan Pascal Tortelier, Pierre-Laurent Aimard and Heinz Holliger; collaborations with the South Bank Centre, Kings Place, the Round House, the Aldeburgh Festival and the Spitalfields Festival; the continuation of the RAM/Kohn Foundation series of concerts presenting Bach's Cantatas; the release of two new CD recordings on the Academy's own label; workshops with Stephen Sondheim and Sir Peter Maxwell Davies; and public masterclasses with a host of internationally renowned musicians.



A scene from the world premiere production of *Kommilitonen!* (Sir Jack Lyons Theatre, Royal Academy of Music, March 2011)

Kommilitonen!, commissioned jointly by the Academy and the Juilliard School New York, attracted much attention in the national and international media. It gave our students a unique opportunity to work with a composer and librettist/director at the height of their powers. The success of the production was reflected in a rapturous critical response: 'a triumph ... the result outclassed anything I've seen on a college stage in years' (*The Daily Telegraph*); 'imaginative ... inspired ... the music works with exemplary theatrical skill' (*The Financial Times*); '[I am] astounded by Peter Maxwell Davies's brilliant opera' (*The Sunday Times*); 'this bold adventure ... has paid off' (*The Observer*); 'orchestrally, vocally, theatrically, the performance is a triumph' (*The Independent on Sunday*); 'taut, vitalised, provocative and mercilessly hard-hitting, it has the looks and sounds of a masterpiece' (*Daily Classical Music*); 'the RAM students under Jane Glover are remarkable' (*The Guardian*); 'a bold and beautiful assertion of the transformative power of truth' (*The Evening Standard*); 'one of the most exhilarating opera premieres I have attended' (*Opera magazine*).

Facilities

The major enhancement to the Academy's facilities during 2010/11 was the complete refurbishment of our technology studios which now offer state-of-the-art audio and video production facilities including:

- a sound-proof 'live' room for recording soloists and small ensembles
- direct links to many performance and rehearsal spaces in the Academy, allowing for recordings of larger ensembles
- a range of industry-standard software for editing audio material and producing CDs
- a refurbished control room, including industry-standard mixing equipment
- an HD video camera and accessories to film events, performances and competition submissions
- a video post-production workstation for editing video and producing internet-ready footage or DVDs.

These new facilities comprise a significant enhancement in the Academy's support of the educational and creative work of its students and staff.

Other Developments

The Academy prides itself on being at the forefront of developments in the professional training of musicians. During 2010/11 two new significant programme developments were validated: a BMus (Jazz) programme leading to an award of the University of London, and an Advanced Diploma in Opera Performance leading to an award of the Royal Academy of Music. Both new programmes are indicative of the focused specialist training required in their respective disciplines and the quality and standards of Academy students' work in these areas. The challenges of building and sustaining a career in the creative industries mean that the Academy must always be a step ahead in the ways it fosters the employability of its graduates and supports them during their programmes of study and after graduation. In 2010/11 the formation and rapid development of the Academy's Alumni Network has added significantly to the means by which we can support our students through their entire careers. Our students' ability to build a sustainable career in music rests in large part on their repeated exposure to the highest levels of professionalism and artistry throughout their time at the Academy. In 2010/11 our roster of distinguished Visiting Professors was enriched by the appointment of such leading artists as Semyon Bychkov, Daniel Hope, Yevgeny Sudbin, Emily Beynon, Imogen Cooper, Jörgen van Rijen, Django Bates and Matthew MacDonald.

The Academy's unique place in British musical life is embodied very clearly in our collections. In the same way that interpretative and creative traditions are constantly renewed through generations of students and staff, so our collections are a dynamic trace of our musical heritage. In 2010/11 we accepted two important gifts into our collections: a substantial collection of performance materials that once belonged to the seminal performer, teacher and musicologist Nadia Boulanger; and the performance materials of the tenor (and Academy alumnus) Philip Langridge. The materials in both collections give fascinating insights into the working methods and aesthetics of these influential musicians. The new collections' research and teaching potential will be realised over many years.

Future Plans

Along with the Higher Education sector as a whole, the Academy moves into 2011/12 with bracing challenges from a rapidly changing regulatory and funding landscape. We can, however, be positive about our prospects. Our application for Taught Degree-Awarding Powers is being considered by the Quality Assurance Agency, and we are hopeful that the Privy Council will grant us the powers to award our own taught degrees from 2012. We plan to refurbish our theatre, with a view to providing a venue worthy of the quality of our students' work, enabling easier access to the facility, and adding to the public resources of our local community in the Regent's Park area of London. As part of our strategy to develop support for our students and alumni we are planning to launch the American Society for the Royal Academy of Music (ASRAM) to celebrate the success of our American alumni, strengthen our connections with top American institutions, and foster an American network of Academy friends and supporters. And we will continue to develop the quality of our students' educational experience by making every effort to attract the best musical talent (whether as students or staff) to the Academy and ensuring that our programmes and facilities offer them the best opportunities to fulfil their potential.

Academic and financial sustainability

In order to ensure that the Academy continues to develop in the face of public-sector funding cuts, the Senior Management Team is continually reviewing options to ensure that educational and financial performance can underpin a world-class institution. The main principles for this are:

- educational developments and performance opportunities of the highest level
- investment in infrastructure to develop facilities of the highest standard
- maximising external income
- financial discipline and cost management.

Risk and uncertainty

The Academy has an Academy-wide risk register, which is monitored regularly by the Senior Management Team, and the Audit Committee oversees risk management on behalf of the Governing Body. The key risks are:

- the reduction in levels of Higher Education Funding Council for England (HEFCE) funding as the government is seeking to reduce public expenditure
- the proposed increases in the home undergraduate fees and the consequent impact on student recruitment
- the reduction in income from the scholarships and bursaries endowment.

Scope of the Financial Statements

The Financial Statements prepared by the Governing Body comprise the consolidated results of the Academy and its subsidiary undertakings, namely RAM Collections Trust, the York Gate Music Trust and Academy Chimes Limited (the group).

The RAM Collections Trust holds the Menuhin Archive, which was acquired with funding from the Foyle Foundation. The York Gate Music Trust holds the York Gate building as an asset, which was acquired with financial support from the Heritage Lottery Fund, and Academy Chimes Limited is the museum shop trading company.

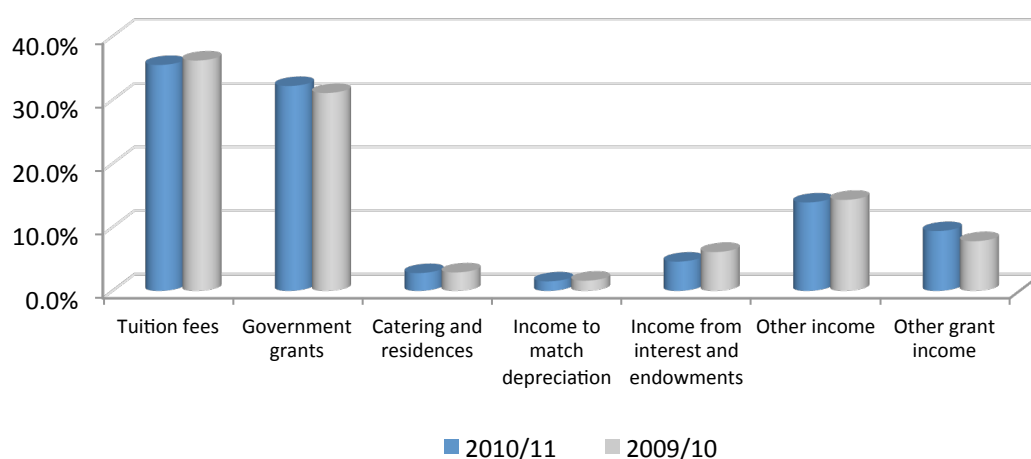
Results for the Year

The Academy is showing a surplus of £2,530k for the year (2009/10 £209k) after transfers and appropriations. The improved position is a result of both additional one-off income, and reduced costs arising from the implementation of our plans to ensure long-term financial sustainability. To address the reduction in future HEFCE income and the uncertainty arising from the impact of increased tuition fees, together with an economic climate that remains fragile, the Academy started on a planned restructuring programme to reduce costs.

Total income for the year increased by 10.1% to £20.1m (2009/10 £18.2m). The substantial increase in income compared with the previous year was mainly a result of the second tranche of HEFCE matched funding grant. This is payable over three years and in the first year the Academy received £389k with £1,468k payable in 2010/11.

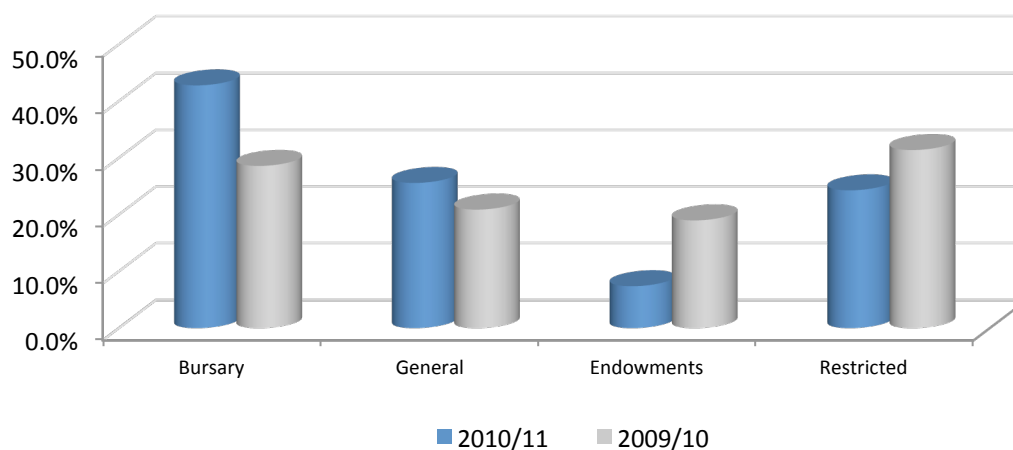
Income outperformed the budget due to the success of the Development team in raising donations in excess of the target and also because additional income of £1.0m was received from HEFCE through the matched funding scheme.

Income



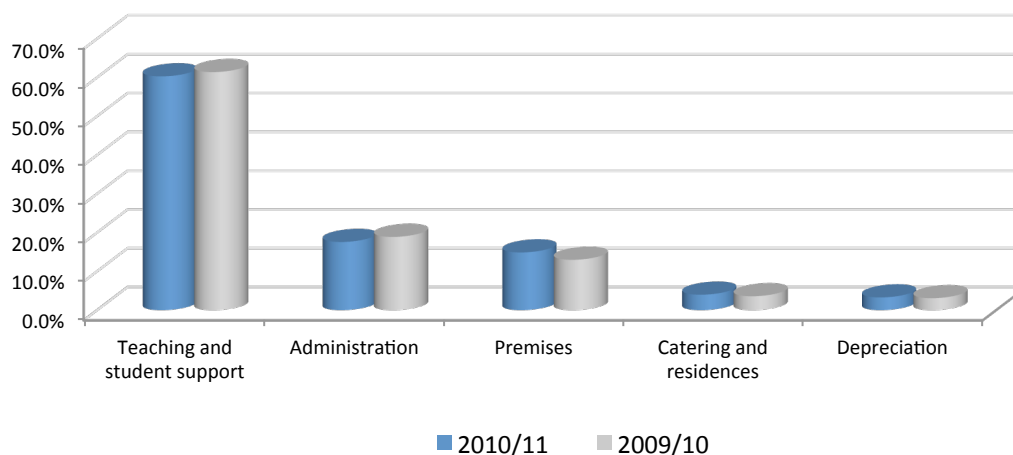
Income from external donations is needed to support both revenue and capital projects. During the year £2,404k of income was raised, of which £1,708k was revenue income to support students and general projects, and £696k was from endowments and capital projects. The Academy spends some 8.0% of its total income supporting students through bursaries and scholarships.

Voluntary Funds Raised



Expenditure for the year is only 0.8% higher than the previous year at £17.3m (2009/10 £17.2m) and salary costs have actually reduced. This is partly as a result of restructuring together with the departure of a number of senior staff during the year. In addition timing differences regarding an extra contribution made towards the Royal Academy of Music 1967 Pension Scheme (RAM 1967 Pension Scheme) deficit has resulted in lower costs after the FRS17 adjustment.

Expenditure



The main financial objective of the Academy is to achieve a balanced position after allowing for long-term maintenance provision and earmarked funds and, where possible, to generate surpluses of 3-4% based on HEFCE guidelines which can be re-invested in education. Our success in achieving matched funding targets together with the impact of the FRS17 adjustment in reducing staff costs and our careful control of expenditure has led to a larger than usual surplus. This one-off surplus will help to ensure a sustainable position for the future, mitigating reductions in Government funding, and will be added to general reserves with a proportion of the funds earmarked to create additional bursaries. The results are set out in the table below.

	2010/11 £000s	2009/10 £000s
Income	20,067	18,223
Expenditure	(17,313)	(17,179)
Surplus on continuing operations, before transfers	2,754	1,044
Surplus for the year, after transfers and appropriations	2,530	209

The actuarial valuation of the RAM 1967 Pension Scheme showed an increase in the scheme deficit for FRS17 purposes to £2,043k (2010 £1,612k). This was due to an increase in scheme liabilities caused by increased life expectancy and a continuing reduction in the AA bond yield, together with higher annuity costs, although these were partially offset by additional deficit removal contributions. The Academy is making contributions aimed at eliminating the deficit over 10 years, in accordance with the recommendations of the actuary.

In terms of strategic planning and sustainability the Academy is continuing to diversify its teaching, and is continuing to seek external funding to support both its education and bursary programmes.

Capital Projects

The main investments during the year were in accordance with our planned maintenance programme. We are continuing to work on a feasibility study to upgrade the Theatre and have ordered a new organ from Kuhn Organ Builders for the Duke's Hall. The funds for the organ project have been raised with the generous support of Sir Elton John who, with Ray Cooper, performed at two fundraising concerts for us.

Cash Reserves and Long-term Liabilities

We continue to have a proactive approach to treasury management with a view to minimising risk at the same time as maximising returns. Working capital cash balances at the end of the year were £2.0m (2009/10 £2.4m), designated cash was £11.2m (2009/10 £8.5m) and current assets exceeded current liabilities by £9.9m (2009/10 £6.9m). The increase in designated cash includes a number of donations for capital projects, such as the theatre and the new organ. Whilst overall liquidity remains healthy, the majority of cash is designated or earmarked for specific purposes.

Endowment Assets and Investment Performance

The Academy has a number of endowment assets, all of which are invested in its Legacy Pool. This represents the accumulated capital funds donated or bequeathed to the Academy for various educational purposes, mostly to provide scholarships, prizes and bursaries for the benefit of students. These funds are managed by external fund managers within strategic guidelines set by the Finance and General Purposes Committee.

Our objective is to maximise the income yield to satisfy the Academy's expenditure commitments, whilst maintaining the real value of the endowment asset base over time. During the year the investment strategy was kept under review, and a target was set to achieve a real rate of return of at least 5% per annum through a combination of income and capital growth.

Although the markets have remained unstable, they have recovered somewhat during the year. The portfolio managed by the external fund managers grew by 11.9% and generated a net yield of 3.4% on average fund balance and the cash funds managed internally generated a return of 1.6% over the year. The investment strategy has been constantly reviewed during 2010/11 to adapt to changing market conditions and will be kept under review in the coming year.

The market value of combined endowment and fixed asset investments increased from £23.7m at 31st July 2010, to £26.0m at 31st July 2011. New endowments from benefactors totalled £178k (2009/10 £445k).

Conclusion

The financial statements show that the Academy has made a surplus on its operations mainly due to successful fundraising activities, which have attracted HEFCE matched funding grant and the impact of the FRS17 adjustment in reducing costs. This favourable position is not expected to continue as the additional HEFCE grant is coming to an end. However our balance sheet remains strong because of our cash position and healthy reserves, which are predominantly for supporting students through bursaries and scholarships.

We expect the financial situation to become more challenging as HEFCE continues to review funding and the new fee arrangements from 2012/13 impact on applications at postgraduate level, due to higher levels of debt incurred through undergraduate study and higher postgraduate fees. Consequently the increase in our reserves offers a necessary buffer to enable us to plan for future changes in a measured way, including meeting increased bursary requirements. In addition we have a comprehensive risk-management strategy and are well aware of the major risks facing us: the fragile economic climate, changes to the HE funding model, student recruitment, pension changes and the generation of extra income from patronage, benefaction and our alumni. Our plan remains to increase substantially our endowment income so that the Academy will have sufficient financial flexibility to maintain its position as a world-class conservatoire and to invest in training at the highest level.

Enrolment targets were reached on student numbers and income from donations exceeded expectations. Financial markets improved and hence we were able to increase our expenditure on student bursaries. The Academy distributes some 8.0% of its income to students through the bursary and scholarship programme and our aim is to increase our support to students in the future.

This Report was approved by the Governing Body and the Principal on 24th November 2011 and signed on its behalf by



Lord Burns
Chairman of Governing Body



Professor Jonathan Freeman-Attwood
Principal

Corporate Governance Statement

The following statement is provided to enable readers of the Report and Financial Statements of the Academy to obtain a better understanding of the governance and legal structure of the Academy.

The Academy endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership) and in accordance with the guidance to universities which has been provided by the Committee of University Chairmen in its Guide for Members of Higher Education Governing Bodies in the UK.

The Academy is an independent corporation, whose legal status derives from a Royal Charter originally granted in 1830. It is also a charity registered with the Charity Commission. Its objectives, powers and framework of governance are set out in the Charter and its supporting Statutes, the latest version of which was approved by the Privy Council in 1998. The Objects of the Academy are 'to promote the cultivation of the science of music and to afford facilities for attaining perfection in it by assisting with the general instruction of all persons wanting to acquire knowledge thereof'. Under the terms of the Charter, the direction of the Academy is the responsibility of the Governing Body, which makes rules, orders and regulations as are deemed useful and necessary for the regulation and management of the institution.

The Charter and Statutes require the Academy's Governing Body to have clearly defined functions and responsibilities in overseeing and managing its activities. The Governing Body is responsible for the finance, property, investments and general business of the Academy, and for setting its general strategic direction. It has a majority of members from outside the Academy (described as lay members), from whom its Chairman and Deputy Chairman must be drawn. Also included in its members are representatives of the staff of the Academy and the student body. None of the lay members receive any payment for work which they do for the Academy.

The Governing Body meets four times each academic year. Much of its detailed work is delegated to committees, in particular the Finance and General Purposes Committee, the Development Committee, the Audit Committee and the Academic Board. Recommendations and decisions of these Committees are reported to the Governing Body.

These Committees are formally constituted as Committees of the Governing Body with written terms of reference. With the exception of the Academic Board, the membership of these committees includes a significant proportion of lay members from whom the Chairman is selected.

Corporate Governance arrangements are reviewed annually and amended as the Governing Body sees fit and a recent assurance review has recently taken place. As a result, it has been decided to appoint a Secretary to the Governing Body who is independent of both the Governing Body and the Senior Management Team.

The Academic Board is the main academic committee of the Governing Body and draws its membership mainly from the academic staff and the students of the institution. It is the body responsible for the academic work of the Academy in teaching, examining and in research.

The Finance and General Purpose Committee oversees all financial affairs of the Academy. It recommends to the Governing Body the Academy's budget and monitors its performance on a regular basis.

The Audit Committee is responsible for overseeing controls and meets with the external auditors, to discuss audit findings, and with the internal auditors to consider internal audit reports and recommendations for the improvement of the Academy's systems of internal control, together with management's response and implementation plans. The Committee receives and considers reports from the Higher Education Funding Council for England and monitors adherence with the regulatory requirements.

The chief executive officer of the Academy is the Principal who is responsible to the Governing Body for implementing the decisions of the Governing Body and for maintaining and promoting the efficiency and good order of the Academy. Under the terms of the formal Financial Memorandum between the Academy and the Higher Education Funding Council, the Principal is the designated Accounting Officer of the Academy and in that capacity can be summoned to appear before the Public Accounts Committee of the House of Commons.

Statement on Internal Control and Risks

The Governing Body of the Academy has, in accordance with its Charter and Statutes and the Financial Memorandum with HEFCE, responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives while safeguarding the public and other funds and assets for which the Academy is responsible.

The system of internal control is designed to manage rather than eliminate risk. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks, to evaluate the nature and extent of those risks and to manage them efficiently and effectively.

The Governing Body has responsibility for reviewing the effectiveness of the systems of internal control. The following processes have been established:

- the Governing Body considers the plans and strategic direction of the Academy on an annual basis
- the Governing Body has delegated to the Audit Committee responsibility for reviewing the effectiveness of internal control systems and the risk management process
- the Governing Body receives an annual report from the Audit Committee concerning issues of risk, internal controls and their effectiveness which are informed by reports from the Senior Management Team and internal auditors on the steps being taken to manage risks
- the Academy maintains an Academy-wide risk register, which is monitored by the Senior Management Team. Variations in risk assessments are reported to the Audit Committee. The Audit Committee receives reports from internal audit on the effectiveness of internal controls based on work undertaken in accordance with its approved audit plan
- heads of departments are required to identify and keep up to date the record of risks facing the Academy.

In February 2011 our internal controls systems identified certain financial irregularities with consequences not material to these accounts. These were reported immediately to HEFCE and the Charity Commission. Around half the funds have been recovered and we are seeking to recover the remaining money.

During the year the Academy took further measures to strengthen its internal control procedures including:

- a review and revision of the Financial Regulations
- a review and revision of the terms of reference of Finance and General Purposes Committee
- an extension of the remit of the Register of Interests to all budget holders.

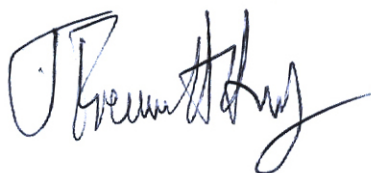
The Academy's internal auditors operate to standards defined in Accountability and Audit: HEFCE Code of Practice published in June 2004. The internal auditors report on the adequacy and effectiveness of the Academy's system of internal control and make recommendations for improvement.

The Governing Body's full review of the effectiveness of the system of internal control for the year ended 31st July 2011 was informed by the Audit Committee, the work of the internal auditors and the Senior Management Team, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter.

The Corporate Governance Statement and Statement on Internal Control and Risks was approved by the Governing Body and the Principal on 24th November 2011, and signed on its behalf by



Lord Burns
Chairman



Professor Jonathan Freeman-Attwood
Principal

Responsibilities of the Governing Body

In accordance with its Royal Charter, the Governing Body of the Royal Academy of Music is responsible for the administration and management of its affairs and is required to present audited financial statements each financial year.

The Governing Body is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Academy and enable it to ensure that the financial statements are prepared in accordance with the Royal Charter, the Statement of Recommended Practice: "Accounting for Further and Higher Education" and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the HEFCE and the Academy, the Governing Body, through its designated Accounting Officer, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Academy and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Governing Body is responsible for ensuring that:

- suitable accounting policies are selected and applied consistently
- judgements and estimates are made which are reasonable and prudent
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Academy will continue in operation.

The Governing Body is satisfied that the Academy has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Governing Body is responsible for taking reasonable steps to:

- ensure that funds from the Higher Education Funding Council for England are used only for the purpose for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- safeguard the assets of the Academy and to prevent and detect fraud
- secure the economical, efficient and effective management of the Academy's resources and expenditure.

Independent Auditors' Report to the Academy's Governing Body

We have audited the financial statements of the Royal Academy of Music for the year ended 31st July 2011, which comprise the Consolidated Income and Expenditure Account, the Consolidated and Academy Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Academy's Governors, as a body, in accordance with the regulations made under section 43 of the Charities Act 1993, the Academy's Royal Charter and the Financial Memorandum between the Academy and the Higher Education Funding Council for England. Our audit work has been undertaken so that we might state to the Academy's Governors 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 any party other than the Academy and the Academy's Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Governing Body and Auditors

As explained more fully in the Responsibilities of the Governing Body, set out on page 13, the Academy's Governors are responsible for the preparation of financial statements, which give a true and fair view. We have been appointed as auditor under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance applicable law, in particular those of the Higher Education Funding Council for England and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB'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 Academy's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Academy's Governors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Report of the Governing Body 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 and Academy's affairs as at 31st July 2011, 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 Statement of Recommended Practice: "Accounting for Further and Higher Education", and the Royal Charter governing the Academy.

Opinion on other matters prescribed by the Academy's Royal Charter and Financial Memorandum

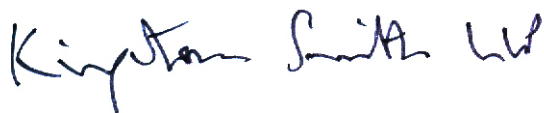
In our opinion:

- Funds from the Higher Education Funding Council for England, from grants and income for specific purposes, and from other restricted funds administered by the Academy, have been applied only for the purposes for which they were received.
- Income has been applied in accordance with the Royal Charter governing the Academy and, where appropriate, with the Financial Memorandum dated 1st August 2008 with the Higher Education Funding Council for England.

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 1993 requires us to report to you if, in our opinion:

- the information given in the Report of the Governing Body is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



KINGSTON SMITH LLP
Chartered Accountants and Registered Auditors
Devonshire House
60 Goswell Road
London EC1M 7AD

Date

28 November 2011

Kingston Smith LLP is eligible to act as auditor in terms of Section 1212 of the Companies Act 2006.

Statement of Principal Accounting Policies

1 Accounting Convention

The financial statements have been prepared under the historical cost convention, modified for the revaluation of the Academy's collection of musical instruments and listed investments, and in accordance with applicable Accounting Standards, and the Statement of Recommended Practice: "Accounting for Further and Higher Education" (SORP), published in October 2007. The accounts have been prepared in accordance with the Accounts Direction Handbook 2009/10.

2 Basis of Consolidation

The consolidated financial statements comprise the Academy's activities and those of its charitable subsidiary undertakings, the York Gate Music Trust and RAM Collections Trust, as well as its trading subsidiary, Academy Chimes Limited. RAM Development Company Limited was dormant for the year. The consolidated financial statements do not include those of the Students' Union because the Academy does not control those activities as it is a separate entity.

3 Accounting for retirement benefits

The Academy contributes to the Teachers Pension Scheme (TPS) and a Group Personal Pension Scheme (GPP). The TPS is a defined benefit scheme, contracted out of the State Second pension. The GPP is a defined contribution scheme.

The assets of the TPS are held in separate trustee-administered funds. Because of the nature of the Scheme, the Scheme's assets are not hypothecated to individual institutions and Scheme-wide contributions are set. The Academy is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the Scheme on a consistent and reasonable basis. Therefore, as required by FRS17 Retirement Benefits, it accounts for the Scheme as if it were a defined contribution scheme. As a result, the amount charged to the Income and Expenditure Account represents the contributions payable to the Scheme in respect of the accounting period.

The Academy also operates a defined benefit pension scheme, The Royal Academy of Music Pension Scheme 1967, which is closed to new members, and which provides retirement benefits based on the length of service and final pensionable salary for certain employees. The Academy has adopted FRS17 Retirement Benefits in full with effect from 1st August 2005. In accordance with FRS17, the operating and financing costs of the Scheme are recognised separately in the Income and Expenditure Account. Service costs are systematically spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The cost of past service benefit enhancements settlements and curtailments are also recognised in the period in which they arise. The differences between actual and expected returns during the year, including changes in actuarial assumptions, are recognised in the Statement of Total Recognised Gains and Losses.

4 Leases

Rental costs under operating leases are charged to expenditure in equal annual amounts over the periods of the leases.

5 Land and Buildings

Expenditure which has added value to the main Academy property has been capitalised and has been depreciated over 40 years on a straight line basis. Where property improvements are subject to planning permission, the direct costs (including professional fees) incurred prior to obtaining planning permission are capitalised as assets in the course of construction but are subject to an impairment provision until planning consent is obtained.

The York Gate building was acquired with the aid of a specific grant from the Heritage Lottery Fund and has been subsequently refurbished. The refurbishment costs of the York Gate building and the cost of the Recital Hall have also been capitalised and are being depreciated over 40 years. The related grants are being treated as deferred capital grants and released to income over the expected useful life of the buildings.

Donations received towards the cost of buildings are included in the balance sheet as deferred capital grants and released to match the depreciation over the useful life.

6 Equipment and Collection of Musical Instruments

Expenditure on the purchase of equipment and other items is depreciated on a straight line basis as follows:

Computer equipment	3 years
Other equipment/instruments	5 years
Collection of Prestigious Musical Instruments	not depreciated

Assets in excess of £5,000 are capitalised.

Equipment acquired with the aid of specific grants is capitalised and depreciated in accordance with the above policy, and the deferred capital grant is released to match the depreciation over the useful life of the equipment.

The Academy's collection of stringed musical instruments has been included in the balance sheet at its estimated market value. Valuations are undertaken by J & A Beare Limited Violin Dealers and Restorers every year for the most valuable items and all other stringed musical instruments were revalued internally in 2009. The collection is not depreciated as it is revalued in accordance with FRS15.

7 Heritage assets

Since its foundation in 1822 the Academy has acquired important collections of instruments, manuscripts, paintings, photographs, busts, drawings, teaching aids and artefacts, batons, furnishings, memorabilia and other objects which have been bought or donated over the years. The majority of the instruments have been valued and are recorded in the balance sheet, most as working assets but a few, primarily stringed instruments made by Stradivari and Amati, are considered to be of such international importance that they are not generally used for educational or musical purposes but are on display in the Academy's museum, which is open to the public. Consequently they fall to be treated as heritage assets in accordance with Financial Reporting Standard 30 "Heritage Assets" as they are held primarily for their contribution to knowledge and culture. The Spencer Collection and the Menuhin Collection were both purchased by the Academy and are also included in the balance sheet as heritage assets. The other items of the type described above are numerous and are likely to have relatively low intrinsic values, however many of them have unique associations with their original owner or with the Academy, making it difficult to value them realistically. As a result it is considered not practicable to obtain valuations and they are not included in the balance sheet. These assets are not considered to be of a heritage nature but are nevertheless an important part of the Academy's history and assist in preserving its reputation and attraction to current and potential students and teachers. Full details of the collections, which are fully catalogued and include both heritage and non-heritage assets, together with opening times for the museum and access policy, are given on the Academy's website at www.ram.ac.uk/museum.

The stringed instruments held as heritage assets (all of which have been donated to the Academy), are revalued annually by independent valuers. Heritage assets purchased by the Academy are included in the financial statements at cost and are depreciated over 40 years. Costs in connection with the preservation and conservation of heritage assets are charged to the Income and Expenditure account as they are incurred.

8 Investments

Listed investments are stated at market values at the balance sheet date. Gains or losses are attributed to the appropriate fund.

9 Taxation Status

As a registered charity the Academy is exempt from taxation in respect of income received within categories covered by Section 505 of the Taxes Act 1988, to the extent that such income is applied exclusively for charitable purposes. The Academy's supply of education services is exempt from Value Added Tax; consequently no recovery of VAT suffered on educational expenditure incurred by the Academy is permissible.

10 Stocks

Stocks of goods for resale are stated at the lower of cost and net realisable value.

11 Endowments

Under the SORP endowments have been categorised as unrestricted or restricted and are further subdivided between expendable and permanent. All bursary endowments are treated as permanent endowments. Unrestricted donations in excess of £50,000, where no direction has been given to the contrary, are treated as expendable endowments.

12 Recognition of Income

Income received for restricted purposes is recognised to the extent of the expenditure incurred in the year.

The Academy has a policy of using the income yield to meet expenditure commitments.

Expendable endowment income earned is credited in full to the Income and Expenditure Account but may be subsequently transferred to Earmarked Funds.

Restricted income is credited to the Income and Expenditure Account when received and is subsequently transferred to the appropriate reserve.

Other Income is credited directly to the Income and Expenditure Account on a receivable basis.

13 Deferred Income

Income received for specific purposes which has not been transferred to the Academy's Income and Expenditure Account is shown as unexpended income under creditors.

14 Provisions

Provisions are recognised when the Academy has a present legal or constructive obligation as a result of a past event.

15 Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand and cash deposits. No investments, however liquid, are included as cash.

16 Maintenance of Premises

The Academy has a provision for the maintenance of its buildings which it is required to carry out in accordance with the terms of its lease. This is based on a 20 year maintenance plan which is reviewed on an annual basis. The provision represents the estimated cost at the balance sheet date of maintenance work falling due within the cyclical programme under the lease.

The cost of routine corrective maintenance is charged to the Income and Expenditure Account as incurred.

Consolidated Income and Expenditure Account

	<i>Note</i>	<i>2011 Total £000</i>	<i>2010 Total £000</i>
Income - Continuing activities			
Funding Council Grants	1	6,279	5,570
Academic Fees and Support Grants	2	7,127	6,601
Research Grants and Contracts	3	175	96
Other Operating Income	4	5,555	4,853
Endowment and Investment Income	5	931	1,103
Total Income		<u>20,067</u>	<u>18,223</u>
Expenditure			
Staff Costs	6/7	9,165	9,725
Other Operating Expenses	8	7,576	6,923
Depreciation/impairment of Fixed Assets	9	572	531
Total Expenditure		<u>17,313</u>	<u>17,179</u>
Surplus on Continuing Operations for the Year		2,754	1,044
Transfer from/(to) Restricted Endowments	15	(8)	35
Surplus After Transfers		<u>2,746</u>	<u>1,079</u>
Appropriations to Earmarked Funds	16	(216)	(870)
Net Surplus after Transfers and appropriations		<u>2,530</u>	<u>209</u>

The notes on pages 25 to 36 form part of these financial statements.

A Statement of Historical Cost Surpluses and Deficits has not been prepared as there is no difference between the surplus/deficit calculated on a historical cost basis, and the result for the year. All Tangible Fixed Assets are carried at historic cost except for the Musical Instrument Collection which is periodically revalued.

Consolidated Balance Sheet

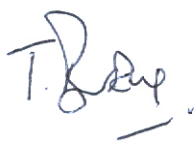
	Note	2011 £000	2010 £000
Fixed Assets			
Tangible Fixed Assets:			
Heritage	9a	27,374	25,427
Operational	9a	32,450	32,692
		<u>59,824</u>	<u>58,119</u>
Fixed Asset Investments	10	649	597
		<u>60,473</u>	<u>58,716</u>
Endowment Assets	10	<u>25,330</u>	<u>23,177</u>
Current Assets			
Stock		132	140
Debtors	11	2,033	547
Cash at bank - Working Capital		2,038	2,400
Cash at bank - Designated		<u>11,220</u>	<u>8,493</u>
		<u>15,423</u>	<u>11,580</u>
Creditors: Amounts falling due within one year	12a	<u>(5,565)</u>	<u>(4,613)</u>
Net Current Assets		<u>9,858</u>	<u>6,967</u>
Total Assets less Current Liabilities		<u>95,661</u>	<u>88,860</u>
Creditors: Amounts falling due after more than one year	12b	<u>(108)</u>	<u>(100)</u>
Provisions for Liabilities and Charges	13	<u>(1,005)</u>	<u>(930)</u>
Net Assets excluding pension deficit		<u>94,548</u>	<u>87,830</u>
Pension Deficit (FRS17)	18	<u>(2,043)</u>	<u>(1,612)</u>
Net assets after pension deficit		<u>92,505</u>	<u>86,218</u>
Deferred Capital Grants	14	<u>16,912</u>	<u>16,497</u>
Endowment Funds:			
Expendable	15	8,433	7,744
Permanent	15	<u>16,897</u>	<u>15,433</u>
		<u>25,330</u>	<u>23,177</u>
Income and Expenditure Account Reserves			
Revaluation Reserve	22	39,117	37,228
Earmarked Funds	16	6,557	6,341
Income and expenditure account excluding pension reserve	17	6,632	4,587
Pension deficit	17	<u>(2,043)</u>	<u>(1,612)</u>
Income and expenditure account after pension deficit		<u>4,589</u>	<u>2,975</u>
Total Reserves		<u>50,263</u>	<u>46,544</u>
Total Funds		<u>92,505</u>	<u>86,218</u>

The notes on pages 25 to 36 form part of these Financial Statements.

Academy Balance Sheet

	Note	2011 £000	2010 £000
Fixed Assets			
Tangible Fixed Assets:			
Heritage	9b	26,414	24,437
Operational	9b	20,336	20,364
		<u>46,750</u>	<u>44,801</u>
Fixed Asset Investments	10	649	597
		<u>47,399</u>	<u>45,398</u>
Endowment Assets	10	<u>25,330</u>	<u>23,177</u>
Current Assets			
Stock		24	28
Debtors	11	2,030	543
Cash at bank and in hand - Working Capital		2,005	2,383
Cash at bank and in hand - Designated		<u>11,220</u>	<u>8,493</u>
		<u>15,279</u>	<u>11,447</u>
Creditors: Amounts falling due within one year	12a	<u>(5,531)</u>	<u>(4,581)</u>
Net Current Assets		<u>9,748</u>	<u>6,866</u>
Total Assets less Current Liabilities		<u>82,477</u>	<u>75,441</u>
Provisions for Liabilities and Charges	13	<u>(1,005)</u>	<u>(930)</u>
Net Assets		<u>81,472</u>	<u>74,511</u>
Pension Deficit (FRS17)	18	<u>(2,043)</u>	<u>(1,612)</u>
Net assets after pension deficit		<u>79,429</u>	<u>72,899</u>
Deferred Capital Grants	14	3,836	3,178
Endowment Funds:			
Expendable	15	8,433	7,744
Permanent	15	<u>16,897</u>	<u>15,433</u>
		<u>25,330</u>	<u>23,177</u>
Income and Expenditure Account Reserves			
Revaluation Reserve	22	39,117	37,228
Earmarked Funds	16	6,557	6,341
Income and expenditure account excluding pension reserve	17	6,632	4,587
Pension Deficit	17	<u>(2,043)</u>	<u>(1,612)</u>
Income and expenditure account after pension deficit		<u>4,589</u>	<u>2,975</u>
Total Reserves		<u>50,263</u>	<u>46,544</u>
Total Funds		<u>79,429</u>	<u>72,899</u>

The financial statements were approved by the Governing Body and authorised for issue on 24th November 2011.



Lord Burns
Chairman



Tony Travis
Chairman - Finance and General Purposes Committee

Consolidated Cash Flow Statement

	<i>Note</i>	2011 £000	2010 £000
Net cash outflow from operating activities		996	(553)
Returns on investment	21a	973	1,153
Capital expenditure and financial investment	21a	51	(2,217)
Cash inflow/(outflow) before use of liquid resources and financing		<u>2,020</u>	<u>(1,617)</u>
Management of liquid resources	21a	337	1,613
Financing	21a	8	-
Increase/(decrease) in cash in the year		<u>2,365</u>	<u>(4)</u>
Reconciliation of Surplus for the year to Net Cash Inflow from Operating Activities			
Surplus on continuing operations for the year		2,754	1,044
Adjustments for non cash items			
Depreciation and impairment charges		572	531
Release of deferred capital grants		(322)	(305)
Decrease/(increase) in stock		8	-
(Increase)/decrease in debtors		(1,486)	213
Increase/(decrease) in creditors		952	(509)
Increase/(decrease) in provisions		75	(118)
Profit on disposal of fixed assets		(47)	(39)
Pension Fund non-cash movement		(537)	(217)
Reclassification			
Endowment and Investment Return		(973)	(1,153)
Net cash inflow/(outflow) from operating activities		<u>996</u>	<u>(553)</u>
Reconciliation of Net Cash Flow to Movement in Net Funds			
Increase/(decrease) in cash in the year		2,365	(4)
Cash outflow from long-term loan repayment		(8)	-
Cash outflow from liquid resources		(337)	(1,613)
Movement in net funds in the period		<u>2,020</u>	<u>(1,617)</u>
Net funds at 1st August 2010		<u>13,120</u>	<u>14,737</u>
Net funds at 31st July 2011	21b	<u>15,140</u>	<u>13,120</u>

Consolidated Statement of Total Recognised Gains and Losses

	2011	2010
	£000	£000
Surplus on continuing operations after transfers	2,746	1,079
Net additions to other reserves:		
Musical Instrument Collection Reserve - Heritage share	2,000	2,250
Musical Instrument Collection Reserve - Operational share	(111)	1,053
Fixed Asset Investment General Fund Devaluation	52	50
(Depreciation)/appreciation of Expendable Endowment Asset Investments	1,967	1,823
Endowment Income retained on Expendable endowments	28	37
Endowment Income utilised on Permanent endowments	(20)	(72)
New Endowments received	178	445
Actuarial gain/(loss) in respect of RAM 1967 pension scheme	(968)	(392)
Total recognised gains for the year	5,872	6,273
Reconciliation		
Opening reserves and endowments	69,721	63,448
Total recognised gains and losses for the year	5,872	6,273
Closing reserves and endowments	75,593	69,721

Notes to the Financial Statements

Note

1	Funding Council Grants		2011	2010
			£000	£000
	Recurrent Teaching grant		4,013	4,149
	Recurrent Research grant		428	432
	Other Special funding		1,827	978
	Release of deferred capital grants (equipment)		11	11
			<u>6,279</u>	<u>5,570</u>
2	Academic Fees and Support Grants		2011	2010
			£000	£000
	Full-time Home and EU		3,329	3,121
	Full-time International		2,965	2,637
	Junior and Intermediate		833	843
			<u>7,127</u>	<u>6,601</u>
3	Research Grants and Contracts		2011	2010
			£000	£000
	Research Councils		175	96
			<u>175</u>	<u>96</u>
4	Other Operating Income		2011	2010
			£000	£000
	Residences and catering		563	534
	Other grant income		1,891	1,413
	Release of deferred capital grants	14	311	294
	Other operating income *		2,790	2,612
			<u>5,555</u>	<u>4,853</u>
	* Includes donation income from ABRSM			
5	Endowment and Investment Return		2011	2010
			£000	£000
	Income earned from Expendable Endowments	15	248	308
	Income earned from Permanent Endowments	15	505	624
	Sub-total Endowment Investment Income		753	932
	Other finance income - Pension Scheme	18	(42)	(50)
	Other interest receivable		220	221
			<u>931</u>	<u>1,103</u>

Notes to the Financial Statements continued

6 Staff Numbers and Costs

The average number of persons employed by the Academy and the group during the year, expressed as full-time equivalents, are shown in the table below:

	2011	2010	2011	2010
	Staff nos	Staff nos	Staff costs	Staff costs
	FTE	FTE	£000	£000
Teaching	118	116	5,469	5,610
Support	9	9	398	411
Other Academic Services	11	12	396	453
Central administration and services	31	35	1,541	1,876
General Education	15	15	478	491
Student/staff facilities	2	2	78	85
Premises	15	15	485	534
Catering and residence	6	6	178	183
Research Grants and Contracts	3	2	142	82
	210	212	9,165	9,725

	2011	2010
	£000	£000
Wages and Salaries	8,253	8,822
Social Security Costs	569	609
Other Pension Costs	343	294
	9,165	9,725

The number of staff, excluding the principal, who received emoluments (including taxable benefits but excluding employer's pension contributions) in excess of £100,000 in the following ranges was:

	2011	2010
£110,001 - £120,000	-	1

7 Principal's Emoluments

	2011	2010
	£	£
Emoluments	138,662	139,454
Pension contributions	44,275	33,470

The Principal is required as part of his contract to live on the Academy premises. The premises are an integral part of the main Academy building and the apportioned costs associated with the Principal's residence are £15,352 (2010 £24,568).

Notes to the Financial Statements continued

8 Other Operating Expenses	2011	2010
	£000	£000
Teaching	772	730
Support	37	431
Other Academic Services	432	92
Central administration and services	1,303	1,292
External audit - annual audit fee *	47	42
- other fees *	36	11
Internal audit	42	32
Subtotal Central Administration	1,428	1,377
General Education	1,931	1,814
Student/staff facilities	66	67
Premises	1,840	1,442
Long-term maintenance	250	250
Catering and Residence	510	440
Research Grants and Contracts	33	14
Other Services rendered - Academy Chimes	277	266
	7,576	6,923

*External Auditors' remuneration includes £41,400 (2010 £39,245) in respect of the Main Academy.

9 Tangible Fixed Assets

a) Consolidated	OPERATIONAL				HERITAGE		TOTAL	
	Long L'Hold Land and Buildings	Equipment	Operational Instrument Collection	Subtotal Operational Assets	Heritage Instrument Collection	Menhuin and Spencer Collections	Subtotal Heritage Assets	Grand Total
Cost or valuation	Cost	Cost	Valuation		Valuation	Cost		
	£000	£000	£000	£000	£000	£000	£000	£000
At 1st August 2010	24,622	2,225	13,538	40,385	23,690	2,105	25,795	66,180
Additions	-	388	30	418	-	-	-	418
Disposals	-	(67)	(7)	(74)	-	-	-	(74)
Transfer	-	-	-	-	-	-	-	-
Revaluation	-	-	(134)	(134)	2,000	-	2,000	1,866
At 31st July 2011	24,622	2,546	13,427	40,595	25,690	2,105	27,795	68,390
Depreciation								
At 1st August 2010	5,866	1,827	-	7,693	-	368	368	8,061
Disposals	-	(67)	-	(67)	-	-	-	(67)
Charge for the year	362	157	-	519	-	53	53	572
At 31st July 2011	6,228	1,917	-	8,145	-	421	421	8,566
Net Book Value								
At 31st July 2011	18,394	629	13,427	32,450	25,690	1,684	27,374	59,824
At 31st July 2010	18,756	398	13,538	32,692	23,690	1,737	25,427	58,119

Over 95% of the value of stringed instruments held as heritage assets is represented by four instruments made by Antonio Stradivari.

The key instruments are revalued by J & A Beare Limited.

There were no acquisitions or disposals of heritage assets in the year ended 31st July 2011 (2010 £0).

Notes to the Financial Statements continued

9 Tangible Fixed Assets

b) Academy

	<i>Long L'Hold Land and Buildings</i>	<i>Equipment</i>	<i>Operational Instrument Collection</i>	<i>Subtotal Operational Assets</i>	<i>Heritage Instrument Collection</i>	<i>Menhuin and Spencer Collections</i>	<i>Subtotal Heritage Assets</i>	<i>Grand Total</i>
Cost or valuation	Cost	Cost	Valuation		Valuation	Cost		
	£000	£000	£000	£000	£000	£000	£000	£000
At 1st August 2010	10,212	2,230	13,538	25,980	23,690	905	24,595	50,575
Additions	-	388	30	418	-	-	-	418
Disposals	-	(67)	(7)	(74)	-	-	-	(74)
Transfer	-	-	-	-	-	-	-	-
Revaluation	-	-	(134)	(134)	2,000	-	2,000	1,866
At 31st July 2011	10,212	2,551	13,427	26,190	25,690	905	26,595	52,785
Depreciation								
At 1st August 2010	3,789	1,827	-	5,616	-	158	158	5,774
Disposals	-	(67)	-	(67)	-	-	-	(67)
Charge for the year	148	157	-	305	-	23	23	328
At 31st July 2011	3,937	1,917	-	5,854	-	181	181	6,035
Net Book Value								
At 31st July 2011	6,275	634	13,427	20,336	25,690	724	26,414	46,750
At 31st July 2010	6,423	403	13,538	20,364	23,690	747	24,437	44,801

10 Investments and Endowment Assets

	<i>Consolidated and Academy</i>		
	<i>Fixed Assets</i>	<i>Endowment Assets</i>	<i>Total Investments</i>
	£000	£000	£000
At Market Value			
At 1st August 2010	597	23,177	23,774
Purchases of investments	13	1,021	1,034
Proceeds from sales of investments	(13)	(498)	(511)
Appreciation/(depreciation) on disposal/revaluation	52	1,967	2,019
Change in current assets	-	(337)	(337)
At 31st July 2011	649	25,330	25,979
Represented by:			
Fixed Interest Stocks	100	3,810	3,910
Equities	393	14,881	15,274
Property	79	2,988	3,067
Other	77	1,661	1,738
Current Assets	-	1,990	1,990
	649	25,330	25,979

Notes to the Financial Statements continued

11 Debtors

	<i>Consolidated</i>	<i>Academy</i>	<i>Consolidated</i>	<i>Academy</i>
	2011	2011	2010	2010
	£000	£000	£000	£000
Trade Debtors	325	322	216	212
Prepayments and accrued income	1,708	1,708	331	331
	<u>2,033</u>	<u>2,030</u>	<u>547</u>	<u>543</u>

12 Creditors

a) Creditors: Amounts falling due within one year

	<i>Consolidated</i>	<i>Academy</i>	<i>Consolidated</i>	<i>Academy</i>
	2011	2011	2010	2010
	£000	£000	£000	£000
Trade Creditors	213	199	12	-
Fees in Advance	1,719	1,719	1,557	1,557
Deferred revenue grants and donations (specific purpose)	1,831	1,831	1,620	1,620
Amounts owed to subsidiary undertakings	-	1	-	1
Taxation and social security	248	248	241	241
Other Creditors and Accruals	1,554	1,533	1,183	1,162
	<u>5,565</u>	<u>5,531</u>	<u>4,613</u>	<u>4,581</u>

b) Creditors: Amounts falling due after more than one year

	<i>Consolidated</i>	<i>Academy</i>	<i>Consolidated</i>	<i>Academy</i>
	2011	2011	2010	2010
	£000	£000	£000	£000
Loan from Chimes Consultancy	108	-	100	-
	<u>108</u>	<u>-</u>	<u>100</u>	<u>-</u>

The loan from Chimes Consultancy shown in Note 12 is interest free and unsecured. Chimes Consultancy manages the Academy Chimes shop. The loan is used to purchase stock for the shop which commenced trading on 1st August 2006. This loan is repayable in full at the end of the management agreement.

13 Provisions for Liabilities and Charges

	<i>Consolidated and Academy</i>
	£000
Long-term Maintenance Provision	
At 1st August 2010	930
Transferred from Income and Expenditure Account	250
Expenditure	(175)
At 31st July 2011	<u>1,005</u>

Notes to the Financial Statements continued

14 Deferred Capital Grants

	<i>Consolidated</i>			<i>Academy</i>		
	<i>Funding</i>	<i>Other</i>		<i>Funding</i>	<i>Other</i>	
	<i>Council</i>	<i>Grants</i>	<i>Total</i>	<i>Council</i>	<i>Grants</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1st August 2010						
Buildings	-	13,767	13,767	-	1,438	1,438
Equipment	272	2,458	2,730	272	1,468	1,740
Total	272	16,225	16,497	272	2,906	3,178
Cash received:						
Buildings	-	150	150	-	150	150
Equipment	-	587	587	-	586	586
Total	-	737	737	-	736	736
Released to Income and Expenditure:						
Buildings	-	255	255	-	41	41
Equipment	11	56	67	11	26	37
Total (notes 1 and 4)	11	311	322	11	67	78
At 31st July 2011						
Buildings	-	13,662	13,662	-	1,547	1,547
Equipment	261	2,989	3,250	261	2,028	2,289
Total	261	16,651	16,912	261	3,575	3,836

15 Endowment Funds

	<i>Consolidated and Academy</i>				
	<i>Unrestricted</i>	<i>Restricted</i>	<i>Subtotal</i>	<i>Restricted</i>	<i>Grand</i>
	<i>Expendable</i>	<i>Expendable</i>	<i>Expendable</i>	<i>Permanent</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Capital					
At 1st August 2010	5,742	1,750	7,492	15,022	22,514
Depreciation of endowment asset investments	499	153	652	1,315	1,967
New endowments received	-	9	9	169	178
At 31st July 2011	6,241	1,912	8,153	16,506	24,659
Accumulated Income					
At 1st August 2010	-	252	252	411	663
Investment income	190	58	248	505	753
Expenditure	(190)	(30)	(220)	(525)	(745)
Transfer (to)/from Income and Expenditure Account	-	28	28	(20)	8
At 31st July 2011	-	280	280	391	671
Total Funds					
At 1st August 2010	5,742	2,002	7,744	15,433	23,177
At 31st July 2011	6,241	2,192	8,433	16,897	25,330

Notes to the Financial Statements continued

16 Earmarked Funds - Academy and Consolidated

	<i>Consolidated and Academy £000</i>
At 1st August 2010	6,341
Transfer from Income and Expenditure Account (note 17)	216
At 31st July 2011	<u>6,557</u>

The Earmarked Funds represent amounts identified by the Academy out of Income and Expenditure Account surpluses for specific items of expenditure in future accounting periods.

17 Income and Expenditure Account

	<i>Excluding pension scheme £000</i>	<i>Consolidated and Academy RAM 1967 pension scheme £000</i>	<i>Total £000</i>
At 1st August 2010	4,587	(1,612)	2,975
Revaluation of Fixed Asset Investments	52	-	52
Transfer to Earmarked Funds (note 16)	(216)	-	(216)
Surplus for the year	2,209	537	2,746
Actuarial gain	-	(968)	(968)
At 31st July 2011	<u>6,632</u>	<u>(2,043)</u>	<u>4,589</u>

18 FRS17 Retirement Benefits disclosures

Superannuation contributions are paid either to the Teachers' Pensions Scheme (TPS) for teaching staff, or to a Group Personal Pension Scheme (GPPS) for administrative staff. The assets of these schemes are held separately from the assets of the Academy in independently administered funds. The Royal Academy of Music Pension Scheme 1967 for administrative staff was closed to future accruals of pension benefit on 31st March 2005, however, the scheme continues to be operated by the Prudential Assurance Company and the Academy is undertaking deficit funding.

Total pension cost for the year was:	<i>2011 £000</i>	<i>2010 £000</i>
Teachers Pension Scheme: employer's contributions paid	202	188
Group Personal Pension Scheme: employer's contributions paid	141	106
Royal Academy of Music Pension Scheme 1967: net charge to Income and Expenditure account	42	50
Total pension cost	<u>385</u>	<u>344</u>

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 2010. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers and from 1st January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

18 FRS17 Retirement Benefits disclosures continued

Although teachers and lecturers are employed by various bodies, their retirement and other pension benefits, including annual increases payable under the Pensions (Increase) Acts are, as provided for in the Superannuation Act 1972, paid out of monies provided by Parliament. Under the unfunded TPS, teachers' contributions on a 'pay-as-you-go' basis, and employers' contributions, are credited to the Exchequer under arrangements governed by the above Act.

The Teachers' Pensions Regulations require an annual account, the Teachers' Pension Budgeting and Valuation Account, to be kept of receipts and expenditure (including the cost of pensions' increases). From 1st April 2001, the Account has been credited with a real rate of return (in excess of price increases and currently set at 3.5%), which is equivalent to assuming that the balance in the Account is invested in notional investments that produce that real rate of return.

Not less than every four years the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TPS. The aim of the review is to specify the level of future contributions. The contribution rate paid into the TPS is assessed in two parts. First, a standard contribution rate (SCR) is determined. This is the contribution, expressed as a percentage of the salaries of teachers and lecturers in service or entering service during the period over which the contribution rate applies, which if it were paid over the entire active service of these teachers and lecturers would broadly defray the cost of benefits payable in respect of that service. Secondly, a supplementary contribution is payable if, as a result of the actuarial investigation, it is found that accumulated liabilities of the Account for benefits to past and present teachers, are not fully covered by standard contributions to be paid in future and by the notional fund built up from past contributions. The total contribution rate payable is the sum of the SCR and the supplementary contribution rate.

The last valuation of the TPS related to the period 1st April 2001 to 31st March 2004. The GA's report of October 2006 revealed that the total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits) amounted to £166,500 millions. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £163,240m. The assumed real rate of return is 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth is assumed to be 1.5%. The assumed gross rate of return is 6.5%.

As from 1st January 2007, and as part of the cost-sharing agreement between employers' and teachers' representatives, the SCR has been assessed at 19.75%, and the supplementary contribution rate has been assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years); a total contribution rate of 20.5%. This translates into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost-sharing agreement has also introduced - effective for the first time with effect from the 2008 valuation - a 14% cap on employer contributions payable.

Royal Academy of Music Pension Scheme 1967

The Academy operates a funded defined benefit scheme which is managed by the Prudential Assurance Company Limited and was closed to future accruals of pension benefit on 31st March 2005. The Academy is funding the scheme deficit with minimum contributions of £312,000 per annum with effect from 1st April 2011. Scheme liabilities have been valued using the projected unit method. The actuarial valuation as at 31st December 2009 was updated to 31st July 2011 for FRS17 purposes.

Notes to the Financial Statements continued

18 FRS17 Retirement Benefits disclosures continued

	<i>As at 31st July 2011</i>	<i>As at 31st July 2010</i>
Main assumptions used by the actuary in valuing liabilities:		
Discount rate	5.25%	5.40%
Inflation	3.20%	3.10%
Increases to deferred pensions in excess of GMP before retirement	5%*	5%*
Increases to pensions in payment for all members in respect of service up to 31st December 2003	5%*	5%*
Increase to Pension in payment for all members in respect of service after 1st January 2004	2.85%	2.70%

*Fixed rates in rules of scheme

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	<i>As at 31st July 2011</i>	<i>As at 31st July 2010</i>
Retiring today		
Males	22.90	22.10
Females	25.40	25.00
Retiring in 20 years		
Males	25.30	23.10
Females	27.70	25.90

Analysis of amount (charged)/credited to other finance income	<i>2011 £000</i>	<i>2010 £000</i>
Expected return on pension scheme assets	507	482
Interest on pension scheme liabilities	(549)	(532)
Net charge (Note 5)	<u>(42)</u>	<u>(50)</u>

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)	<i>2011 £000</i>	<i>2010 £000</i>
Actual return less expected return on pension scheme assets	(540)	711
Experience gains and losses arising on scheme liabilities	(428)	(1,103)
Actuarial gain/(loss) recognised in STRGL	<u>(968)</u>	<u>(392)</u>

Movement in deficit assets and liabilities during the year

	<i>2011 £000</i>	<i>2011 £000</i>	<i>2011 £000</i>	<i>2010 £000</i>	<i>2010 £000</i>	<i>2010 £000</i>
	<i>Assets</i>	<i>Liabilities</i>	<i>Net</i>	<i>Assets</i>	<i>Liabilities</i>	<i>Net</i>
Deficit in scheme at beginning of the year	8,738	10,350	(1,612)	7,578	9,015	(1,437)
Movement in year:						
Contributions	579	-	579	267	-	267
Other finance income/(charge)	507	549	(42)	482	532	(50)
Benefits paid	(376)	(376)	-	(300)	(300)	-
Actuarial gain/(loss)	(540)	428	(968)	711	1,103	(392)
Deficit in scheme at end of the year	<u>8,908</u>	<u>10,951</u>	<u>(2,043)</u>	<u>8,738</u>	<u>10,350</u>	<u>(1,612)</u>

Notes to the Financial Statements continued

18 FRS17 Retirement Benefits disclosures continued

Analysis of Scheme Assets	Long-term ROR expected		Long-term ROR expected		
Cash Accumulation Policy	5.95%	4,273	6.15%	4,018	
Secured pensions in payment	5.25%	4,635	5.40%	4,720	
		8,908		8,738	
History of experience gains and losses	2011	2010	2009	2008	2007
Experience adjustments on scheme assets					
Amount (£000)	(540)	711	(305)	(458)	(235)
Percentage of scheme assets	-6.1%	8.1%	-4.0%	-6.2%	-3.1%
Experience adjustments on scheme liabilities					
Amount (£000)	428	1,103	901	(1,137)	(546)
Percentage of scheme liabilities	3.9%	10.7%	10.0%	-14.4%	-6.2%
Total amount recognised in statement of recognised gains and losses					
Amount (£000)	(968)	(392)	(1,206)	679	311
Percentage of scheme liabilities	-8.8%	-3.8%	-13.4%	8.6%	3.5%
History of Defined Benefit Scheme					
Present Value of Defined Benefit Obligation	10,951	10,350	9,015	7,890	8,840
Fair Value of Scheme Assets	8,908	8,738	7,578	7,390	7,474
Surplus/(deficit) arising in the scheme	(2,043)	(1,612)	(1,437)	(500)	(1,366)

Group Personal Pension Scheme

A Group Personal Pension Scheme (GPPS) was started on 1st April 2005 for all Administration Staff. This scheme is a defined contribution scheme with employee and employer contributions being based on length of service. There were no contributions outstanding or prepaid at the balance sheet date and the amount of employer contributions paid during the year were £140,921 (2009/10 £106,454).

19 Capital Commitments

	Consolidated 2011 £000	Academy 2011 £000	Consolidated 2010 £000	Academy 2010 £000
Capital Commitments contracted for at 31st July 2011	720	720	-	-

Notes to the Financial Statements continued

20 Lease Obligations

At 31st July 2011, the Academy and its group had annual commitments under non-cancellable operating leases expiring as follows

	2011	2010
	£000	£000
Land and Buildings		
Expiring within one year	28	27
Expiring in over five years	327	327
	<u>355</u>	<u>354</u>
Other		
Expiring within one year	20	-
Expiring between one and two years	2	20
Expiring between two and five years	17	19
Expiry in over five years	-	-
	<u>39</u>	<u>39</u>

21 Notes to the Cash Flow Statement

a) Gross Cash Flows	2011	2010
	£000	£000
Interest and investment income		
Bank interest received	220	221
Endowment income	753	932
Net cash inflow from returns on investment	<u>973</u>	<u>1,153</u>
Capital expenditure and financial investment		
Purchase of tangible operational assets	(388)	(1,484)
Payments to acquire fixed asset investments	(13)	(88)
Payments to acquire endowment asset investments	(1,021)	(5,347)
Total payments to acquire fixed/endowment assets	<u>(1,422)</u>	<u>(6,919)</u>
Receipts from sale of tangible operational assets	47	39
Receipts from sale of fixed asset investments	13	89
Receipts from sale of endowment asset investments	498	3,324
Deferred capital grants received	737	805
New endowments received	178	445
Net cash inflow/(outflow) from capital expenditure and financial investment	<u>51</u>	<u>(2,217)</u>
Management of Liquid Resources		
Movement on endowment current assets	337	1,613
Net cash inflow from management of liquid resources	<u>337</u>	<u>1,613</u>
Financing		
Increase in long-term loan	8	-
Net cash inflow from financing	<u>8</u>	<u>-</u>

Notes to the Financial Statements continued

21 Notes to the Cash Flow Statement continued

	<i>Net Funds at 1st August 2010</i>	<i>Cash Flows</i>	<i>Net Funds at 31st July 2011</i>
b) Analysis of changes in net funds	£000	£000	£000
Cash at bank and in hand	10,893	2,365	13,258
Endowment current assets	2,327	(337)	1,990
	13,220	2,028	15,248
Debt due after more than one year	(100)	(8)	(108)
	13,120	2,020	15,140

22 Revaluation Reserve

Revaluation Reserve	Consolidated and Academy				
		Musical Instrument Collection Reserve - Operational	Musical Instrument Collection Reserve - Heritage	Musical Instrument Collection Reserve - Total	Total Revaluation Reserve
	Fixed Asset Investment Reserve				
	£000	£000	£000	£000	£000
At 1st August 2010	-	13,538	23,690	37,228	37,228
Donations during the year	-	30	-	30	30
Disposal of Operational Instruments					
During Year	-	(7)	-	(7)	(7)
Devaluation of Operational Instruments	-	(134)	-	(134)	(134)
Revaluation of Heritage Instruments	-	-	2,000	2,000	2,000
At 31st July 2011	-	13,427	25,690	39,117	39,117

The Musical Instrument Collection reserve represents an estimate of the current market value of the collection of Musical Instruments donated to the Royal Academy of Music, including instruments purchased by the Academy using funds donated for this purpose. Valuations are undertaken by J & A Beare Limited Violin Dealers and Restorers every year for the most valuable items and all other stringed musical instruments were revalued internally in 2009. The Collection is revalued in accordance with FRS15.

Additional Disclosure Items

Access Funds	2011	2010
	£000	£000
HEFCE grants		
Disbursed to Students	9	9
At 31st July 2011	(9)	(9)
	-	-

Access grants are available solely for students; the Academy acts only as a paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

23 Related Party Transactions

Due to the nature of the Academy's operations and the members of the Governing Body, being drawn from large public and private sector organisations, it is inevitable that transactions may take place with organisations in which a member of the Governing Body may have an interest. All transactions involving organisations in which a member of the Governing Body may have an interest, are conducted at arm's length and in accordance with the Academy's Financial Regulations and usual procurement procedures.

The RAM Student Union is a separate entity which is classed as a related party for the purposes of these financial statements. A grant of £41, 448 (2010 £39,589) was due to the RAMSU for their work in supporting students during the year. Of this sum £13,855 (2010 £0) was outstanding at the year end.

Royal Academy of Music

Marylebone Road
London NW1 5HT

Tel. +44 (0)20 7873 7373

Fax +44 (0)20 7873 7374

www.ram.ac.uk

Registered Charity No. 310007

President: HRH The Duchess of Gloucester GCVO

Principal: Jonathan Freeman-Attwood



University of London