

Royal Academy of Music Financial Statements 2012–2013



Royal
Academy
of
Music





Duke's Hall Organ inaugural concert, 7 October 2013



Violin Masterclass with Maxim Vengerov, Menuhin Professor of Music

Financial Statements for the year ended 31 July 2013

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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)

Lady Sainsbury of Turville CBE HonFRAM (Deputy Chairman)

The Rt Hon Lord Sumption OBE PC FSA HonFRAM (Deputy Chairman)

Dame Jenny Abramsky CBE DBE HonRAM (appointed September 2013)

John Burgess

Sir Howard Davies HonFRAM (retired July 2013)

Matthew Ferrey

Lesley Garrett CBE FRAM

Lady Heywood (appointed September 2013)

Professor Roger Parker HonFRAM

Laurel Powers-Freeling HonFRAM

Simon Robey HonFRAM

Sir Martin Smith HonFRAM

Professor Sir Richard Trainor KBE BA MA DPhil FRC (appointed September 2013)

Anthony Travis HonFRAM

John Willan BMus ARAM FRSA FCA

Elected Members of Governing Body

Jo Cole FHEA ARAM (Academic Staff Representative – appointed September 2012)

Glenville Hargreaves BMus HonARAM GRSM ARMCM FRSA FHEA (Academic Staff Representative – appointed September 2012)

Esmé Acton-Stewart HonARAM (Administrative Staff Representative – appointed September 2012)

Dominic Tyler (Student Union President – retired August 2013)

Murray Richmond (Student Union President – appointed August 2013)

Principal

Professor Jonathan Freeman-Attwood BMus MPhil HonRAM FRC

Deputy Principals

Mark Racz BA MFA

Dr Timothy Jones MA DPhil LTCL

Director of Development

Carol McCormack BA HonARAM

Director of Finance

Judith Barber BSc CPFA HonARAM

Governance Adviser

Rosalind Frendo, Head of Central Secretariat, University of London

Operating and Financial Review for the year ended 31 July 2013

The Governors of the Royal Academy of Music present their annual report and audited financial statements for the year ended 31 July 2013 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 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 Academy contributes to the advancement of education through its full-time programmes of study, through its calendar of publically accessible performances and research events, through its outreach events designed to encourage learners from traditionally low-participation sectors of the community to participate in music education and in higher education, and through the conservation, display, interpretation, and practical use of its collections to educational ends.

Recent studies (including the London School of Economics report *The impact of three London conservatoires on the UK and London economies* [2012]) have shown how public investment in conservatoire teaching has significant economic and public benefit to the UK. As well as forming a significant percentage of members of leading orchestras, opera companies and chamber ensembles, many Academy graduates are successfully forging innovative career pathways at the highest level of the music profession. In an independent survey conducted in 2012/13 the Academy was found to have the highest success rate for graduate employability in the entire British higher education sector.

The public benefit 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 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. In the year to 31 July 2013 the Academy invested £2.6m from our endowment income and other funds raised by the Development Department in scholarships and financial support for talented musicians, many of whom could not otherwise afford 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 outreach department. Many of the students are committed to working in the community through Open Academy projects: almost 200 students participated in 40 projects, reaching over 3,200 external participants in 2012/13.

Academic Achievements

In 2012/13, 72 students were awarded the BMus (University of London: RAM). Of these, 55 (76%) achieved either a First or an Upper Second.

236 students received awards at the end of taught postgraduate programmes. Of the 168 students who graduated from the MA programme, 84 (50%) received a Distinction and 60 (35.7%) received a Merit. Of the 29 students who graduated from the MMus programme, 21 (72%) received a Distinction and 8 (28%) received a Merit. 12 students graduated from the new Advanced Diploma in Opera Performance.

5 students were awarded a University of London PhD in 2012/13.

The number and quality of applicants to the Academy's programmes of study remain buoyant. For entry in September 2013 there were almost 2,000 applications which converted into 357 enrolments.

Artistic Achievements

The Academy produced a calendar of over 500 events on 2012/13. Highlights include orchestral performances conducted by Semyon Bychkov, Sir Mark Elder, Edward Gardner, Trevor Pinnock, and what sadly proved to be the late Sir Colin Davis's last concert with the Academy orchestra after an association of unrivalled length and richness. Royal Academy Opera performed five works during the year: staged performance of Haydn's *La vera costanza*, Tchaikovsky's *Eugene Onegin*, and a double bill of Purcell's *Dido and Aeneas* and Sir Peter Maxwell Davies's *The Lighthouse* at the Academy; and a concert performance of Ravel's *L'enfant et les sortilèges* with the BBC Symphony Orchestra at the Barbican Hall in London.

We released a CD (on the Linn label) of Mahler's Symphony no 4 in G, Stein's arrangement for chamber ensemble, with Trevor Pinnock conducting an ensemble of Academy students, to rave reviews in the world's musical press. In March 2013, the Academy's own label released a CD of percussion works by Steve Reich spanning thirty years. The composer himself wrote 'All I can say to Neil Percy and all the musicians is BRAVO! It is a superb recording which I found technically and emotionally satisfying'.

A busy schedule of public workshops and masterclasses by a host of internationally renowned musicians – including Alfred Brendel, Sir Harrison Birtwistle, Dame Anne Evans, Rachel Podger, Dave Douglas, Angelika Kirschlager, and Truls Mørk – bridged our programmes of study, community engagement, and artistic events. Maxim Vengerov, Menuhin Professor at the Academy, gave a series of masterclasses and directed a concert with the Sainsbury Royal Academy of Music Soloists.

Facilities

There were several major enhancements to the Academy's facilities during 2012/13. A new organ, commissioned by the Academy from Orgelbau Kuhn with the financial support of Sir Elton John, Ray Cooper and other donors, was installed in the Duke's Hall during the summer of 2013.

The Academy acquired a new building for 20 practice and rehearsal spaces in Cross Keys Close W1: this new facility will come into use in January 2014. There has been significant progress in our project to reconstruct the Academy's theatre and detailed planning in train for the building phase.

The work to reconstruct the Ground Floor Gallery in the Academy's York Gate Museum was completed during 2012/13 with the installation of a new long-term exhibition on the history of the Academy.

Technological enhancements in 2012/13 include a new wireless network system, and the trialling of virtual desktops (in preparation for institution-wide implementation in 2013/14). In 2012 we began our project to stream events live with a masterclass by horn player Sarah Willis, which was viewed by thousands worldwide in real time.

Other Developments

In 2012/13 HEFCE raised the Academy's student number control for UK and EU students enrolling on our BMus programme from 60 to 70, plus 5; ie we were entitled to recruit up to 75 students without penalty. For the next academic year (2014/15) the student number control will remain at 70, but it will be plus 12, allowing us to recruit up to 82 UK and EU undergraduates without penalty. This significant move will enable the Academy to recruit the most talented students in all the disciplines it offers at undergraduate level.

In February 2013 the Quality Assurance Agency (QAA) conducted a periodic institutional review of the Academy and confirmed that its academic standards, the quality of its student learning opportunities and the quality of its published information all meet UK expectations. The review commended the enhancement of learning opportunities at the Academy and identified many examples of good practice. This represents the strongest expression of confidence that the QAA is able to give in an institution's standards and quality.

Academic and Financial Sustainability

The Academy's Senior Management Team has undertaken a careful review of activity throughout the organisation in order to ensure the most effective use of limited resources. The following principles underpin the plans:

- the need to provide educational developments and performance opportunities of the highest level;
- the need to invest in infrastructure to develop facilities of the highest standard;
- the requirement to maximise external income;
- the need for good financial discipline and cost management.

Risk and Uncertainty

The Academy's risk register is updated and monitored regularly by the Senior Management Team, whilst the Audit Committee oversees risk management on behalf of the Governing Body. The key risks are:

- a failure to recruit international students;
- uncertainty of government schemes to support postgraduate studentships;
- an increase in the cost of pension funds;
- a substantial reduction in donations;
- capital projects not being completed within budget or timescale.

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 Foyle 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.

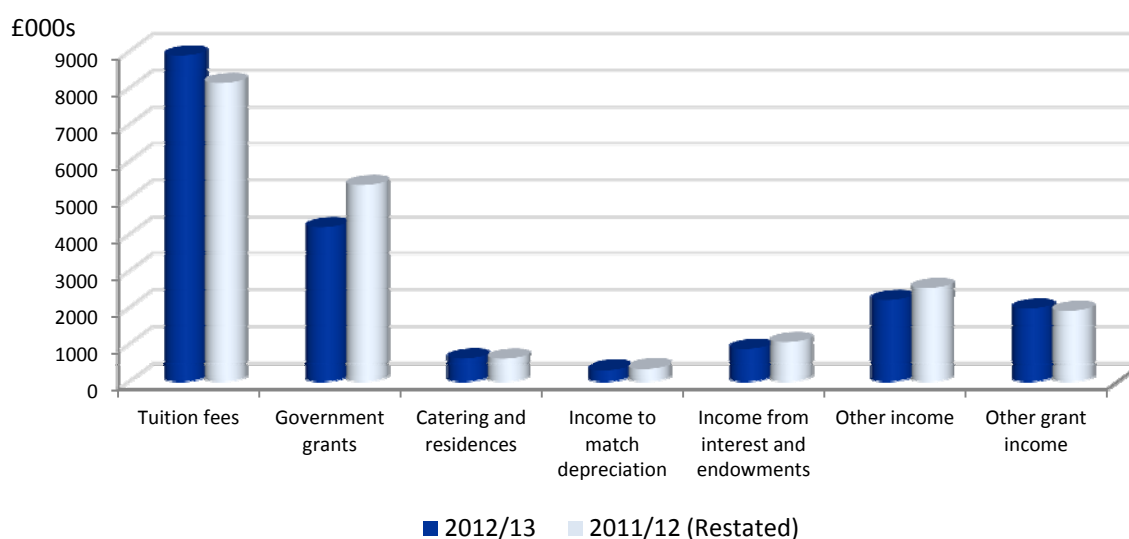
The York Gate Music Trust (YGMT) was established as a charitable company in 1977 to meet the requirements of the National Heritage Memorial Fund in acquiring the long leasehold interest in 1 to 5 York Gate and 48 York Terrace East. The YGMT is a wholly-owned subsidiary of the Royal Academy of Music and, for administrative reasons, it is intended to dissolve the YGMT during 2013/14 and transfer all the assets and liabilities to the Academy. There will be no change in the work and activities undertaken within York Gate, and the museum will continue to be housed within it.

Results for the Year

The Academy is showing a surplus of £1,132k for the year (2011/12 £2,693k) after transfers and appropriations. The surplus for 2012/13 is lower than the previous year as income for 2011/12 included the final instalment of the HEFCE matched funding grant, together with the non-cash donation of the Becket Collection of period instruments. The Academy has continued a review of all activities to enable resources to be focused on the strategic priorities.

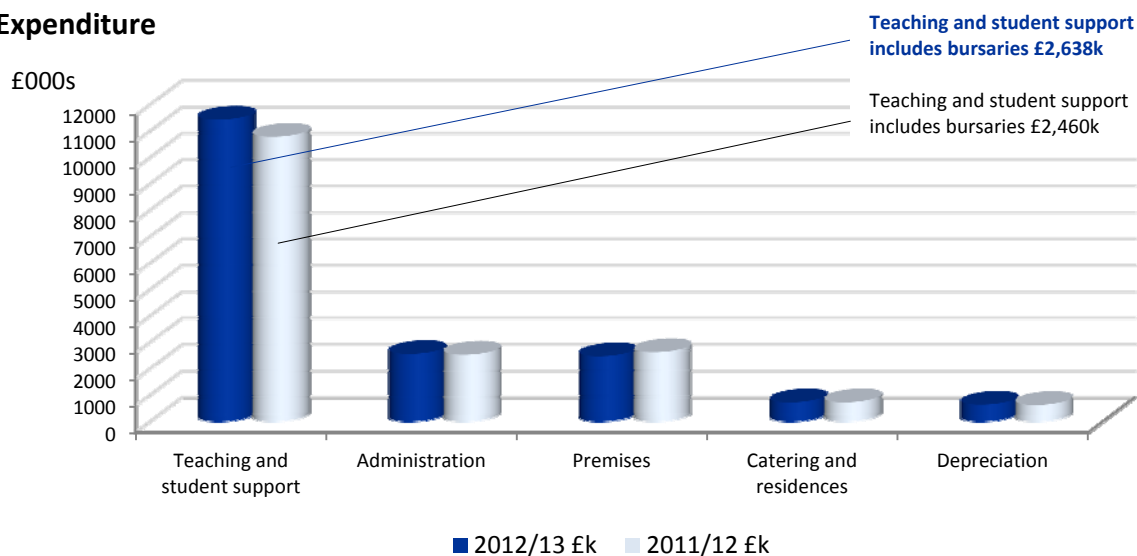
Total income for the year decreased by 4.9% to £18.9m (2011/12 £19.9m). The reduction in income was partly due to the factors mentioned above however there has been some increase in student fee income as a result of the rise in undergraduate home fees to £9,000, with an associated reduction in HEFCE teaching grant as the funding methodology has altered. The tuition fee income has been restated for 2011/12 by grossing up both the income and general education expenditure by £447k, to reflect the full level of fee discounts offered by the Academy.

Income



Expenditure for the year was 3.1% higher than the previous year at £17.8m (2011/12 £17.3m) and within that salary costs have increased by just 1.9%, of which 1.0% is the result of the national pay award. Non staff costs, excluding depreciation, have increased by 4.6%. This is largely due to lower than normal expenditure in 2011/12 as a result of one-off factors. Investment in student bursaries continues to increase as part of the Academy's overall commitment to ensuring the most able students can benefit from attending the Academy.

Expenditure



The main financial objective of the Academy is to achieve an operating surplus of 3.0% of turnover after allowing for long-term maintenance provision and earmarked funds, which can be re-invested in education. In 2012/13 our operating surplus was 6.0% of turnover, enabling the Academy to acquire some additional practice space, which will be available from January 2014. Extra income has also been used to create further bursaries. The results are set out in the table below.

	2012/13 £000s	Restated 2011/12 £000s
Income	18,938	19,923
Expenditure	(17,794)	(17,258)
Surplus on continuing operations, before transfers	1,144	2,665
Surplus for the year, after transfers and appropriations	1,132	2,693

The actuarial valuation of the Royal Academy of Music 1967 Pension Scheme (RAM 1967) showed a decrease in the scheme deficit for Financial Reporting Standard (FRS) 17 purposes to £2,429k (2011/12 £3,466k). This was mainly due to the increase in the discount rate used to value the liabilities. The Academy is making contributions aimed at eliminating the deficit over nine years, in accordance with the recommendations of the actuary.

Capital Projects

The main investments during the year were in accordance with our planned maintenance programme. In addition, we are seeking to provide improved access to the main building for people with mobility difficulties and to provide 20 additional practice and rehearsal spaces for students. Fundraising for the theatre redevelopment is underway and it is anticipated that work will commence during 2015, to transform the theatre into a superb new facility with a reshaped auditorium, new balconies and increased seating capacity. Students will also benefit from state-of-the-art stage and recording facilities in an adaptable theatre, suitable for all forms of classical and contemporary opera and musical theatre productions.

During the summer the Academy's new organ, built by Orgelbau Kuhn, was constructed on site after substantial fundraising efforts by Sir Elton John and Ray Cooper. The new organ, in the Duke's Hall, was inaugurated in October 2013.

Cash Reserves and Long-term Liabilities

The Academy seeks to maximise cash returns whilst minimising exposure to risk. Working capital cash balances at the end of the year were £2.2m (2011/12 £2.5m), designated cash was £13.7m (2011/12 £13.1m) and current assets exceeded current liabilities by £13.2m (2011/12 £12.0m). Overall liquidity remains healthy but the majority of cash is designated or earmarked for specific purposes.

Endowment Assets and Investment Performance

The Academy has a number of endowment assets, which form 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. The market value of combined endowment and fixed asset investments increased from £26.0m at 31 July 2012 to £30.1m at 31 July 2013, including new endowments from benefactors of £393k (2011/12 £207k).

The 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 funds were transferred to new fund managers. This had a temporary adverse effect on investment income, which was anticipated. The target was set to achieve a real rate of return of at least 3.0% per annum through a combination of income and capital growth.

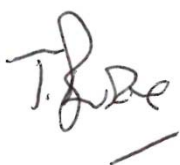
Uncertainty remained in the markets, although values did pick up during the year and as a result the portfolio, managed by the external fund managers, grew by 15.5% during the year and generated a net yield of 2.0% (2011/12 2.9%) on the average fund balance, whilst the cash funds managed internally generated a return of 2.1% over the year (2011/12 1.9%).

The classification of the constituent parts of the fund was reviewed during the year and £3,488k was reclassified from Restricted Expendable to Unrestricted Permanent whilst £174k was re-allocated from Restricted Expendable to Fixed Asset Investment (Note 15 of the accounts).

Conclusion

The Academy has made a surplus on its operations mainly due to careful control of expenditure. Although this is a positive outcome there remain challenges ahead as a result of the uncertain funding regime, and the reserves the Academy has built up will be used to invest in the infrastructure for the future. We continue to seek funding for our theatre redevelopment and we plan to increase 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.

This Report was approved by the Governing Body and the Principal on 21 November 2013 and signed on its behalf by



Lord Burns
Chairman of Governing Body



Professor Jonathan Freeman-Attwood
Principal



Graduation, 28 June 2013

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 and a company registered with Companies House. 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 independent 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 independent 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 Audit Committee, the Nominations 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 independent members from whom the Chairman is selected.

Corporate Governance arrangements are reviewed annually and amended as the Governing Body sees fit. A Governance Adviser, who is independent of both the Governing Body and the Senior Management Team, supports the Governing Body.

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 HEFCE and monitors adherence with the regulatory requirements.

The Nominations Committee considers nominations for independent Governors. Vacancies are advertised appropriately.

The Academic Board is the main academic committee of the Governing Body and draws its membership 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 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 Financial Memorandum between the Academy and HEFCE, 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. This process has been in place for the year ended 31 July 2013 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

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 auditors, which includes its independent opinion on the adequacy and 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.

The Academy's internal audit is provided via a consortium arrangement, which will soon be established as a Cost Sharing Group. The internal auditors operate to standards defined in the Audit Code of Practice set out in the Financial Memorandum between HEFCE and Institutions (July 2010/19). 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 31 July 2013 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 21 November 2013, and signed on its behalf by



Lord Burns
Chairman of Governing Body



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 the Financial Memorandum agreed between 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 HEFCE 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.

The key elements of the Academy's system of internal control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;
- a comprehensive medium- and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of academic performance and financial results involving variance reporting and updates of forecast outturns;
- clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Governing Body;
- a formalised treasury management policy;
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Governing Body;
- a professional Internal Audit Provider, whose annual programme is approved by the Audit Committee; and
- an ongoing process designed to identify the principal risks (whether business, operational, compliance or financial) to the achievement of policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Governing Body is responsible for the oversight and integrity of the Academy's website.

Independent Auditors' Report to the Academy's Governing Body

We have audited the group and parent institution financial statements (the "financial statements") of the Royal Academy of Music for the year ended 31 July 2013 which comprise the Consolidated Income and Expenditure Account, the Consolidated and Parent Institution Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Group Total Recognised Gains and Losses, the Accounting Policies 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).

Respective Responsibilities of the Governing Body and Auditors

As explained more fully in the Corporate Governance Statement, the Governing Body is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Governing Body as a body in accordance with the Charters and Statutes of the Academy and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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's and parent institution's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governing Body; 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 institution's affairs as at 31 July 2013 and of the group's income and expenditure, recognised gains and losses and cash flows 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.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- income has been applied in accordance with the institution's statutes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the Statement of Internal Control and Risk is inconsistent with our knowledge of the parent institution and group.

Mazars

MAZARS LLP

Chartered Accountants and Statutory Auditors

Clifton Down House

Beaufort Buildings

Bristol BS8 4AN

Date *22/11/2012*



Royal Academy Opera - Dido and Aeneas, May 2013

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.

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 (GPPS). The TPS is a defined benefit scheme, contracted out of the State Second pension. The GPPS 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 FRS 17 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 FRS 17 Retirement Benefits in full with effect from 1 August 2005. In accordance with FRS 17, the operating and financing costs of the Scheme are recognised separately in the Income and Expenditure Account. Service costs are 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.

The Academy has only six members in the Universities Superannuation Scheme. Further information on Scheme liabilities has not been included in the Notes as it is not considered significant.

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.

The York Gate building was acquired with the aid of a specific grant from the Heritage Lottery Fund and was 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:

Equipment/working instruments	five 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. The collection was last valued in 2009 and will be re-valued during 2013/14 in line with FRS 15.

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 FRS 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 many have relatively low intrinsic values, however many of them have unique associations with their original owner or with the Academy. 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 key stringed instruments which are held as heritage assets (all of which have been donated to the Academy), were not re-valued in 2012/13, although they have been re-valued annually in the past. They will be re-valued on a three-yearly basis from 2013/14, along with all the Academy's operational instruments. Donated heritage assets are not depreciated as, given their long economic life and high residual value, depreciation would not be material. 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 value 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 Part II of the Corporation Tax Act 2010, 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 sub-divided between expendable and permanent. All bursary endowments are treated as permanent endowments. Donations in excess of £50k, where no direction has been given to the contrary, are classified as restricted expendable endowments. A review of endowments during the year has led to a reclassification of £3,488k of the restricted expendable endowments to unrestricted permanent, and £174k has been transferred out of endowments and into Fixed Asset Investment.

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.

Donations of assets are recognised as income in the year they are received.

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 15-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.

17 Comparatives

Where accounting practice has changed, the prior year comparatives have been revised accordingly.

Where new Financial Reporting Standards have been implemented or notes have been enhanced to provide additional information, comparative figures have been amended accordingly.

During 2012/13 the classification of endowments was reviewed and as a result £3,488k was reclassified from Restricted Expendable to Unrestricted Permanent Endowments. In addition £174k was reclassified from Restricted Expendable Endowment to Fixed Asset Investment.

Tuition fee and bursary costs have been re-stated for 2011/12 to reflect the full level of fee discounts offered by the Academy. As a result of this grossing-up both tuition fee income and general education expenditure increased by £447k.

A range of instruments which had not been included in the Fixed Assets Register, the majority of which had been donated to the Academy in previous years, were identified during 2012/13. A prior year adjustment of £692k has been included in the Fixed Assets note.



York Gate Museum, Piano Gallery

Consolidated Income and Expenditure Account

	<i>Note</i>	<i>2013</i> <i>Total</i> <i>£000</i>	<i>2012</i> <i>Restated</i> <i>Total</i> <i>£000</i>
Income			
Funding Council Grants	1	4,076	5,175
Academic Fees and Support Grants	2	8,887	8,134
Research Grants & Contracts	3	117	171
Other Operating Income	4	4,988	5,387
Endowment and Investment Income	5	870	1,056
Total Income		18,938	19,923
Expenditure			
Staff Costs	6/7	9,390	9,211
Other Operating Expenses	8	7,772	7,428
Depreciation/impairment of Fixed Assets	9	632	619
Total Expenditure		17,794	17,258
Surplus on Continuing Operations for the Year		1,144	2,665
Transfer from/(to) Restricted Endowments	15	43	(79)
Surplus After Transfers		1,187	2,586
Appropriations to Earmarked Funds	16	(55)	107
Net Surplus after Transfers and appropriations		1,132	2,693

The Notes on pages 24 to 36 form part of these financial statements.

All items of income and expenditure arise from continuing operations.

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 re-valued.

Consolidated Balance Sheet

	<i>Note</i>	2013 £000	2012 Restated £000
Fixed Assets			
Tangible Fixed Assets:			
Heritage	9a	35,698	35,751
Operational	9a	37,857	38,238
		<u>73,555</u>	<u>73,989</u>
Fixed Asset Investments	10	926	810
		<u>74,481</u>	<u>74,799</u>
Endowment Assets	10	<u>28,806</u>	<u>24,951</u>
Current Assets			
Stock		93	98
Debtors	11	1,615	1,391
Cash at bank - Working Capital		2,166	2,473
Cash at bank - Designated		<u>13,697</u>	<u>13,083</u>
		<u>17,571</u>	<u>17,045</u>
Creditors: Amounts falling due within one year	12a	<u>(4,341)</u>	<u>(5,010)</u>
Net Current Assets		<u>13,230</u>	<u>12,035</u>
Total Assets less Current Liabilities		<u>116,517</u>	<u>111,785</u>
Creditors: Amounts falling due after more than one year	12b	(95)	(106)
Provisions for Liabilities and Charges	13	<u>(1,223)</u>	<u>(1,139)</u>
Net Assets excluding pension deficit		<u>115,199</u>	<u>110,540</u>
Pension Deficit (FRS 17)	18	<u>(2,429)</u>	<u>(3,466)</u>
Net assets after pension deficit		<u>112,770</u>	<u>107,074</u>
Deferred Capital Grants	14	16,244	16,561
Endowment Funds:			
Unrestricted Permanent	15	3,986	3,488
Restricted Permanent	15	<u>18,994</u>	<u>16,656</u>
Permanent	15	<u>22,980</u>	<u>20,144</u>
Expendable	15	<u>5,826</u>	<u>4,807</u>
		<u>28,806</u>	<u>24,951</u>
Income and Expenditure Account Reserves			
Revaluation Reserve	22	50,099	50,060
Earmarked Funds	16	6,678	6,623
Income and expenditure account excluding pension reserve	17	13,372	12,345
Pension Deficit	17	<u>(2,429)</u>	<u>(3,466)</u>
Income and expenditure account after pension deficit		<u>10,943</u>	<u>8,879</u>
Total Reserves		<u>67,720</u>	<u>65,562</u>
Total Funds		<u>112,770</u>	<u>107,074</u>

The Notes on pages 24 to 36 form part of these Financial Statements.

Academy Balance Sheet

	<i>Note</i>	2013 £000	2012 <i>Restated</i> £000
Fixed Assets			
Tangible Fixed Assets:			
Heritage	9b	34,798	34,821
Operational	9b	26,170	26,338
		<u>60,968</u>	<u>61,159</u>
Fixed Asset Investments	10	926	810
		<u>61,894</u>	<u>61,969</u>
Endowment Assets	10	<u>28,806</u>	<u>24,951</u>
Current Assets			
Stock		6	5
Debtors	11	1,612	1,387
Cash at bank and in hand - Working Capital		2,138	2,435
Cash at bank and in hand - Designated		13,697	13,083
		<u>17,453</u>	<u>16,910</u>
Creditors: Amounts falling due within one year	12a	<u>(4,319)</u>	<u>(4,983)</u>
Net Current Assets		<u>13,134</u>	<u>11,927</u>
Total Assets less Current Liabilities		<u>103,834</u>	<u>98,847</u>
Provisions for Liabilities and Charges	13	<u>(1,223)</u>	<u>(1,139)</u>
Net Assets		<u>102,611</u>	<u>97,708</u>
Pension Deficit (FRS 17)	18	<u>(2,429)</u>	<u>(3,466)</u>
Net assets after pension deficit		<u>100,182</u>	<u>94,242</u>
Deferred Capital Grants	14	3,656	3,729
Endowment Funds:			
Unrestricted Permanent	15	3,986	3,488
Restricted Permanent	15	<u>18,994</u>	<u>16,656</u>
Permanent	15	<u>22,980</u>	<u>20,144</u>
Expendable	15	<u>5,826</u>	<u>4,807</u>
		<u>28,806</u>	<u>24,951</u>
Income and Expenditure Account Reserves			
Revaluation Reserve	22	50,099	50,060
Earmarked Funds	16	6,678	6,623
Income and expenditure account excluding pension reserve	17	13,372	12,345
Pension Deficit	17	<u>(2,429)</u>	<u>(3,466)</u>
Income and expenditure account after pension deficit		<u>10,943</u>	<u>8,879</u>
Total Reserves		<u>67,720</u>	<u>65,562</u>
Total Funds		<u>100,182</u>	<u>94,242</u>

The Notes on pages 24 to 36 form part of these Financial Statements.

The financial statements were approved by the Governing Body and authorised for issue on 21 November 2013



Lord Burns
Chairman



Anthony Travis
Chairman - Finance and General Purposes Committee

Consolidated Cash Flow Statement

	<i>Note</i>	2013 £000	2012 Restated £000
Net cash (outflow)/inflow from operating activities		(547)	1,799
Returns on investment	21a	1,009	1,124
Capital expenditure and financial investment	21a	739	(437)
Cash inflow before use of liquid resources and financing		1,201	2,486
Management of liquid resources	21a	(883)	(186)
Financing	21a	(11)	(2)
Increase in cash in the year		307	2,298
Reconciliation of Surplus for the year to Net Cash Inflow from Operating Activities			
Surplus on continuing operations for the year		1,144	2,665
Adjustments for non cash items			
Depreciation and impairment charges		632	619
Release of deferred capital grants		(319)	(356)
(Increase)/decrease in stock		5	34
(Increase)/decrease in debtors		(224)	642
Decrease in creditors		(669)	(560)
Increase in provisions		84	134
Profit on disposal of fixed assets		(18)	(11)
Pension Fund non-cash movement		(173)	(244)
Reclassification			
Endowment and Investment Return		(1,009)	(1,124)
Net cash (outflow)/inflow from operating activities		(547)	1,799
Reconciliation of Net Cash Flow to Movement in Net Funds			
Increase in cash in the year		307	2,298
Cash inflow from long-term loan repayment		11	2
Cash inflow from liquid resources		883	186
Movement in net funds in the period		1,201	2,486
Net funds at 1 August 2012		17,626	15,140
Net funds at 31 July 2013	21b	18,827	17,626

Consolidated Statement of Total Recognised Gains and Losses

	2013	2012
	£000	Restated £000
Surplus on continuing operations after transfers	1,187	2,586
Net additions to other reserves:		
Musical Instrument Collection Reserve - Heritage share	-	8,250
Musical Instrument Collection Reserve - Operational share	(9)	2,693
Fixed Asset Investment Revaluation Reserve	48	-
Fixed Asset Investment General Fund appreciation/(depreciation)	68	(17)
Appreciation/(depreciation) of Expendable Endowment Asset Investments	3,505	(487)
Endowment Income retained on Expendable endowments	23	25
Endowment Income utilised on Permanent endowments	(66)	54
New Endowments received	393	207
Earmarked Funds	-	(5)
Actuarial gain/(loss) in respect of RAM 1967 pension scheme	864	(1,667)
Total recognised gains for the year	6,013	11,639
Reconciliation		
Opening reserves and endowments as previously reported	90,248	78,609
Prior year adjustment regarding historic assets	265	265
Opening reserves and endowments	90,513	78,874
Total recognised gains and losses for the year	6,013	11,639
Closing reserves and endowments	96,526	90,513

Notes to the Financial Statements

	<i>Note</i>	2013 £000	2012 Restated £000
1 Funding Council Grants			
Recurrent Teaching grant		3,400	3,605
Recurrent Research grant		440	431
Other Special funding		225	1,128
Release of deferred capital grants (equipment)		11	11
		<u>4,076</u>	<u>5,175</u>
2 Academic Fees and Support Grants			
Full-time Home and EU		3,965	3,573
Full-time International		4,080	3,708
Junior and Intermediate		842	853
		<u>8,887</u>	<u>8,134</u>
3 Research Grants and Contracts			
Research Councils		117	171
		<u>117</u>	<u>171</u>
4 Other Operating Income			
Residences and catering		608	603
Other grant income		1,971	1,907
Release of deferred capital grants	14	308	345
Other operating income*		2,078	2,060
Donation of assets (non-cash)		23	472
		<u>4,988</u>	<u>5,387</u>
*Includes donation income from ABRSM			
5 Endowment and Investment Return			
Income from Unrestricted Permanent Endowments	15	89	112
Income from Restricted Permanent Endowments	15	418	544
Income from Permanent Endowments	15	507	656
Income from Restricted Expendable Endowments	15	118	150
Sub-total Endowment Investment Income		<u>625</u>	<u>806</u>
Other finance income - Pension Scheme	18	(139)	(68)
Other interest receivable		384	318
		<u>870</u>	<u>1,056</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:

	2013	2012	2013	2012
	Staff nos	Staff nos	Staff costs	Staff costs
	FTE	FTE	£000	£000
Teaching	123	121	5,648	5,554
Support	8	9	410	409
Other Academic Services	13	11	380	357
Central administration and services	32	32	1,461	1,472
General Education	15	14	566	508
Student/staff facilities	3	2	93	79
Premises	14	14	552	528
Catering and residence	8	6	215	180
Research Grants and Contracts	1	3	65	124
	217	212	9,390	9,211
			2013	2012
			£000	£000
Wages and Salaries			8,400	8,241
Social Security Costs			630	635
Other Pension Costs			360	335
			9,390	9,211

There were no staff, excluding the principal, who received emoluments (including taxable benefits but excluding employer's pension contributions) in excess of £100,000.

	2013	2012
	£	£
7 Principal's Emoluments		
Emoluments	145,273	145,627
Pension contributions	45,359	45,325

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 £15,709 (2012 £15,473).

8 Other Operating Expenses

	2013	2012
	£000	Restated £000
Teaching	939	851
Support	25	35
Other Academic Services	86	(210)
Central administration and services	1,026	969
External audit - annual audit fee*	37	45
- other fees*	9	6
Internal audit	21	32
Subtotal Central Administration	1,093	1,052
General Education	2,810	2,655
Student/staff facilities	61	67
Premises	1,663	1,776
Long-term maintenance	250	315
Catering and Residence	503	539
Research Grants and Contracts	52	47
Other Services rendered - Academy Chimes	290	301
	7,772	7,428

*External Auditors' remuneration includes £30,580 (2012 - £30,690) in respect of the Main Academy.

Notes to the Financial Statements continued

9 Tangible Fixed Assets

a) Consolidated

Consolidated	OPERATIONAL				HERITAGE			TOTAL
	Long Leasehold Land and Buildings	Equipment	Operational Instrument Collection	Subtotal Operational Assets	Heritage Instrument Collection	Menuhin & Spencer Collections	Subtotal Heritage Assets	
Cost or valuation	Cost £000	Cost £000	Valuation £000	£000	Valuation £000	Cost £000	£000	Grand Total £000
At 1 August 2012	24,553	4,743	16,973	46,269	34,120	2,105	36,225	82,494
Prior Year Adjustment		427	265	692			-	692
At 1 August 2012 Restated	24,553	5,170	17,238	46,961	34,120	2,105	36,225	83,186
Additions	-	184	23	207	-	-	-	207
Disposals	-	(33)	(24)	(57)	-	-	-	(57)
Revaluation	-	-	15	15	-	-	-	15
At 31 July 2013	24,553	5,321	17,252	47,126	34,120	2,105	36,225	83,351
Depreciation								
At 1 August 2012	6,558	1,738	-	8,296	-	474	474	8,770
Prior Year Adjustment		427		427			-	427
At 1 August 2012	6,558	2,165	-	8,723	-	474	474	9,197
Disposals	-	(33)	-	(33)	-	-	-	(33)
Charge for the year	360	219	-	579	-	53	53	632
At 31 July 2013	6,918	2,351	-	9,269	-	527	527	9,796
Net Book Value								
At 31 July 2013	17,635	2,970	17,252	37,857	34,120	1,578	35,698	73,555
At 31 July 2012	17,995	3,005	16,973	37,973	34,120	1,631	35,751	73,724
Prior Year Adjustment	-	-	265	265	-	-	-	265
At 31 July 2012 Restated	17,995	3,005	17,238	38,238	34,120	1,631	35,751	73,989

Over 95% of the value of stringed instruments held as heritage assets is represented by four instruments made by Antonio Stradivari. There were no disposals of heritage assets during the year (2012 nil).

b) Academy

	Long Leasehold Land and Buildings	Equipment	Operational Instrument Collection	Subtotal Operational Assets	Heritage Instrument Collection	Spencer Collection	Subtotal Heritage Assets	Grand Total
Cost or valuation	Cost	Cost	Valuation		Valuation	Cost		
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 August 2012	10,143	4,748	16,973	31,864	34,120	905	35,025	66,889
Prior Year Adjustment		427	265	692			-	692
At 1 August 2012 Restated	10,143	5,175	17,238	32,556	34,120	905	35,025	67,581
Additions	-	184	23	207	-	-	-	207
Disposals	-	(33)	(24)	(57)	-	-	-	(57)
Revaluation	-	-	15	15	-	-	-	15
At 31 July 2013	10,143	5,326	17,252	32,721	34,120	905	35,025	67,746
Depreciation								
At 1 August 2012	4,054	1,737	-	5,791	-	204	204	5,995
Prior Year Adjustment		427		427			-	427
At 1 August 2012	4,054	2,164	-	6,218	-	204	204	6,422
Disposals	-	(33)	-	(33)	-	-	-	(33)
Charge for the year	146	220	-	366	-	23	23	389
At 31 July 2013	4,200	2,351	-	6,551	-	227	227	6,778
Net Book Value								
At 31 July 2013	5,943	2,975	17,252	26,170	34,120	678	34,798	60,968
At 31 July 2012	6,089	3,011	16,973	26,073	34,120	701	34,821	60,894
Prior Year Adjustment	-	-	265	265	-	-	-	265
At 31 July 2012 Restated	6,089	3,011	17,238	26,338	34,120	701	34,821	61,159

Notes to the Financial Statements continued

10 Investments and Endowment Assets

At Market Value

At 1 August 2012

Reclassification

At 1 August 2012 Restated

Purchases of investments

Proceeds from sales of investments

Appreciation/(depreciation) on disposal/revaluation

Increase in cash balances held at Fund managers

Change in current assets

At 31 July 2013

Represented by:

Fixed Interest Stocks

Equities

Property

Other

Current Assets

Consolidated and Academy

<i>Fixed Assets £000</i>	<i>Endowment Assets £000</i>	<i>Total Investments £000</i>
636	25,125	25,761
174	(174)	-
810	24,951	25,761
751	21,373	22,124
(751)	(21,906)	(22,657)
116	3,505	3,621
-	630	630
-	253	253
926	28,806	29,732
77	2,339	2,416
613	18,557	19,170
76	2,313	2,389
160	2,538	2,698
-	3,059	3,059
926	28,806	29,732

11 Debtors

Trade Debtors

Prepayments and accrued income

<i>2013 Consolidated £000</i>	<i>2013 Academy £000</i>	<i>2012 Consolidated £000</i>	<i>2012 Academy £000</i>
168	166	204	202
1,447	1,446	1,187	1,185
1,615	1,612	1,391	1,387

12 Creditors

a) Creditors: Amounts falling due within one year

Trade Creditors

Fees in Advance

Deferred revenue grants and donations (specific purpose)

Amounts owed to subsidiary undertakings

Taxation and social security

Other Creditors and Accruals

<i>2013 Consolidated £000</i>	<i>2013 Academy £000</i>	<i>2012 Consolidated £000</i>	<i>2012 Academy £000</i>
7	-	9	-
1,885	1,885	1,708	1,708
1,569	1,569	1,785	1,785
-	1	-	1
227	228	239	239
653	636	1,269	1,250
4,341	4,319	5,010	4,983

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

Loan from Chimes Consultancy

<i>2013 Consolidated £000</i>	<i>2013 Academy £000</i>	<i>2012 Consolidated £000</i>	<i>2012 Academy £000</i>
95	-	106	-
95	-	106	-

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 1 August 2006. This loan is repayable in full at the end of the management agreement.

Notes to the Financial Statements continued

13 Provisions for Liabilities and Charges

Consolidated and Academy
£000

Long-term Maintenance Provision

At 1 August 2012

1,139

Transferred from Income and Expenditure Account

250

Expenditure

(166)

At 31 July 2013

1,223

14 Deferred Capital Grants

	<i>Consolidated</i>			<i>Academy</i>		
	<i>Funding</i>	<i>Other</i>	<i>Total</i>	<i>Funding</i>	<i>Other</i>	<i>Total</i>
	<i>Council</i>	<i>Grants</i>		<i>Council</i>	<i>Grants</i>	
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 August 2012						
Buildings	-	13,410	13,410	-	1,509	1,509
Equipment	250	2,901	3,151	250	1,970	2,220
Total	250	16,311	16,561	250	3,479	3,729
Cash received:						
Buildings	-	2	2	-	2	2
Equipment	-	-	-	-	-	-
Total	-	2	2	-	2	2
Released to Income and Expenditure:						
Buildings	-	255	255	-	41	41
Equipment	11	53	64	11	23	34
Total (Notes 1 and 4)	11	308	319	11	64	75
At 31 July 2013						
Buildings	-	13,157	13,157	-	1,470	1,470
Equipment	239	2,848	3,087	239	1,947	2,186
Total	239	16,005	16,244	239	3,417	3,656

Notes to the Financial Statements continued

15 Endowment Funds

	<i>Consolidated and Academy</i>				2012
	<i>Unrestricted Permanent £000</i>	<i>Restricted Permanent £000</i>	<i>Subtotal Permanent £000</i>	<i>Restricted Expendable £000</i>	<i>Grand Total £000</i>
Capital					
At 1 August 2012	-	16,211	16,211	8,164	24,375
Reclassification	3,488	-	3,488	(3,662)	(174)
At 1 August 2012 Restated	3,488	16,211	19,699	4,502	24,201
Appreciation of endowment asset investments	498	2,321	2,819	686	3,505
New endowments received	-	83	83	310	393
At 31 July 2013	3,986	18,615	22,601	5,498	28,099
Accumulated Income					
At 1 August 2012	-	446	446	304	750
Reclassification from Capital		(1)	(1)	1	-
At 1 August 2012 Restated	-	445	445	305	750
Investment income	89	418	507	118	625
Expenditure	(89)	(484)	(573)	(95)	(668)
Transfer (to)/from Income and Expenditure Account	-	(66)	(66)	23	(43)
At 31 July 2013	-	379	379	328	707
Total Funds					
At 1 August 2012	-	16,657	16,657	8,468	25,125
Reclassification	3,488	(1)	3,487	(3,661)	(174)
At 1 August 2012 Restated	3,488	16,656	20,144	4,807	24,951
At 31 July 2013	3,986	18,994	22,980	5,826	28,806

16 Earmarked Funds - Academy and Consolidated

	<i>Consolidated and Academy £000</i>
At 1 August 2012	
As previously reported	6,445
Prior year adjustment	178
At 1 August 2012 Restated	6,623
Transfer from Income and Expenditure Account (Note 17)	55
At 31 July 2013	6,678

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.

Notes to the Financial Statements continued

17 Income and Expenditure Account

	<i>Consolidated and Academy</i>		
	<i>Excluding pension scheme</i>	<i>RAM 1967 pension scheme</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 August 2012	12,084	(3,466)	8,618
Prior Year Adjustment	261	-	261
At 1 August 2012 Restated	12,345	(3,466)	8,879
Revaluation of Fixed Asset Investments	68	-	68
Transfer to Earmarked Funds (Note 16)	(55)	-	(55)
Surplus for the year	1,014	173	1,187
Actuarial gain	-	864	864
At 31 July 2013	13,372	(2,429)	10,943

18 FRS 17 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 31 March 2005, however, the scheme continues to be operated by the Prudential Assurance Company and the Academy is undertaking deficit funding.

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Total pension cost for the year was:		
Teachers Pension Scheme: employer's contributions paid	253	229
Group Personal Pension Scheme: employer's contributions paid	107	106
Royal Academy of Music Pension Scheme 1967: net charge to Income and Expenditure account	139	79
Total pension cost	499	414

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010). These regulations apply to teachers in schools and other educational establishments, including academies, in England and Wales that are maintained by local authorities. In addition teachers in many independent and voluntary-aided schools and teachers and lecturers in some establishments of further and higher education may be eligible for membership. Membership is automatic for full-time teachers and lecturers and from 1 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.

Although members may be employed by various bodies, their retirement and other pension benefits are set out in regulations made under the Superannuation Act (1973) and are paid by public funds provided by Parliament. The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions along with those made by employers are credited to the Exchange 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 1 April 2001 the Account has been credited with a real rate of return, which is equivalent to assuming that the balance in the Accounts is invested in notional investments that produce a real rate of return.

Notes to the Financial Statements continued

18 ctd At the last valuation, the contribution rate to be paid into the TPS was assessed in two parts. First, a standard contribution rate (SCR) was 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 review, 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 1 April 2001 to 31 March 2004. The Government Actuary's report of October 2006 revealed that the total liabilities of the Scheme (pensions in payment and the estimated cost of future benefits) amounted to £166,500m. The value of the assets (estimated future contributions together with the proceeds from the notional investments held at that valuation date) was £163,240m. The assumed real rate of return was 3.5% in excess of prices and 2% in excess of earnings. The rate of real earnings growth was assumed to be 1.5%. The assumed gross rate of return was 6.5%. From 1 January 2007, the SCR was assessed at 19.75%, and the supplementary contribution rate was assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years). This resulted in a total contribution rate of 20.5%, which translated into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, the design of benefits and many other factors. Many of these assumptions are being considered as part of the work on the reformed TPS, as set out below. Scheme valuations therefore remain suspended. The Public Services Pensions Bill, which is being debated in the House of Commons, provides for future scheme valuations to be conducted in accordance with Treasury directions. The timing for the next valuation has still to be determined, but it is likely to be before the reformed schemes are introduced in 2015.

Lord Hutton published his final report in March 2011 and made recommendations about how pensions can be made sustainable and affordable, whilst remaining fair to the workforce and the taxpayer. The Government accepted Lord Hutton's recommendations as the basis for consultation and Ministers engaged in extensive discussions with trade unions and other representative bodies on reform of the TPS. Those discussions concluded on 9 March 2012 and the Department published a Proposal Final Agreement, setting out the design for a reformed TPS to be implemented from 1 April 2015.

The key provisions of the reformed scheme include: a pension based on career average earnings, an accrual rate of 1/57th, and a Normal Pension Age equal to State Pension Age, but with options to enable members to retire earlier or later than the Normal Pension Age. Importantly, pension benefits built up before 1 April 2015 will be fully protected.

In addition, the Proposed Final Agreement includes a Government commitment that those within 10 years of Normal Pension Age on 1 April 2012 will see no change to the age at which they can retire, and no decrease in the amount of pension they receive when they retire. There will also be further transitional protection, tapered over a three-and-a half year period, for people who would fall just outside of the 10 year protection.

In his interim report of October 2010, Lord Hutton recommended that short-term savings were also required, and that the only realistic way of achieve these was to increase member contributions. At the Spending Review 2010 the Government announced that an average increase of 3.2 percentage points on the contribution rates by 2014/15. The increases were to be phased in from April 2012 on a 40:80:100% basis.

Royal Academy of Music Pension Scheme 1967

The Academy operates a funded defined benefit scheme which is managed by the Prudential Assurance Company Ltd and was closed to future accruals of pension benefit on 31 March 2005. The Academy is funding the scheme deficit with minimum contributions of £312,000 per annum with effect from 1 April 2011. Scheme liabilities have been valued using the projected unit method. A full actuarial valuation was carried out at 31 December 2012 and the results of that valuation have been projected to 31 July 2013 for FRS 17 purposes.

Notes to the Financial Statements continued

18 ctd	Main assumptions used by the actuary in valuing liabilities:	As at 31 July 2013	As at 31 July 2012
	Discount rate	4.95%	4.50%
	Inflation	3.50%	2.75%
	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 31 December 2003	5%*	5%*
	Increase to Pension in payment for all members in respect of service after 1 January 2004	3.50%	2.50%

*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:

		As at 31 July 2013	As at 31 July 2012
Retiring today	Males	23.20	23.00
	Females	25.90	25.50
Retiring in 20 years	Males	26.60	25.40
	Females	29.20	27.80

Analysis of amount charged to operating profit	2013 £000	2012 £000
Past service cost	-	(11)
Total operating charge	-	(11)

The total current service cost represents the expenses incurred in running the scheme.

Analysis of amount (charged)/credited to other finance income	2013 £000	2012 £000
Expected return on pension scheme assets	423	495
Interest on pension scheme liabilities	(562)	(563)
Net charge (Note 5)	(139)	(68)

Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL)	2013 £000	2012 £000
Actual return less expected return on pension scheme assets	(235)	9
Experience gains and losses arising on scheme liabilities	1,099	(1,676)
Actuarial gain/(loss) recognised in STRGL	864	(1,667)

Amounts recognised in the balance sheet	2013 £000	2012 £000
Present value of scheme liabilities	11,721	12,729
Fair value of scheme assets	9,292	9,263
Deficit in scheme	(2,429)	(3,466)

Notes to the Financial Statements continued

18 ctd	Movement in deficit assets and liabilities during the year	2013			2012		
		Assets £000	Liabilities £000	Net £000	Assets £000	Liabilities £000	Net £000
	Deficit in scheme at beginning of the year	9,263	(12,729)	(3,466)	8,908	(10,951)	(2,043)
	Movement in year:						
	Contributions	312	-	312	323	-	323
	Past service cost	-	-	-	-	(11)	(11)
	Other finance income/(charge)	423	(562)	(139)	495	(563)	(68)
	Benefits paid	(471)	471	-	(472)	472	-
	Actuarial gain/(loss)	(235)	1,099	864	9	(1,676)	(1,667)
	Deficit in Scheme at end of the year	9,292	(11,721)	(2,429)	9,263	(12,729)	(3,466)

	2013 £000	2012 £000
Actual return on scheme assets	188	504

Analysis of Scheme Assets	Long term ROR expected		Long term ROR expected	
Equities	5.95%	1,358	5.05%	1,412
Bonds	4.95%	1,802	4.50%	1,552
Property	5.95%	414	5.05%	451
Cash	2.95%	144	2.05%	105
Total market value of invested assets		3,718		3,520
Secured pensions in payment	4.95%	5,574	4.50%	5,743
		9,292		9,263

The Academy expects to contribute £312,000 to the Scheme during year ending 31 July 2014.

History of experience gains and losses	2013	2012	2011	2010	2009
Experience adjustments on scheme assets					
Amount (£000)	(235)	9	(540)	711	(305)
Percentage of scheme assets	-2.5%	0.1%	-6.1%	8.1%	-4.0%

Experience adjustments on scheme liabilities					
Amount (£000)	(1,099)	1,676	428	1,103	901
Percentage of scheme liabilities	-9.4%	13.2%	3.9%	10.7%	10.0%

Total amount recognised in STRGL					
Amount (£000)	864	(1,667)	(968)	(392)	(1,206)
Percentage of scheme liabilities	7.4%	-13.1%	-8.8%	-3.8%	-13.4%

History of Defined Benefit Scheme					
Present Value of Defined Benefit Obligation	11,721	12,729	10,951	10,350	9,015
Fair Value of Scheme Assets	9,292	9,263	8,908	8,738	7,578
Surplus/(deficit) arising in the scheme	(2,429)	(3,466)	(2,043)	(1,612)	(1,437)

Group Personal Pension Scheme

A Group Personal Pension Scheme (GPPS) was started on 1 April 2005 for all Administrative 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 £107,414 (2011/12 £106,149).

Notes to the Financial Statements continued

19 Capital Commitments

	2013 Consolidated £000	2013 Academy £000	2012 Consolidated £000	2012 Academy £000
Capital Commitments contracted for at 31 July 2013	88	88	450	450

20 Lease Obligations

At 31 July 2013, the Academy and its group had annual commitments under non-cancellable operating leases expiring as follows

	2013 £000	2012 £000
Land and Buildings		
Expiring within one year	-	147
Expiring between one and five years	120	17
Expiring in over five years	338	338
	<u>458</u>	<u>502</u>
Other		
Expiring between one and five years	68	61
	<u>68</u>	<u>61</u>

21 Notes to the Cash Flow Statement

a) Gross Cash Flows

	2013 £000	2012 Restated £000
Interest and investment income		
Bank interest received	384	318
Endowment income	625	806
Net cash inflow from returns on investment	<u>1,009</u>	<u>1,124</u>
Capital expenditure and financial investment		
Purchase of tangible operational assets	(207)	(599)
Payments to acquire fixed asset investments	(751)	(22)
Payments to acquire endowment asset investments	(21,373)	(938)
Total payments to acquire fixed/endowment assets	<u>(22,331)</u>	<u>(1,559)</u>
Receipts from sale of tangible operational assets	18	50
Receipts from sale of fixed asset investments	751	22
Receipts from sale of endowment asset investments	21,906	838
Deferred capital grants received	2	5
New endowments received	393	207
Net cash (outflow)/inflow from capital expenditure and financial investment	<u>739</u>	<u>(437)</u>
Management of Liquid Resources		
Change in cash with brokers	(630)	(6)
Movement on endowment current assets	(253)	(180)
Net cash outflow from management of liquid resources	<u>(883)</u>	<u>(186)</u>
Financing		
Increase in long-term loan	(11)	(2)
Net cash outflow from financing	<u>(11)</u>	<u>(2)</u>

Notes to the Financial Statements continued

21

b) Analysis of changes in net funds

	<i>Net Funds at 1 August 2012</i>	<i>Cash Flows</i>	<i>Net Funds at 31 July 2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cash at bank and in hand	15,556	307	15,862
Endowment current assets	2,176	883	3,059
	17,732	1,190	18,922
Debt due after more than one year	(106)	11	(95)
	17,626	1,201	18,827

22 Revaluation Reserve

	<i>Consolidated and Academy</i>			
	<i>Fixed Asset Investment Reserve</i>	<i>Musical Instrument Collection Reserve - Operational</i>	<i>Musical Instrument Collection Reserve - Heritage</i>	<i>Musical Instrument Collection Reserve - Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 August 2012	-	15,940	34,120	50,060
Disposal of Operational Instruments during year	-	(24)	-	(24)
Revaluation of Operational Instruments	-	15	-	15
Revaluation of Fixed Asset Investments	48	-	-	48
At 31 July 2013	48	15,931	34,120	50,099

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 were undertaken by J & A Beare Violin Dealers and Restorers in 2012 for the most valuable items and all other stringed musical instruments were re-valued internally in 2009. The next valuation will be in 2014. However, due to specific circumstances one instrument was re-valued by £15,000 during the year.

23 Additional Disclosure Items

	<i>2013</i>	<i>2012</i>
	<i>£000</i>	<i>£000</i>
Access Funds		
HEFCE grants	5	7
Disbursed to Students	(5)	(7)
At 31 July 2013	-	-

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.

Notes to the Financial Statements continued

24 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. A Register of Interests is maintained for members of the Governing Body, senior officers of the Academy and directors of fully owned subsidiaries. The Register of Interests has been reviewed by the Director of Finance. 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 (RAM SU) is a separate entity which is classed as a related party for the purposes of these financial statements. A grant of £43,002 (2012 £42,751) was due to the RAM SU for their work in supporting students during the year. Of this sum £2,726 was paid in advance at the year end (2012 £1,364).

No Trustee (member of the Governing Body) received any remuneration or reimbursement of expenses during the year. On occasions Trustees may make donations for specific purposes but they receive nothing in exchange.

The Associated Board of the Royal Schools of Music (ABRSM) is a registered charity (no 292182) and a company limited by guarantee (no 1926395) established by four Royal Schools of Music for the benefit of music education. The ABRSM makes an annual donation which is divided equally between the four schools. The Board of the ABRSM includes members of the Governing Body of the Royal Academy of Music.

The value of the donation from ABRSM to the Academy was £1,000,000 (2012 £850,000).

FRS 8 Exemption

In accordance with the exemptions contained within FRS 8, no disclosure has been made for transactions between the University and fully owned group undertakings.

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Patron: **HM The Queen**

President: **HRH The Duchess of Gloucester GCVO**

Principal: **Professor Jonathan Freeman-Attwood**



University of London