

Financial Statements 2013–2014



Royal
Academy
of Music





Exhibition: Kenny Wheeler Master of Melancholy Chaos – April 2013 to 2014

Financial Statements for the year ended 31 July 2014

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Royal Academy Opera presented Massenet's Cendrillon in November 2013

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

Lord Burns GCB HonFRAM

Sir Elton John CBE HonRAM

David Josefowitz CBE HonFRAM

Sir David Lumsden MA DPhil HonRAM HonFRCO

Members of the Governing Body

Dame Jenny Abramsky CBE DBE HonRAM (Chair) - appointed Chair September 2014

Lord Burns (Chair) – retired July 2014

Lady Sainsbury of Turville CBE HonFRAM FSA (Deputy Chair)

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

John Burgess

Robin Butler – appointed March 2014

Matthew Ferrey HonFRAM

Lesley Garrett CBE FRAM

Lady Heywood

Professor Roger Parker HonFRAM

Laurel Powers-Freeling HonFRAM

Simon Robey HonFRAM – retired 31 July 2014

Sir Martin Smith HonFRAM

Professor Sir Richard Trainor KBE BA MA DPhil FKC

Anthony Travis HonFRAM

John Willan BMus ARAM FRSA FCA

Elected Members of Governing Body

Esmé Acton-Stewart HonARAM (Administrative Staff Representative) – retired July 2014

Jo Cole FHEA ARAM (Academic Staff Representative) – retired July 2014

Glenville Hargreaves BMus HonARAM GRSM ARMCM FRSA (Academic Staff Representative) – retired July 2014

Patrick Russill (Academic Staff Representative) – appointed September 2014

Liz Williams HonARAM (Administrative Staff Representative) – appointed September 2014

Murray Richmond (Student Union President and Student Representative) – appointed August 2013

Principal

Professor Jonathan Freeman-Attwood BMus MPhil HonRAM FKC FRNCM

Deputy Principals

Mark Racz BA MFA HonRAM

Dr Timothy Jones MA DPhil LTCL HonRAM

Director of Development

Carol McCormack BA HonARAM

Director of Finance

Judith Barber BSc CPFA HonARAM

Secretary to the Governing Body

Melanie Mullin (Secretary and Registrar) – appointed September 2014

Rosalind Frendo (Governance Adviser, University of London) – retired June 2014

Principal's Foreword



Lord Burns, who retired as Chairman of the Governing Body in July 2014

Lord Burns retired as Chair of the Academy's Governing Body in July 2014, after an exceptional term of office in which he served the Academy with distinction for more than a decade. His outstanding guidance, authority and overview has percolated through to all levels of the institution where all have appreciated his quiet custodianship, support of Academy events, his genuine love of music and the way he has always sought to challenge in the most constructive and supportive way.

The Governing Body and Senior Management Team are delighted to announce that Lord Burns has joined Sir David Lumsden, Sir Elton John and David Josefowitz as a Vice-President of the Academy. This is an honour which demonstrates a contribution well beyond the call of duty.

In an institution that prides itself on continuity in developing its education and artistic ambitions, we were delighted when Dame Jenny Abramsky accepted the post as Chair of the Academy from September 2014. Not dissimilar to Lord Burns, Dame Jenny is a highly experienced public figure who understands academic environments (not least in her recent role as Chair of the University of London's Board of Trustees). She has a great love of the Arts, which she defended to the hilt at the BBC, and, amongst many other outstanding qualities, she has a long-term love and appreciation of the Academy. Dame Jenny represents all the core and key qualities needed to oversee the progress and developments of the Academy at a time of enormous change in Higher Education.

I know that I speak for all of the Senior Management Team when I say that we are greatly looking forward to working with Dame Jenny in the coming years. As with Lord Burns before her, I know that she will be regularly astounded by the remarkable quality of our students' work, and that she will contribute significantly to the Academy's evolution to ever greater heights.

Professor Jonathan Freeman-Attwood
Principal



Dame Jenny Abramsky, Chair of the Governing Body
with effect from 1 September 2014

Operating and Financial Review for the year ended 31 July 2014

The Governors of the Royal Academy of Music present their annual report and audited Financial Statements for the year ended 31 July 2014 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 programme, 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; and
- 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 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 2013 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 and International 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 2014 the Academy invested £2.7m 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.

The Academy's Strategic Plan

The Academy's vision is that it should be the conservatoire of choice for top global talent aspiring to a successful, professional career. As the bicentenary of its foundation approaches, we continue to strive to retain and develop our position as the prime provider to the 'engine room' of the profession: creating outstanding musicians in the broadest range of disciplines, idioms and musical industries; recognising the extensive individuality and creative personality that is embedded in the life of the Academy and its student body; and capitalising upon our ability to identify and nurture virtuoso talent.

During the academic year 2013/14 the Strategic Plan for the five year period to 2018/19 was reviewed, in consultation with the Governing Body and Academic Board. We were fortunate to have received a significant and influential contribution from McKinsey, following on from the last Higher Education Funding Council for England (HEFCE) Review of Institutional Specialist Targeted Allocation round, and a study of graduate destinations with the help of the London School of Economics.

As detailed, significant progress has been made towards achieving the Academy's strategic aims, namely:

1. To deliver an exceptional education experience, underpinned by ambitious artistic projects;
2. To recruit and train the best student talent from around the world;
3. To demonstrate outstanding engagement with the wider community; and
4. To develop significantly the philanthropic contribution to the Academy's endowment and annual running costs.

Academic Achievements

Hand in hand with our excellent record of student achievement and unparalleled success in graduate destination statistics, we are committed to enhancing the quality and standards of our educational provision. In 2013/14, our enhancement strategy focused on areas of professional development within the programmes of study. In the taught postgraduate programmes there was a major restructuring of professional development activities, designed to enable students to develop specific professional and business skills which will sharpen their competitive edge in a rapidly changing job market after graduation. In the undergraduate programmes professional development has been more firmly embedded in the entire curriculum and the range of professional development opportunities has been expanded to include a year-round programme of career-oriented activities and events.

In 2012 the Academy identified the need to develop its range of post-masters programmes. Three new programmes were approved under our degree-awarding powers in 2014: a one-year Professional Development Diploma, designed to enable students who have identified a particular professional interest during their masters studies to develop their specialism at a high level; a one-year Advanced Diploma aimed at the very highest level performers who wish to pursue a period of intense advanced study and mentoring before launching their international careers; and a one-year Continuing Professional Development Diploma, for musicians with significant professional profiles and experience who wish to take a period of study and reflection that will enhance their contribution to the music industry.

A key component in delivering world-leading educational programmes is the recruitment and retention of outstanding academic staff. In 2013/14 three members of staff were promoted to Professorships of the University of London, and two to Readerships of the University. There were over ten new appointments of leading musicians with outstanding artistic and pedagogical records to the Academy's teaching staff.

The number and quality of applicants to the Academy's programmes of study remain buoyant. We continue to refine our intensive, carefully calibrated audition and interview system for admissions. In 2013/14 auditions took place in London, New York, Beijing, Shanghai, Guangzhou, Hong Kong, Tokyo, Seoul, Taipei and Singapore. There were over 2,000 applicants for entry in September 2014, which converted into 301 enrolments, and a total student population of 778.



Semyon Bychkov rehearsing with Academy Symphony Orchestra, May 2014 (photo Clive Barda)

Artistic Achievements

The Academy produced a calendar of over 500 events in 2013/14. Highlights include orchestral performances conducted by Semyon Bychkov, Sir Mark Elder, Edward Gardner, Trevor Pinnock and Masaaki Suzuki. We held a Festival of Mozart's Chamber Music in January/February 2014. Our on-going series of Haydn Symphonies and RAM/Kohn Foundation Bach Cantata Concerts were attended by capacity audiences. Royal Academy Opera performed three works during the year: staged performances of Massenet's *Cendrillon*, Handel's *Ariodante*, and Britten's *The Rape of Lucretia*. Our Musical Theatre department staged productions of *A Man of No Importance* and *Little Women*. 'Side-by-side' projects included Stockhausen's *Gruppen* with the London Sinfonietta at the Royal Festival Hall, and Messiaen's *Les éclairs sur l'au-delà* with the BBC Symphony Orchestra at the Barbican Hall.

Following the international critical success of our 2013 recording of Mahler's Symphony no 4 in G, in Stein's arrangement for chamber ensemble, in 2014 we released a CD (on the Linn label) of a chamber arrangement of Bruckner's Symphony no. 2 which we commissioned from Anthony Payne, with Trevor Pinnock conducting an ensemble of Academy students. This too has received rave reviews in the world's musical press.

A busy schedule of public workshops and masterclasses by a host of internationally renowned musicians – including David Zinman, Angelika Kirchschlager, Sir Harrison Birtwistle, Reinhold Friedrich, Rachel Podger, Haaken Hardenberger, Dave Douglas, Emily Beynon, Brindley Sherratt, Patrick Messina and Stephen Hough – bridged our programmes of study, community engagement and artistic events. Maxim Vengerov, Menuhin Professor at the Academy, gave a series of masterclasses.

One index of the artistic achievements of Academy students is success in major international competitions. A striking example of this from 2014 was the prestigious Kathleen Ferrier Competition for singers and accompanists, held at the Wigmore Hall on 25 April, which is internationally renowned as the place to spot emerging global talent. All four prize winners were Academy students and alumni: an unprecedented clean sweep by a single conservatoire.

Research

2013/14 saw the conclusion of two large Arts & Humanities Research Council (AHRC)-funded research projects at the Academy: *21st-Century Oboe*, in which the Principal Investigator Chris Redgate redesigned the key work of the oboe in collaboration with the local instrument maker Howarth of London and commissioned a series of new works for the new instrument from ten leading composers from the UK and abroad; and *Fauré's Songs*, in which the Principal Investigator Dr Roy Howat produced a new edition of the songs for publication by Peters Edition. During the course of his research Dr Howat discovered a large set of unpublished vocalises by Fauré. This significant find led to the publication in 2013 of the entire set of these 'forgotten' works by Peters Edition, and to a CD recording of them performed by Dr Howat with the Academy's Principal, Professor Jonathan Freeman-Attwood.

During 2013/14 our academic staff published six monographs, 17 scholarly articles, over 40 new compositions, and more than 30 CDs. They delivered over 50 research papers at more than 40 international conferences.

The Academy's doctoral programmes continue to flourish, with a strong emphasis on composition and on performance-related research topics. During 2013/14 six students were awarded the University of London PhD.

Outreach

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: over 200 students participated in projects reaching over 3,500 external participants in 2013/14.

The Academy ensures that the public has the widest possible access to its globally-significant collection of instruments. In addition to its own Museum displays, exhibitions and public events, in 2013/14 the Academy lent four important instruments to prestigious exhibitions at other venues: the Hendrik Jacobs violin (1690, Amsterdam) to the National Gallery's *Vermeer and Music* exhibition; and three instruments by Antonio Stradivari (the Viotti ex-Bruce and Habeneck violins and the Archinto viola) to the Ashmolean Museum's *Stradivarius* exhibition.



The museum provides fun, gallery-based workshops for children and families as part of its Family Play Day series.

The Academy's public profile remains high. During 2013/14 there were over 400 positive items in the UK and international press about the Academy (concert and CD reviews, reports on student, alumni and staff successes, etc). There were also two significant television events centred on the Academy: an episode of alumnus Gareth Malone's series *The Choir* broadcast primetime on BBC2 in December 2013, and a concert celebrating the career of alumnus Sir Elton John, heavily featuring the Academy and current students, which was broadcast primetime on ITV1 in 2014.

Infrastructure and Development of Facilities

There were several major enhancements to the Academy's facilities during 2013/14.

A new organ, commissioned by the Academy from Orgelbau Kuhn with the financial support of Sir Elton John, Ray Cooper and other donors, was inaugurated in the Duke's Hall in the autumn of 2013.

The Academy opened its newly-acquired building containing 20 practice and rehearsal spaces in Cross Keys Close W1 in January 2014. This represents well over 1,000 hours extra practice opportunity for our student body weekly.

Preliminary work has started on the theatre project with the appointment of the architect and other key professionals during 2013/14. Some initial construction work will take place during December 2014 with the main construction commencing in July 2015 and continuing throughout 2015/16.

Technological enhancements in 2013/14 include larger and more secure data storage, the introduction of virtual desktops, and the implementation of a new institution-wide online room booking system which is designed to enhance the efficiency of our practice and rehearsal facilities. In 2014 we began the first phase of a significant overhaul of our recording facilities, as part of the project to enhance professional development opportunities within our programmes of study.

Other Developments

The Academy promotes a lifelong sense of belonging. In 2013/14 we continued to enhance the provision for our alumni. Projects during the year included reunion events in London, the development of an 'ambassador scheme' as part of our international network to support our alumni worldwide, and the introduction of an alumni card which brings alumni-exclusive benefits to holders (including access to CPD events, and discounts at several specialist retailers).

Academic and Financial Sustainability

The Academy's Senior Management Team continues to monitor and review 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; and
- the need for good financial discipline and cost management.

Risk and Uncertainty

The Academy's risk register, which covers financial and non-financial risks, 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 sufficient students, in particular international students;
- uncertainty of government schemes to support postgraduate studentships;
- a substantial reduction in donations;
- capital projects not being completed within budget or timescale; and
- failure to ensure safeguarding of students and staff.

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).

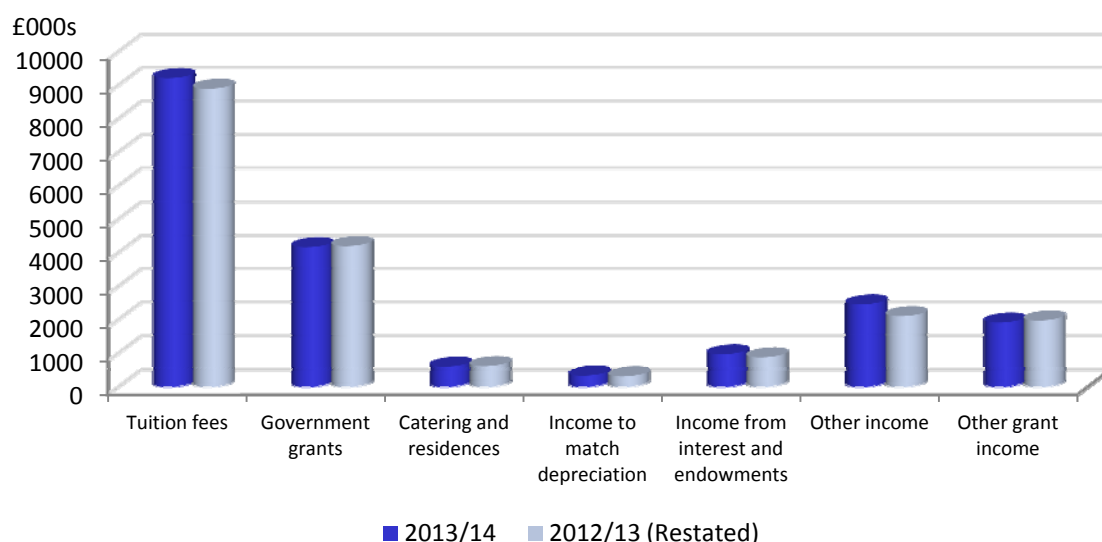
The RAM Collections Trust holds the Foyle Menuhin Archive, which was acquired with funding from the Foyle Foundation, and Academy Chimes Limited is the museum shop trading company.

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, a wholly-owned subsidiary of the Royal Academy of Music which held the York Gate building as an asset, was closed during 2013/14 and all the assets and liabilities were transferred to the Academy. This transfer was made for administrative reasons and there has been no change in the work and activities undertaken within York Gate, and the museum continues to be housed within it.

Results for the Year

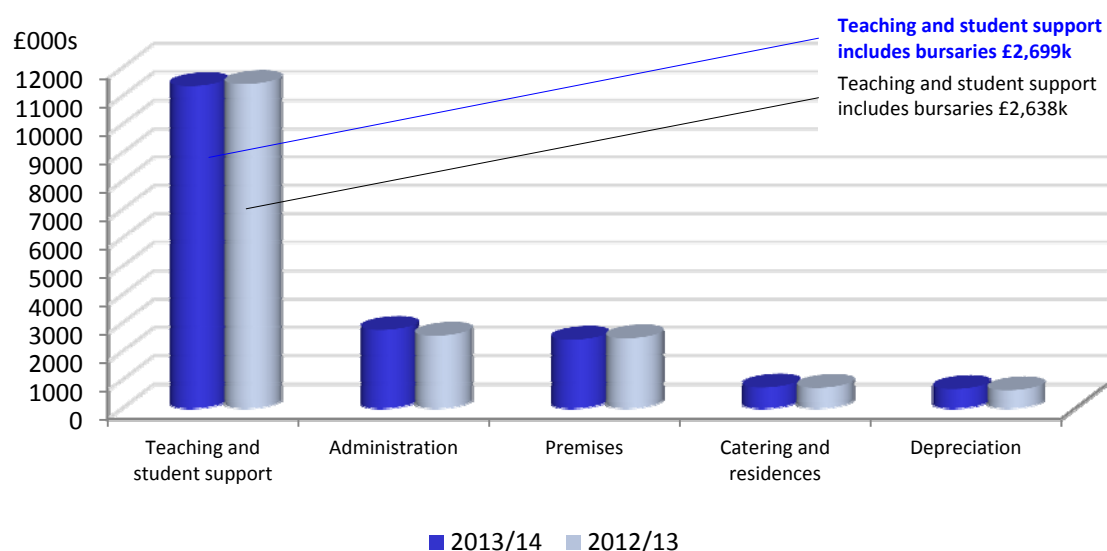
The Academy is showing a surplus of £1,592k for the year (2012/13 £1,165k) after transfers. This figure is higher than the year before as the income includes enhanced donations together with an increase in tuition fee income as funding continues to transfer from the HEFCE to student fees. Total income for the year increased by 3.6% to £19.6m (2012/13 £18.9m).

Income



Expenditure for the year was 0.8% higher than the previous year at £17.9m (2012/13 £17.8m) and within that salary costs have increased by just 1.7%, of which 1.0% is the result of the national pay award. Non staff costs, excluding depreciation, have reduced by 0.8%, which is largely due to higher than normal expenditure in 2012/13 relating to the purchase and installation of the new Sir Elton John and Ray Cooper organ. Investment in student bursaries remains high as the Academy is committed to ensuring that the most able students can attend the Academy.

Expenditure



The Academy's main financial objective is to achieve an operating surplus of 3.0% of income after allowing for long-term maintenance provision, which can be re-invested in education and infrastructure. In 2013/14 the operating surplus was 8.1% of income, enabling the Academy to support 20 additional practice rooms in use since January 2014; to acquire further rehearsal space on a short-term basis, from September 2014; to invest in new room bookings software; and to fund additional bursaries. Extra income has also been committed to the re-development of the theatre, with the majority of the construction work due to take place during 2015/16. The results are set out in the table below.

	2013/14 £000s	Restated 2012/13 £000s
Income	19,615	18,938
Expenditure	(17,933)	(17,795)
Surplus on continuing operations, before transfers	1,682	1,143
Surplus for the year, after transfers	1,592	1,165

The actuarial valuation of the Royal Academy of Music 1967 Pension Scheme (RAM 1967) showed an increase in the scheme deficit for Financial Reporting Standard (FRS) 17 purposes to £3,091k (2012/13 £2,429k). This was mainly due to changes in financial conditions over the last year leading to a decrease in the discount rate used to value the liabilities. The Academy is making contributions aimed at eliminating the deficit over 17 years, in accordance with the recommendations of its actuary.

Capital Projects

In January 2014 the Academy opened new premises at Cross Keys providing 20 additional practice rooms. Work also commenced on the redevelopment and expansion of the theatre to provide an accessible venue with additional seating, a larger orchestral pit and state of the art facilities. As part of this project a lease was signed for St Mark's Church to provide rehearsal space during the works. New chillers have been fitted in York Gate to ensure appropriate conditions are maintained for the instruments and artefacts that are exhibited in the Museum. The Sir Elton John and Ray Cooper Organ was installed in the Duke's Hall during the summer of 2013 and an inaugural concert was held to celebrate the arrival of this world-class instrument. Other works during the year were broadly in accordance with our planned maintenance programme.

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 £2.4m (2012/13 £2.2m), designated cash was £15.4m (2012/13 £13.7m) and current assets exceeded current liabilities by £14.4m (2012/13 £13.6m). 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 £29.7m at 31 July 2013 to £31.2m at 31 July 2014, including new endowments from benefactors of £504k (2012/13 £372k).

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. Investment income was higher than the previous year, following a change of fund manager. The target was to achieve a real rate of return of at least 3.0% per annum through a combination of income and capital growth.

The financial markets have picked up during the year and as a result the portfolio, managed by the external fund managers, grew by 3.0% during the year and generated a net yield of 2.4% (2012/13 2.0%) on the average fund balance, whilst the cash funds managed internally generated a return of 1.3% (2012/13 2.1%) over the year as fixed term deposits at higher interest rates came to an end.

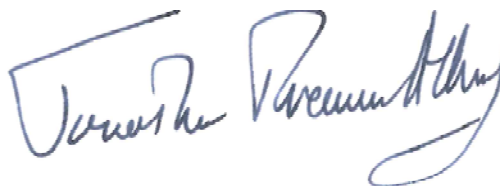
Conclusion

With an eye to mid-term capital risk on our new theatre project, the Academy made a decision during 2013/14 to make some specific savings to establish a contingency at the start of a substantial £12m building development. Whilst this level of savings is not sustainable in the longer term, it was considered necessary for the initial period of the theatre redevelopment, especially at a time of reduced income and rising costs. In addition to these savings, exceptional income was received of £280k, which included the donation of an instrument. The theatre contingency should also be seen in the light of the paucity of HEFCE Capital Funding and Higher Education Innovation Funds which inevitably places the Academy in a potentially weaker position with regard to the necessary upgrade and maintenance of its educational infrastructure. Reserves will become essential over the next few years when home postgraduate numbers are expected to fall. We are also seeking to increase our endowment income to maintain our position as a world-class conservatoire and to provide additional bursary support to students in need.

This Report was approved by the Governing Body and the Principal on 19 November 2014 and signed on its behalf by



Dame Jenny Abramsky
Chair 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 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 Chair and Deputy Chairs 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. A Register of Interests is maintained for members of the Governing Body, senior officers of the Academy and directors of fully owned subsidiaries.

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, the Remuneration 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 Chair is selected.

Corporate Governance arrangements are reviewed annually and amended as the Governing Body sees fit. A review of effectiveness of the Governing Body was completed in July 2014. Following the retirement of the Governance Adviser (on secondment from the University of London), a new Secretary to the Governing Body was appointed with effect from 1 September 2014, who is also the Registrar.

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.



Director Paul Curran oversees swordplay in Royal Academy Opera's rehearsal for Ariodante (photo by Clive Barda) March 2014

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 2014 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. Changes 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; and
- 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 has been 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 2014/12). 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 2014 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 19 November 2014, and signed on its behalf by



Dame Jenny Abramsky
Chair 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; and
- 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; and
- 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 Finance General Purposes Committee;
- 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 2014 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and institution's affairs as at 31 July 2014 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 *26/10/14*



Oliver Knussen talks about his music with Philip Cashian, Head of Composition

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. York Gate Music Trust was closed during the year as all assets and liabilities were transferred to the Academy. There has been no change in activity. 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 four different pension schemes for current employees: the Teachers Pension Scheme (TPS); a Group Personal Pension Scheme (GPPS); the National Employment Savings Trust (NEST); and the Universities Superannuation Scheme (USS). The TPS and USS are both defined benefit schemes whilst the GPPS and NEST are defined contribution schemes. The NEST Scheme was introduced as a result of auto-enrolment for employees who were not eligible for existing schemes.

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 has only seven members in the USS. Further detailed information on Scheme liabilities has not been included in the Notes as it is not considered significant.

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.

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. Academy buildings are being depreciated over 90 years, in line with the length of the lease.

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 David Josefowitz Recital Hall have also been capitalised and are being depreciated over 71 and 28 years respectively. Fit-out costs for York Gate are being depreciated over 13 years. The depreciation for these York Gate buildings was recalculated on transfer of the assets to the Academy. 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.

The fit-out costs of Cross Keys practice rooms are being depreciated over 10 years, the length of the lease.

Buildings under construction within the Academy are accounted for at cost based on the value of architects' certificates and other direct costs incurred to 31 July. They are not depreciated until they are brought into use.

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/artefacts	5 or 15 years or not depreciated
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 2014/15 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 2013/14, although they have been re-valued annually in the past. They will be re-valued on a three-yearly basis from 2014/15, 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 the latter 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.

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 in which 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 new Financial Reporting Standards have been implemented or notes have been enhanced to provide additional information, comparative figures have been amended accordingly. Similarly, where accounting practice has changed, the prior year comparatives have been revised.

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 2013/14. A prior year adjustment of £215k has been included in the Fixed Assets Note 9, with a related adjustment to depreciation of £191k. This includes an amendment of £95k for instruments added incorrectly as a prior year adjustment in 2012/13.

Additional disclosures have been made with regard to USS pension costs for 2012/13, which can be found in Note 6 and Note 18 to reflect the costs of all pension schemes.

A portion of bursary funds, amounting to £26k, has been reclassified and is reflected in Note 12.

The deferred capital grants shown in Note 14 have been restated to reflect a more appropriate analysis of the grants.

Consolidated Income and Expenditure Account

	<i>Note</i>	<i>2014</i> <i>Total</i> <i>£000</i>	<i>2013</i> <i>Restated</i> <i>Total</i> <i>£000</i>
Income			
Funding Council Grants	1	4,141	4,076
Academic Fees and Support Grants	2	9,209	8,887
Research Grants and Contracts	3	19	117
Other Operating Income	4	5,285	4,988
Endowment and Investment Income	5	961	870
Total Income		<u>19,615</u>	<u>18,938</u>
Expenditure			
Staff Costs	6/7	9,547	9,390
Other Operating Expenses	8	7,709	7,772
Depreciation/impairment of Fixed Assets	9	677	633
Total Expenditure		<u>17,933</u>	<u>17,795</u>
Surplus on Continuing Operations for the Year		<u>1,682</u>	<u>1,143</u>
Transfer (to)/from Restricted Endowments	15	<u>(90)</u>	<u>22</u>
Surplus After Transfers		<u>1,592</u>	<u>1,165</u>

The Notes on pages 28 to 40 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>	2014 £000	2013 Restated £000
Fixed Assets			
Tangible Fixed Assets:			
Heritage	9a	35,645	35,698
Operational	9a	39,428	37,881
		<u>75,073</u>	<u>73,579</u>
Fixed Asset Investments	10	952	926
		<u>76,025</u>	<u>74,505</u>
Endowment Assets	10	<u>30,204</u>	<u>28,806</u>
Current Assets			
Stock		112	94
Debtors	11	552	1,615
Cash at bank - Working Capital		2,391	2,166
Cash at bank - Designated		15,368	13,697
		<u>18,423</u>	<u>17,572</u>
Creditors: Amounts falling due within one year	12a	<u>(4,048)</u>	<u>(3,979)</u>
Net Current Assets		<u>14,375</u>	<u>13,593</u>
Total Assets less Current Liabilities		<u>120,604</u>	<u>116,904</u>
Creditors: Amounts falling due after more than one year	12b	(95)	(95)
Provisions for Liabilities and Charges	13	<u>(1,235)</u>	<u>(1,223)</u>
Net Assets excluding pension deficit		<u>119,274</u>	<u>115,586</u>
Pension Deficit (FRS17)	18	<u>(3,091)</u>	<u>(2,429)</u>
Net assets after pension deficit		<u>116,183</u>	<u>113,157</u>
Deferred Capital Grants	14	17,488	16,581
Endowment Funds:			
Permanent	15	24,209	22,980
Expendable	15	5,995	5,826
		<u>30,204</u>	<u>28,806</u>
Income and Expenditure Account Reserves			
Revaluation Reserve	22	50,103	50,099
Earmarked Funds	16	6,579	6,704
Income and expenditure account excluding pension reserve	17	14,900	13,396
Pension Deficit	17	<u>(3,091)</u>	<u>(2,429)</u>
Income and expenditure account after pension deficit		<u>11,809</u>	<u>10,967</u>
Total Reserves		<u>68,491</u>	<u>67,770</u>
Total Funds		<u>116,183</u>	<u>113,157</u>

The Notes on pages 28 to 40 form part of these Financial Statements.

The Financial Statements were approved by the Governing Body and authorised for issue on 19 November 2014



Dame Jenny Abramsky
Chair



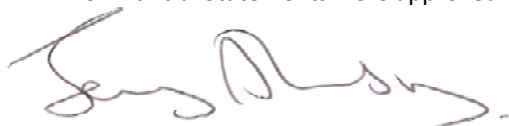
Anthony Travis
Chair - Finance and General Purposes Committee

Academy Balance Sheet

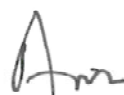
	Note	2014 £000	2013 Restated £000
Fixed Assets			
Tangible Fixed Assets:			
Heritage	9b	34,776	34,798
Operational	9b	39,429	26,194
		<u>74,205</u>	<u>60,992</u>
Fixed Asset Investments	10	952	926
		<u>75,157</u>	<u>61,918</u>
Endowment Assets	10	<u>30,204</u>	<u>28,806</u>
Current Assets			
Stock		11	7
Debtors	11	548	1,612
Cash at bank and in hand - Working Capital		2,370	2,138
Cash at bank and in hand - Designated		15,368	13,697
		<u>18,297</u>	<u>17,454</u>
Creditors: Amounts falling due within one year	12a	<u>(4,019)</u>	<u>(3,957)</u>
Net Current Assets		<u>14,278</u>	<u>13,497</u>
Total Assets less Current Liabilities		<u>119,639</u>	<u>104,221</u>
Provisions for Liabilities and Charges	13	<u>(1,235)</u>	<u>(1,223)</u>
Net Assets		<u>118,404</u>	<u>102,998</u>
Pension Deficit (FRS17)	18	<u>(3,091)</u>	<u>(2,429)</u>
Net assets after pension deficit		<u>115,313</u>	<u>100,569</u>
Deferred Capital Grants	14	<u>16,618</u>	<u>3,993</u>
Endowment Funds:			
Unrestricted Permanent	15	4,099	3,986
Restricted Permanent	15	<u>20,110</u>	<u>18,994</u>
Permanent	15	<u>24,209</u>	<u>22,980</u>
Expendable	15	<u>5,995</u>	<u>5,826</u>
		<u>30,204</u>	<u>28,806</u>
Income and Expenditure Account Reserves			
Revaluation Reserve	22	50,103	50,099
Earmarked Funds	16	6,579	6,704
Income and expenditure account excluding pension reserve	17	14,900	13,396
Pension Deficit	17	<u>(3,091)</u>	<u>(2,429)</u>
Income and expenditure account after pension deficit		<u>11,809</u>	<u>10,967</u>
Total Reserves		<u>68,491</u>	<u>67,770</u>
Total Funds		<u>115,313</u>	<u>100,569</u>

The Notes on pages 28 to 40 form part of these Financial Statements.

The Financial Statements were approved by the Governing Body and authorised for issue on 19 November 2014



Dame Jenny Abramsky
Chair



Anthony Travis
Chair - Finance and General Purposes Committee

Consolidated Cash Flow Statement

	Note	2014 £000	2013 Restated £000
Net cash inflow/(outflow) from operating activities		1,856	(526)
Returns on investment	21a	1,060	1,009
Capital expenditure and financial investment	21a	(2,359)	718
Cash inflow/(outflow) before use of liquid resources and financing		557	1,201
Management of liquid resources	21a	1,339	(883)
Financing	21a	-	(11)
Increase in cash in the year		1,896	307
Reconciliation of Surplus for the year to Net Cash Inflow from Operating Activities			
Surplus on continuing operations for the year		1,682	1,143
Adjustments for non cash items			
Depreciation and impairment charges		677	633
Release of deferred capital grants		(357)	(319)
(Increase)/decrease in stock		(18)	5
Decrease/(increase) in debtors		1,063	(224)
Increase/(decrease) in creditors		69	(648)
Increase in provisions		12	84
Loss/(profit) on disposal of fixed assets		1	(18)
Pension Fund non-cash movement		(213)	(173)
Reclassification			
Endowment and Investment Return		(1,060)	(1,009)
Net cash inflow/(outflow) from operating activities		1,856	(526)
Reconciliation of Net Cash Flow to Movement in Net Funds			
Increase in cash in the year		1,896	307
Cash inflow from long-term loan repayment		-	11
Cash (outflow)/inflow from liquid resources		(1,339)	883
Movement in net funds in the period		557	1,201
Net funds at 1 August 2013		18,827	17,626
Net funds at 31 July 2014	21b	19,384	18,827

Consolidated Statement of Total Recognised Gains and Losses

	2014	2013
	£000	Restated £000
Surplus on continuing operations after transfers	1,592	1,165
Net additions to other reserves:		
Musical Instrument Collection Reserve - Operational share	(22)	(9)
Fixed Asset Investment Revaluation Reserve	26	48
Fixed Asset Investment General Fund Devaluation	-	68
Appreciation of Expendable Endowment Asset Investments	804	3,505
Endowment Income retained on Expendable endowments	10	23
Endowment Income utilised on Permanent endowments	80	(45)
New Endowments received	504	372
Actuarial gain/(loss) in respect of RAM 1967 pension scheme	(875)	864
Total recognised gains for the year	2,119	5,991
Reconciliation		
Opening reserves and endowments as previously reported	96,526	90,513
Prior year adjustment regarding historic assets	24	25
Prior year adjustment regarding designated bursary funds	26	47
Opening reserves and endowments	96,576	90,585
Total recognised gains and losses for the year	2,119	5,991
Closing reserves and endowments	98,695	96,576

Notes to the Financial Statements

	Note	2014 £000	2013 Restated £000
1 Funding Council Grants			
Recurrent Teaching grant		3,329	3,400
Recurrent Research grant		425	440
Other Special funding		359	225
Release of deferred capital grants (buildings)		17	-
Release of deferred capital grants (equipment)		11	11
		<u>4,141</u>	<u>4,076</u>
2 Academic Fees and Support Grants			
Full-time Home and EU		4,489	3,965
Full-time International		3,843	4,080
Junior and Intermediate		877	842
		<u>9,209</u>	<u>8,887</u>
3 Research Grants and Contracts			
Research Councils		19	117
		<u>19</u>	<u>117</u>
4 Other Operating Income			
Residences and catering		593	608
Other grant income		1,911	1,971
Release of deferred capital grants	14	329	308
Other operating income *		2,382	2,078
Donation of assets (non-cash)		70	23
		<u>5,285</u>	<u>4,988</u>
* Includes donation income from ABRSM			
5 Endowment and Investment Return			
Income from Unrestricted Permanent Endowments	15	113	89
Income from Restricted Permanent Endowments	15	541	418
Income from Permanent Endowments	15	654	507
Income from Restricted Expendable Endowments	15	157	118
Sub-total Endowment Investment Income		<u>811</u>	<u>625</u>
Other finance income - Pension Scheme	18	(99)	(139)
Other interest receivable		249	384
		<u>961</u>	<u>870</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:

	2014	2013	2014	2013
	Staff nos	Staff nos	Staff costs	Staff costs
	FTE	FTE	£000	£000
Teaching	125	123	5,744	5,648
Support	8	8	415	410
Other Academic Services	14	13	389	380
Central administration and services	33	32	1,564	1,461
General Education	16	15	589	566
Student/staff facilities	3	3	97	93
Premises	14	14	520	552
Catering and residence	8	8	224	215
Research Grants and Contracts	-	1	5	65
	221	217	9,547	9,390
				Restated
Wages and Salaries			8,376	8,280
Social Security Costs			664	689
Other Pension Costs			507	421
			9,547	9,390

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

7 Principal's Emoluments

	2014	2013
	£	£
Emoluments	152,707	145,273
Pension contributions	83,028	45,359

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 £16,002 (2013 - £15,709).

8 Other Operating Expenses

	2014	2013
	£000	£000
Teaching	771	939
Support	57	25
Other Academic Services	86	86
Central administration and services	1,124	1,026
External audit - annual audit fee *	40	37
other fees *	9	9
Internal audit	21	21
Subtotal Central Administration	1,194	1,093
General Education	2,853	2,810
Student/staff facilities	64	61
Premises	1,643	1,663
Long-term maintenance	250	250
Catering and Residence	506	503
Research Grants and Contracts	14	52
Other Services rendered - Academy Chimes	271	290
	7,709	7,772

*External Auditors' remuneration includes £31,980 (2013 - £30,580) 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	Assets in the Course of Construction	Equipment	Operational Instrument Collection	Subtotal Operational Assets	Heritage Instrument Collection	Menuhin & Spencer Collections	Subtotal Heritage Assets	Grand Total
Cost or valuation	Cost £000	Cost £000	Cost £000	Valuation £000	£000	Valuation £000	Cost £000	£000	£000
At 1 August 2013	24,553	-	5,321	17,252	47,126	34,120	2,105	36,225	83,351
Prior Year Adjustment	-	-	193	22	215	-	-	-	215
At 1 August 2013 Restated	24,553	-	5,514	17,274	47,341	34,120	2,105	36,225	83,566
Additions	337	301	1,486	70	2,194	-	-	-	2,194
Disposals	-	-	(58)	(22)	(80)	-	-	-	(80)
At 31 July 2014	24,890	301	6,942	17,322	49,455	34,120	2,105	36,225	85,680
Depreciation									
At 1 August 2013	6,918	-	2,351	-	9,269	-	527	527	9,796
Prior Year Adjustment	-	-	191	-	191	-	-	-	191
At 1 August 2013 Restated	6,918	-	2,542	-	9,460	-	527	527	9,987
Disposals	-	-	(57)	-	(57)	-	-	-	(57)
Charge for the year	375	-	249	-	624	-	53	53	677
At 31 July 2014	7,293	-	2,734	-	10,027	-	580	580	10,607
Net Book Value									
At 31 July 2014	17,597	301	4,208	17,322	39,428	34,120	1,525	35,645	75,073
At 31 July 2013	17,635	-	2,970	17,252	37,857	34,120	1,578	35,698	73,555
Prior Year Adjustment	-	-	2	22	24	-	-	-	24
At 31 July 2013 Restated	17,635	-	2,972	17,274	37,881	34,120	1,578	35,698	73,579

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 (2013 nil).

b) Academy

	Long Leasehold Land and Buildings Cost £000	Assets in the Course of Construction Cost £000	Equipment Cost £000	Operational Instrument Collection Valuation £000	Subtotal Operational Assets £000	Heritage Instrument Collection Valuation £000	Menuhin & Spencer Collections Cost £000	Subtotal Heritage Assets £000	Grand Total £000
Cost or valuation									
At 1 August 2013	10,143	-	5,326	17,252	32,721	34,120	905	35,025	67,746
Prior Year Adjustment	-	-	193	22	215	-	-	-	215
At 1 August 2013 Restated	10,143	-	5,519	17,274	32,936	34,120	905	35,025	67,961
Additions	11,970	301	1,486	70	13,827	-	-	-	13,827
Disposals	-	-	(58)	(22)	(80)	-	-	-	(80)
At 31 July 2014	22,113	301	6,947	17,322	46,683	34,120	905	35,025	81,708
Depreciation									
At 1 August 2013	4,200	-	2,351	-	6,551	-	227	227	6,778
Prior Year Adjustment	-	-	191	-	191	-	-	-	191
At 1 August 2013 Restated	4,200	-	2,542	-	6,742	-	227	227	6,969
Disposals	-	-	(57)	-	(57)	-	-	-	(57)
Charge for the year	321	-	248	-	569	-	22	22	591
At 31 July 2014	4,521	-	2,733	-	7,254	-	249	249	7,503
Net Book Value									
At 31 July 2014	17,592	301	4,214	17,322	39,429	34,120	656	34,776	74,205
At 1 August 2013	5,943	-	2,975	17,252	26,170	34,120	678	34,798	60,968
Prior Year Adjustment	-	-	2	22	24	-	-	-	24
At 31 July 2013 Restated	5,943	-	2,977	17,274	26,194	34,120	678	34,798	60,992

The York Gate building was transferred from York Gate Music Trust to the Royal Academy of Music on 31 October 2013 at a net book value of £11.6m.

Notes to the Financial Statements continued

10 Investments and Endowment Assets

At Market Value	<i>Consolidated and Academy</i>		
	<i>Fixed Assets</i>	<i>Endowment Assets</i>	<i>Total Investments</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 August 2013	926	28,806	29,732
Purchases of investments	110	5,304	5,414
Proceeds from sales of investments	(110)	(3,371)	(3,481)
Appreciation on disposal/revaluation	26	804	830
Increase in cash balances held at Fund managers	-	11	11
Change in current assets	-	(1,350)	(1,350)
At 31 July 2014	952	30,204	31,156
Represented by:			
Fixed Interest Stocks	101	3,126	3,227
Equities	638	19,681	20,319
Property	97	2,993	3,090
Other	116	2,684	2,800
Current Assets	-	1,720	1,720
	952	30,204	31,156

11 Debtors

	<i>Consolidated</i>	<i>Academy</i>	<i>Consolidated</i>	<i>Academy</i>
	<i>2014</i>	<i>2014</i>	<i>2013</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade Debtors	173	169	168	166
Prepayments and accrued income	379	379	1,447	1,446
	552	548	1,615	1,612

12 Creditors

a) Amounts falling due within one year

	<i>Consolidated</i>	<i>Academy</i>	<i>Consolidated</i>	<i>Academy</i>
	<i>2014</i>	<i>2014</i>	<i>Restated</i>	<i>Restated</i>
	<i>£000</i>	<i>£000</i>	<i>2013</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade Creditors	22	12	7	-
Fees in Advance	1,948	1,948	1,885	1,885
Deferred revenue grants and donations (specific purpose)	1,090	1,090	1,207	1,207
Amounts owed to subsidiary undertakings	-	-	-	1
Taxation and social security	215	215	227	228
Other Creditors and Accruals	773	754	653	636
	4,048	4,019	3,979	3,957

b) Amounts falling due after more than one year

	<i>Consolidated</i>	<i>Academy</i>	<i>Consolidated</i>	<i>Academy</i>
	<i>2014</i>	<i>2014</i>	<i>2013</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Loan from Chimes Consultancy	95	-	95	-
	95	-	95	-

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 2013

Transferred from Income and Expenditure Account

Expenditure

At 31 July 2014

1,223

250

(238)

1,235

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 2013 (restated)						
Buildings (restated)	337	13,157	13,494	337	1,470	1,807
Equipment	239	2,848	3,087	239	1,947	2,186
Total (restated)	<u>576</u>	<u>16,005</u>	<u>16,581</u>	<u>576</u>	<u>3,417</u>	<u>3,993</u>
Cash received						
Buildings	-	1,264	1,264	-	1,265	1,265
Total	<u>-</u>	<u>1,264</u>	<u>1,264</u>	<u>-</u>	<u>1,265</u>	<u>1,265</u>
Released to Income and Expenditure						
Buildings	17	254	271	17	201	218
Equipment	11	75	86	11	45	56
Total (notes 1 and 4)	<u>28</u>	<u>329</u>	<u>357</u>	<u>28</u>	<u>246</u>	<u>274</u>
Transfers						
Recategorisation to Buildings from Equipment	-	96	96	-	96	96
Recategorisation from Equipment to Buildings	-	(96)	(96)	-	(96)	(96)
Transfer of York Gate building	-	-	-	-	11,634	11,634
Total					<u>11,634</u>	<u>11,634</u>
At 31 July 2014						
Buildings	320	14,263	14,583	320	14,264	14,584
Equipment	228	2,677	2,905	228	1,806	2,034
Total	<u>548</u>	<u>16,940</u>	<u>17,488</u>	<u>548</u>	<u>16,070</u>	<u>16,618</u>

The York Gate building was transferred from York Gate Music Trust to the Royal Academy of Music on 31 October 2013 at a net book value of £11.6m.

Notes to the Financial Statements continued

15 Endowment Funds

	<i>Consolidated and Academy</i>					2013
	<i>Unrestricted</i>	<i>Restricted</i>	<i>Subtotal</i>	<i>Restricted</i>	<i>Grand</i>	<i>Grand</i>
	<i>Permanent</i>	<i>Permanent</i>	<i>Permanent</i>	<i>Expendable</i>	<i>Total</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>Restated</i>
						<i>£000</i>
Capital						
At 1 August 2013	3,986	18,615	22,601	5,498	28,099	24,375
Reclassification	-	17	17	-	17	(136)
At 1 August 2013 Restated	3,986	18,632	22,618	5,498	28,116	24,239
Appreciation of endowment asset investments	113	536	649	155	804	3,505
New endowments received	-	500	500	4	504	372
At 31 July 2014	4,099	19,668	23,767	5,657	29,424	28,116
Accumulated Income						
At 1 August 2013	-	379	379	328	707	750
Reclassification to Capital	-	(17)	(17)	-	(17)	(38)
At 1 August 2013 Restated	-	362	362	328	690	712
Investment income	113	541	654	157	811	625
Expenditure	(113)	(461)	(574)	(147)	(721)	(647)
Transfer (to)/from Income and Expenditure Account	-	80	80	10	90	(22)
At 31 July 2014	-	442	442	338	780	690
Total Funds						
At 1st August 2013	3,986	18,994	22,980	5,826	28,806	25,125
Reclassification	-	-	-	-	-	(174)
At 1 August 2013 Restated	3,986	18,994	22,980	5,826	28,806	24,951
At 31 July 2014	4,099	20,110	24,209	5,995	30,204	28,806

16 Earmarked Funds - Academy and Consolidated

	<i>Consolidated and Academy</i>
	<i>£000</i>
At 1 August 2013	6,678
Prior year adjustment	26
At 1 August 2013 Restated	6,704
Transfer from Income and Expenditure Account (note 17)	(125)
At 31 July 2014	6,579

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 2013	13,372	(2,429)	10,943
Prior Year Adjustment	24	-	24
At 1st August 2013 Restated	13,396	(2,429)	10,967
Transfer to Earmarked Funds (note 16)	125	-	125
Surplus for the year	1,379	213	1,592
Actuarial loss	-	(875)	(875)
At 31 July 2014	14,900	(3,091)	11,809

18 FRS 17 Retirement Benefits disclosures

Superannuation contributions are paid to the Teachers' Pensions Scheme (TPS) for teaching staff, to a Group Personal Pension Scheme (GPPS) for administrative staff, to the National Employment Savings Trust (NEST) for those not eligible for other schemes, or to the Universities Superannuation Scheme (USS) for a small number of 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>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>
Total pension cost for the year was:		
Teachers Pension Scheme: employer's contributions paid	323	253
Group Personal Pension Scheme: employer's contributions paid	116	107
Universities Superannuation Scheme	66	61
National Employment Savings Trust	2	-
Royal Academy of Music Pension Scheme 1967: net charge to Income and Expenditure account	99	139
Total pension cost	606	560

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pensions Regulations (2010), and, from 1 April 2014, by the Teachers' Pension Scheme Regulations 2014. 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 1972 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 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 pension 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 Account is invested in notional investments that produce that real rate of return.

Notes to the Financial Statements continued

- 18 ctd** The latest actuarial review of the TPS was carried out as at 31 March 2012 and in accordance with The Public Service Pensions (Valuations and Employer Cost Cap) Directions 2014.

The valuation report was published by the Department on 9 June 2014. The key results of the valuation are:

- employer contribution rates were set at 16.4% of pensionable pay;
- total scheme liabilities for service to the effective date of £191.5 billion, and notional assets of £176.6bn, giving a notional past service deficit of £15.1bn;
- an employer cost cap of 10.9% of pensionable pay.

The new employer contribution rate for the TPS will be implemented in September 2015.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website at the following location.

<https://www.teacherspensions.co.uk/news/employers/2014/06/publication-of-the-valuation-report.aspx>

Lord Hutton, who chaired the Independent Public Services pension Commission, 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 Proposed 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 their 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 up to three and a half years 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 achieving these was to increase member contributions. At the Spending Review 2010 the Government announced an average increase of 3.2 percentage points on the contribution rates by 2014/15. The increases have been phased in since April 2012.

The Department has continued to work closely with trade unions and other representative bodies to develop a reformed Teachers' Pension Scheme, and regulations giving effect to the reformed scheme came into force on 1 April 2014. A programme of communications is being rolled out, and the reformed scheme will commence on 1 April 2015.

Universities Superannuation Scheme

The Universities Superannuation Scheme (USS) is a contributory, defined benefit scheme. The Academy is unable to identify its share of the underlying assets and liabilities and so has used the exemption in FRS 17 to account for contributions as though it is a defined contribution scheme.

Notes to the Financial Statements continued

18 Royal Academy of Music Pension Scheme 1967

ctd 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 pa 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 2014 for FRS 17 purposes.

	<i>As at 31 July 2014</i>	<i>As at 31 July 2013</i>
Main assumptions used by the actuary in valuing liabilities		
Discount rate	4.45%	4.95%
Inflation	3.45%	3.50%
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	3.45%	3.50%

*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:

		<i>As at 31 July 2014</i>	<i>As at 31 July 2013 Restated</i>
Retiring today	Males	23.00	22.90
	Females	25.20	25.10
Retiring in 20 years	Males	25.20	25.00
	Females	27.60	27.50

	<i>2014 £000</i>	<i>2013 £000</i>
Analysis of amount (charged)/credited to other finance income		
Expected return on pension scheme assets	472	423
Interest on pension scheme liabilities	(571)	(562)
Net charge (Note 5)	<u>(99)</u>	<u>(139)</u>

	<i>2014 £000</i>	<i>2013 £000</i>
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	323	(235)
Experience gains and losses arising on scheme liabilities	(1,198)	1,099
Actuarial gain/(loss) recognised in STRGL	<u>(875)</u>	<u>864</u>

	<i>2014 £000</i>	<i>2013 £000</i>
Amounts recognised in the balance sheet		
Present value of scheme liabilities	13,104	11,721
Fair value of scheme assets	10,013	9,292
Deficit in scheme	<u>(3,091)</u>	<u>(2,429)</u>

Notes to the Financial Statements continued

18 Movement in deficit assets and liabilities during the year

ctd

	2014			2013		
	Assets	Liabilities	Net	Assets	Liabilities	Net
	£000	£000	£000	£000	£000	£000
Deficit in scheme at beginning of the year	9,292	(11,721)	(2,429)	9,263	(12,729)	(3,466)
Movement in year:						
Contributions	312	-	312	312	-	312
Other finance income/(charge)	472	(571)	(99)	423	(562)	(139)
Benefits paid	(386)	386	-	(471)	471	-
Actuarial gain/(loss)	323	(1,198)	(875)	(235)	1,099	864
Deficit in scheme at end of the year	10,013	(13,104)	(3,091)	9,292	(11,721)	(2,429)
Actual return on scheme assets	795			188		
Analysis of Scheme Assets	Long term ROR expected (including annuities)			Long term ROR expected (including annuities)		
Equities	6.10%	1,467		5.95%	1,358	
Bonds	4.45%	2,119		4.95%	1,802	
Property	6.10%	490		5.95%	414	
Cash	3.10%	95		2.95%	144	
Total market value of invested assets		4,171			3,718	
Secured pensions in payment	4.45%	5,842		4.95%	5,574	
	4.75%	10,013		5.10%	9,292	
Long-term ROR expected (excluding Annuities)	5.20%			5.35%		

The Academy expects to contribute £320,000 to the Scheme during the year ending 31 July 2015.

History of experience gains and losses	2014	2013	2012	2011	2010
Experience adjustments on scheme assets					
Amount (£000)	323	(235)	9	(540)	711
Percentage of scheme assets	3.2%	-2.5%	0.1%	-6.1%	8.1%
Experience adjustments on scheme liabilities					
Amount (£000)	1,198	(1,099)	1,676	428	1,103
Percentage of scheme liabilities	9.1%	-9.4%	13.2%	3.9%	10.7%
Total amount recognised in statement of recognised gains and losses					
Amount (£000)	(875)	864	(1,667)	(968)	(392)
Percentage of scheme liabilities	-6.7%	7.4%	-13.1%	-8.8%	-3.8%
Cumulative amount recognised in STRGL	(5,097)	(4,222)	(5,086)	(3,419)	(2,451)
History of Defined Benefit Scheme					
Present Value of Defined Benefit Obligation	13,104	11,721	12,729	10,951	10,350
Fair Value of Scheme Assets	10,013	9,292	9,263	8,908	8,738
Surplus/(deficit) arising in the scheme	(3,091)	(2,429)	(3,466)	(2,043)	(1,612)

Group Personal Pension Scheme

A Group Personal Pension Scheme (GPPS) was started on 1 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 £116,478 (2012/13 £107,414).

Notes to the Financial Statements continued

19 Capital Commitments

	<i>Consolidated</i>	<i>Academy</i>	<i>Consolidated</i>	<i>Academy</i>
	<i>2014</i>	<i>2014</i>	<i>2013</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Capital Commitments contracted for at 31 July 2014	-	-	88	88

20 Lease Obligations

At 31 July 2014, the Academy and its group had annual commitments under non-cancellable operating leases expiring as follows

	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>
Land and Buildings		
Expiring between one and five years	295	120
Expiring in over five years	478	338
	<u>773</u>	<u>458</u>
Other		
Expiring between one and five years	69	68
	<u>69</u>	<u>68</u>

21 Notes to the Cash Flow Statement

	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>Restated</i>
	<i>£000</i>	<i>£000</i>
a) Gross Cash Flows		
Interest and investment income		
Bank interest received	249	384
Endowment income	811	625
Net cash inflow from returns on investment	<u>1,060</u>	<u>1,009</u>
Capital expenditure and financial investment		
Purchase of tangible operational assets	(2,194)	(207)
Payments to acquire fixed asset investments	(110)	(751)
Payments to acquire endowment asset investments	(5,304)	(21,373)
Total payments to acquire fixed/endowment assets	<u>(7,608)</u>	<u>(22,331)</u>
Receipts from sale of tangible operational assets	-	18
Receipts from sale of fixed asset investments	110	751
Receipts from sale of endowment asset investments	3,371	21,906
Deferred capital grants received	1,264	2
New endowments received	504	372
Net cash (outflow)/inflow from capital expenditure and financial investment	<u>(2,359)</u>	<u>718</u>
Management of Liquid Resources		
Change in cash with brokers	(11)	(630)
Movement on endowment current assets	1,350	(253)
Net cash inflow/(outflow) from management of liquid resources	<u>1,339</u>	<u>(883)</u>
Financing		
Increase in long-term loan	-	(11)
Net cash (outflow) from financing	<u>-</u>	<u>(11)</u>

Notes to the Financial Statements continued

21 Notes to the Cash Flow Statement

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b) Analysis of changes in net funds

	<i>Net Funds at 1 August 2013</i>	<i>Cash Flows</i>	<i>Net Funds at 31 July 2014</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cash at bank and in hand	15,863	1,896	17,759
Endowment current assets	3,059	(1,339)	1,720
	18,922	557	19,479
Debt due after more than one year	(95)	-	(95)
	18,827	557	19,384

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>Total Revaluation Reserve</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 August 2013	48	15,931	34,120	50,051	50,099
Disposal of Operational Instruments During Year	-	(22)	-	(22)	(22)
Revaluation in Fixed Asset Investments	26	-	-	-	26
At 31 July 2014	74	15,909	34,120	50,029	50,103

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 2014/15. The collection is re-valued in accordance with FRS 15.

23 Additional Disclosure Items

Access Funds

	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>
HEFCE grants	8	5
Disbursed to Students	(7)	(5)
At 31 July 2014	1	-

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 Royal Academy of Music Student Union (RAMSU) is a separate entity which is classed as a related party for the purposes of these Financial Statements. A grant of £42,668 (2013 - £43,002) was due to the RAMSU for their work in supporting students during the year. Of this sum £9,710 was owing at the year end (2013 - £2,726 paid in advance).

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 (number 292182) and a company limited by guarantee (number 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 £1,250,000 (2013 - £1,000,000).

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.

25 Post Balance Sheet Events

At its meeting on 29 September 2014 the Governing Body gave approval for the theatre re-development project to proceed. A range of professionals had already been appointed during 2013/14 but with the option to terminate their contracts if the project did not proceed. Initial work on-site will commence in December 2014 and the theatre will be closed during 2015/16.



Strings Gallery, first floor, York Gate Museum

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

Patron: **HM The Queen**

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

Principal: **Professor Jonathan Freeman-Attwood**



University of London