



Royal Academy of Music

Financial Statements 2014–15





Carousel (June 2015)

Financial Statements for the year ended 31 July 2015

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

Patron

HM The Queen

President

HRH The Duchess of Gloucester GCVO HonFRAM

Vice-Presidents

Lord Burns GCB HonFRAM

Sir Elton John CBE HonRAM

Sir David Lumsden MA DPhil HonRAM HonFRCO

Members of the Governing Body

Dame Jenny Abramsky CBE DBE HonRAM (Chair)

Lady Sainsbury of Turville CBE HonFRAM FSA (Deputy Chair)

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

John Burgess

Robin Butler

Matthew Ferrey HonFRAM

Lesley Garrett CBE FRAM

Lady Heywood

Professor Roger Parker HonFRAM - retired July 2015

Laurel Powers-Freeling HonFRAM

Sir Martin Smith HonFRAM

Professor Sir Richard Trainor KBE BA MA DPhil FKC

Anthony Travis HonFRAM

John Willan BMus FRAM FRSA FCA

Elected Members of Governing Body

Patrick Russill HonRAM (Academic Staff Representative)

Liz Williams HonARAM (Administrative Staff Representative)

Murray Richmond (Student Union President and Student Representative) – retired August 2015

Richard Buck (Student Union President and Student Representative) – appointed August 2015

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

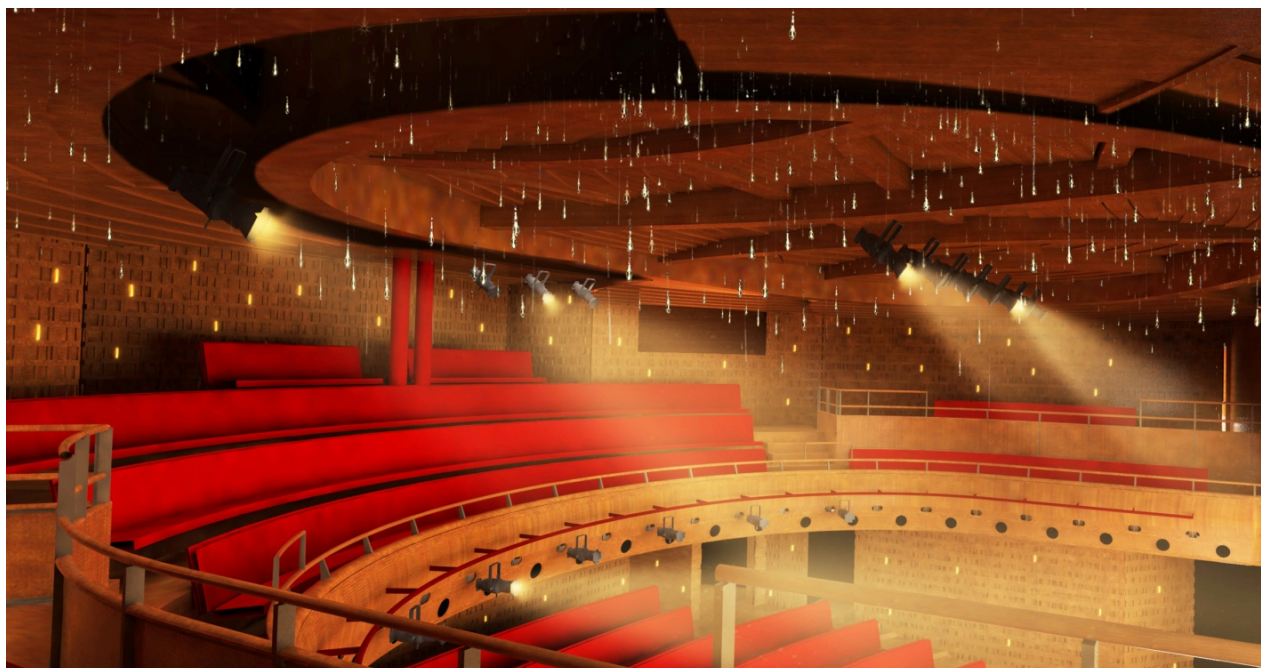
Secretary to the Governing Body

Melanie Mullin BA (Secretary and Registrar)

Principal's Foreword

2014/15 represented the first year in which Dame Jenny Abramsky served as Chair of the Governing Body. During this year, the Academy has continued to attract some of the finest international musical talent, both in the student body and the teaching staff. Recruitment of both has enabled the Academy to offer an ever higher quality and range of student experiences, including concerts, masterclasses, workshops and all forms of bespoke teaching and learning within programmes and departments. In particular, the five-year BMus periodic review was completed, consolidating its place as the pioneering undergraduate music performance programme in the UK as it reaches its 25th anniversary in 2016. The review reflects the emerging challenges of providing a broad academic core within an intense performance environment whilst integrating professional development as a central component.

Artistically, the Academy presented nearly 500 events for visitors in a box office increase of over 150% in five years. The presentation of discrete concert series, in particular, with most of the events free to the public, has inculcated a following for various genres: from historic performance to musical theatre, via 'Free on Friday' symphony orchestras, jazz, chamber, opera and many other media including the celebrated Barbirolli lecture series. Collaborations with the industry and other world-leading educational institutes were reflected in partnerships with the London Sinfonietta, Aldeburgh Festival, BBC Proms and the Juilliard School in New York. In the case of the latter, a joint ensemble from both conservatoires performed in Boston, the Lincoln Centre, Leipzig and London in July 2015 to great acclaim.



New theatre (image Ian Ritchie Architects Ltd)

In August 2015 the Academy engaged upon its most ambitious building project in the heart of the main Edwardian building. A new theatre with a recital hall above it constitutes a transformational vision to improve the facilities so that the Academy can retain and develop its place amongst the most prestigious institutions of its kind. Logistically, the Academy has decanted some of its teaching, administrative and performing operations off-site and this has included a successful relocation of Opera and Musical Theatre activities to five theatres in the next year. Fundraising for this £19m project is well advanced.

Professor Jonathan Freeman-Attwood
Principal

Operating and Financial Review for the year ended 31 July 2015

The Governors of the Royal Academy of Music present their annual report and audited Financial Statements for the year ended 31 July 2015 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.

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 2015 the Academy invested £2.9m 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. We continue 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.

In 2014/15 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 2014/15 our most significant enhancement activities were the five-yearly periodic review of the BMus programmes and the approval and introduction of an expanded range of post-masters programmes with a focus on employability.

The BMus review comprised a wide-ranging consultation with students, staff and other significant stakeholders. Its main themes were the student experience in years 1 and 2, the consolidation of professional development activities throughout the programmes, and a thorough review of the programmes' assessment strategy. The revised programmes are designed to offer a stronger support to student learning in the early stages of their time at the Academy, and to give them a stronger platform for the significant artistic and educational achievements which we expect of them at the end of the programmes. With this in mind, we have also revised the assessment patterns which enable our students to demonstrate those achievements, giving them more flexibility to articulate their creativity.

In this academic year, we piloted our new Advanced Diploma in Performance and Professional Diploma and following the success of the pilot, both programmes are being rolled out fully in 2015/16. We also planned and formally approved the introduction of two new post-masters pathways in Creative Workshop Leadership and Record Production for Performers. These will be introduced in the following academic years.

A key component in delivering world-leading educational programmes is the recruitment and retention of outstanding academic staff. In 2014/15 significant appointments included Oliver Knussen (inaugural Richard Rodney Bennett Professor of Music), Edward Gardner (inaugural Sir Charles Mackerras Chair of Conducting), Robin Ticciati (inaugural Sir Colin Davis Conducting Fellow), Simon Keenleyside and Katherine Wynn Rogers (vocal studies professors), Robin O'Neill (professor of bassoon) and Rodney Friend (professor of violin).

In October 2014 the Academy's Museum was reaccredited by Arts Council England. The reaccreditation was accompanied by a ringing endorsement of the Museum's values and the quality of its operations.

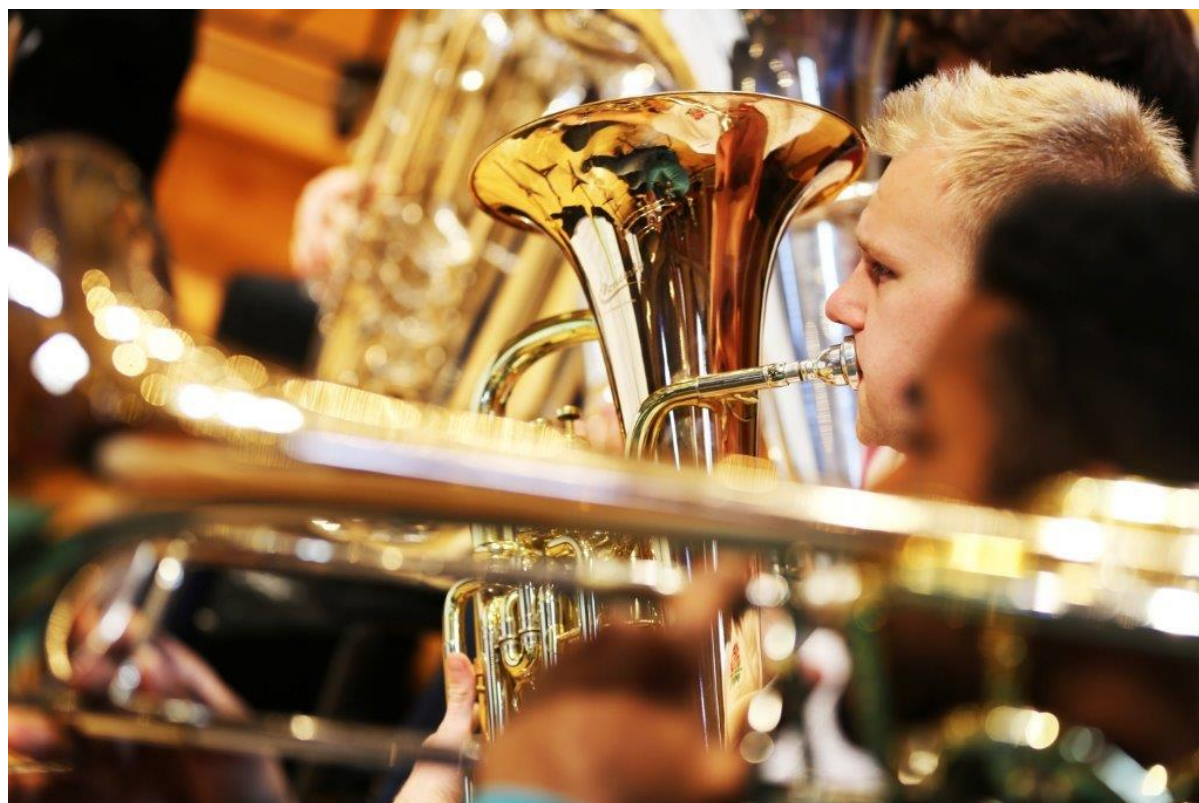
The number and quality of applicants to the Academy's programmes of study remains buoyant. We continue to refine our intensive, carefully calibrated audition and interview system for admissions. In 2014/15 auditions took place in London, New York, Beijing, Shanghai, Guangzhou, Hong Kong, Tokyo,

Seoul, Taipei and Singapore. There were over 2,000 applicants for entry in September 2015, which converted into 367 enrolments, and a total student population of 773.

It is increasingly important that students are prepared for a world where promotional and entrepreneurial skills are integral to success. The Academy aims to nurture outstanding musicians in a broad range of disciplines, encouraging the individuality and creative personality of each of our students. One opportunity to step into the business world is in our long-standing partnership with the Deutsche Bank Award for Creative Enterprises, now in its 22nd year, which offers start-up capital and provides recipients with business training and mentoring during their first year of business. The 2014 winner was Masters student and flautist Alyson Frazier and her initiative 'Play for Progress', which uses music as a tool for healing, education and connection in recent conflict zones. Play for Progress has established programmes with refugees in Thailand, communities in Northern Iraq and with unaccompanied foreign minors who have registered with the Refugee Council UK.

Artistic Achievements

The Academy produced a calendar of over 500 events in 2014/15. Highlights include orchestral performances conducted by Semyon Bychkov, Sir Mark Elder, Edward Gardner, Trevor Pinnock, Marin Alsop, Oliver Knussen, Robin Ticciati, Sir Murray Perahia and Suzanne Mälkki. We held a Festival of French Chamber Music in February 2015. Our on-going series of Haydn Symphonies and Royal Academy of Music/Kohn Foundation Bach Cantata Concerts were attended by capacity audiences. Royal Academy Opera performed five works during the year: staged performances of Puccini's *Suor Angelica* and *Gianni Schicchi*, Stravinsky's *The Rake's Progress*, Walton's *The Bear* and Berkeley's *A Dinner Engagement*. Our Musical Theatre department staged productions of *Amour* and *Carousel*. 'Side-by-side' projects included Britten's *War Requiem* with the National Youth Choir of Great Britain at the Royal Festival Hall, and Mihaud's *La création du monde* with the Nash Ensemble.



Following the international critical success of our 2014 recording of the chamber arrangement of Bruckner's Symphony no 2 which we commissioned from Anthony Payne, released on the Linn label with Trevor Pinnock conducting an ensemble of Academy students, in 2015 we recorded Mahler's *Lieder eines fahrenden Gessellen* (Schoenberg's chamber arrangement), together with a newly commissioned arrangement by Christopher Austin of Zemlinsky's *Sechs Gesänge*, Op 13 (also released on Linn).

A busy schedule of public workshops and masterclasses by a host of internationally renowned musicians – including Sir Thomas Allen, Sir Harrison Birtwistle, Reinhold Friedrich, Rachel Podger, Haaken Hardenberger, Dave Holland, Emily Beynon, Leo Brouwer, Patrick Messina and Boris Berman – bridged our programmes of study, community engagement and artistic events. Maxim Vengerov, Menuhin Professor at the Academy, gave a series of masterclasses. In January 2015, Vladimir Jurowski led a workshop on Stravinsky's *Symphony of Wind Instruments* which culminated in a complete performance in the Duke's Hall.

An artistic highlight of the year was a collaborative tour between Academy students and Juilliard415 in a programme of Bach Cantatas and Concertos conducted by Masaki Suzuki, with performances at the Boston Early Music Festival, Alice Tully Hall at the Lincoln Center in New York and St Thomas' Church in Leipzig as part of the 2015 Bachfest Leipzig, and at the Academy as part of our ongoing Royal Academy of Music/Kohn Foundation Bach Cantatas.

Research

The Academy mounted a major exhibition for 2014/15 on musical culture during the First World War. This was accompanied by over 30 research events and study days and received wide-spread notices in the press and on national television. Several festivals from other parts of the UK have requested that the exhibition be loaned to them in its entirety during the next three years.



2014/15 Exhibition War Music: Notes from the First World War

The range of innovative recordings produced by Academy staff in the last year was reflected in the May 2015 edition of *Gramophone* magazine which included positive reviews of Daniel-Ben Pienaar's ten-disc set *Beethoven: the 32 Piano Sonatas*, *The Neo-Classical Trumpet* (the Principal and Daniel-Ben Pienaar), David Gorton's *Orford Ness* (performed by Academy staff Christopher Redgate, Neil Heyde and Peter Sheppard Skaerved), Stockhausen's *Mantra* (Roderick Chadwick), Sir Peter Maxwell Davies's *Sea Eagle* (Richard Watkins), and *Flow my tears* (alumnus Iestyn Davies with staff member Jonathan Manson).

Award-winning Academy research from 2015 includes Christopher Austin's Tony Award for his orchestration of *An American in Paris*. Dr Alyn Shipton's biography of Chris Barber, *Jazz Me Blues* (Equinox, 2014), was nominated for the Excellence in Historical Recorded Sound Research award by the American Association for Recorded Sound Collections.

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 250 students participated in projects reaching over 4,000 external participants in 2014/15.

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 2014/15 the Academy lent important instruments for major recordings, including David Watkin's award-winning recording of Bach's Cello Suites.

The Academy's public profile remains high. During 2014/15 the national and international press carried hundreds of positive stories about the Academy. There were two significant television events centred on the Academy: 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 and an episode of BBC1's *The One Show* on 19 May 2015, containing a large item on Sir Henry Wood and his role at the Academy.

The Academy reinforced its position as the top UK conservatoire on social media: by September 2015 our combined twitter and Facebook audience was between 43% and 60% larger than those of its direct London competitors.

Infrastructure and Development of Facilities

There were several major enhancements to the Academy's facilities during 2014/15.

Work on building a new theatre and recital hall commenced in July 2015 after initial piling works were undertaken in December 2014. A number of alternative venues have been secured for use during the theatre works, providing additional teaching, practice and performance spaces. These include the use of two floors at 32 Aybrook Street to create an Academic Centre for undergraduate and postgraduate academic classes, plus China Exchange for large academic lectures, post-graduate creative music and concert workshops. Acoustic pods have been erected within the main building to provide extra practice rooms during the project.

During the summer the Canteen was refurbished in a fresher, more contemporary style with new furniture and additional kitchen equipment. This was undertaken as part of the Academy's objective of improving the overall health and well-being of students and staff.

Technological enhancements in 2014/15 included the implementation of the new website, the re-wiring and refurbishment of the Student Common Room with the provision of an extra nine computers and the upgrading of our primary storage capability. The entire student body has been migrated to Microsoft's Office 365 which gives them a hundredfold increase in email storage space, cloud storage space and five copies of Microsoft Office to install on their own devices. Work has started on the provision of a new soundproof sound editing room.

Other Developments

During 2014/15 the Academy undertook a major refurbishment of the Piano Gallery in our Museum. Redecoration of the space went hand-in-hand with a series of new displays telling the stories of the piano as a domestic and a concert instrument in the 19th Century.

Post Balance Sheet Events

The Academy signed a three-year lease for 32 Aybrook Street in September 2015, to provide an Academic Centre during the theatre works.

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:

- failure to recruit sufficient students, in particular international students;
- a substantial reduction in donations;
- failure to provide sufficient bursary support to students;
- capital projects not being completed within budget or timescale;
- failure to plan for disruption to staff and students during the theatre redevelopment project; 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 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.

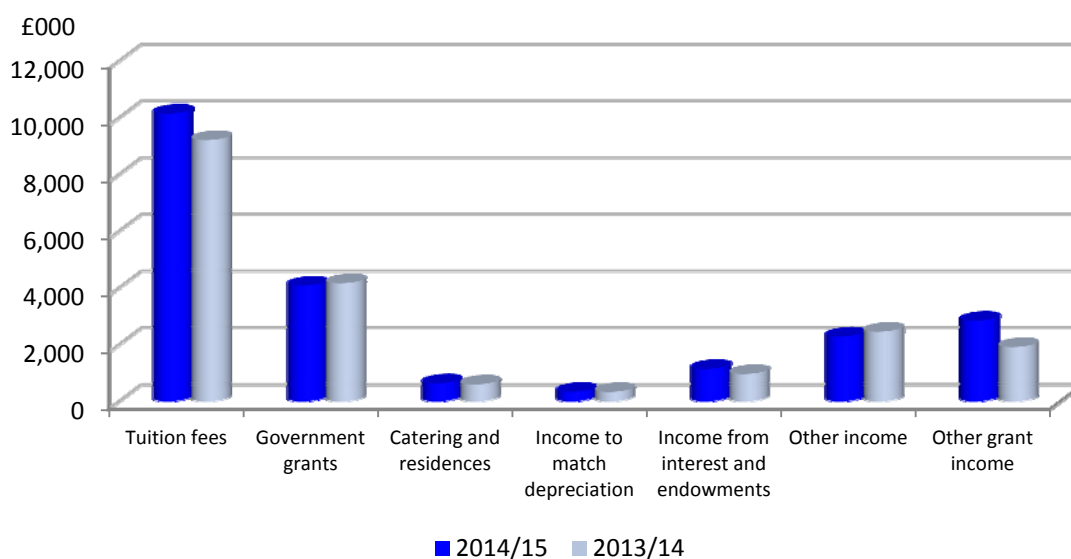
The York Gate Music Trust is currently dormant.

Results for the Year

The Academy is showing a surplus of £2,221k for the year (2013/14 £1,592k) after transfers. This figure is higher than the year before partly due to an increase in student numbers from 732 in 2013/14 to 770. The HEFCE Teaching grant has reduced with the continued transfer of funding from grant to tuition fees. Two significant donations which were received during the year totalling £721k have contributed to the surplus. These have been designated for the theatre and bursaries. There has also been a release of deferred grants to match the expenditure on acoustic pods and other one-off items. Total income for the year increased by 9.3% to £21.4m (2013/14 £19.6m).

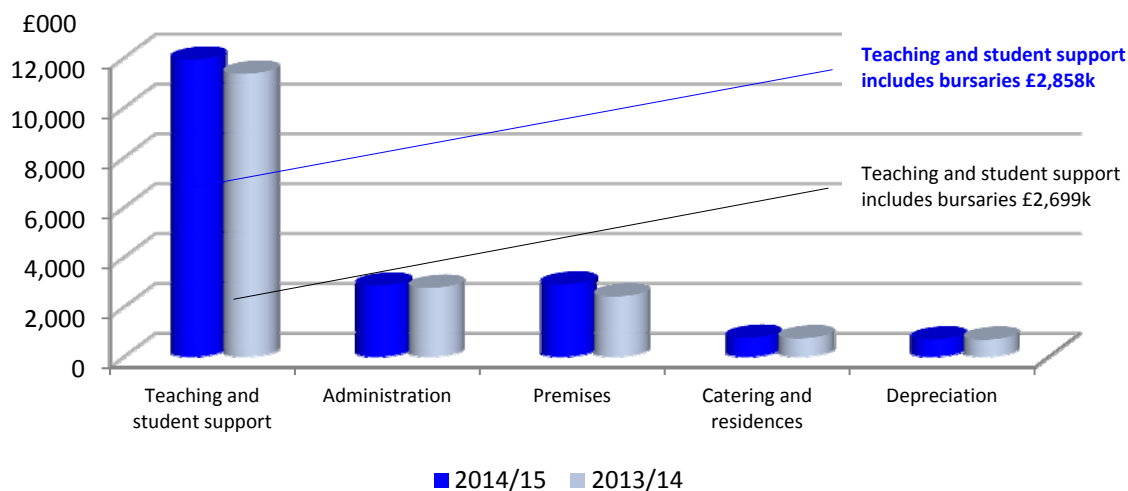
The value of the balance has increased since July 2014, mainly as a result of a project to assess and revalue the stringed instrument collection, which added £21.4m to the value of the fixed assets.

Income



Expenditure for the year was 6.5% higher than the previous year at £19.1m (2013/14 £17.9m) and within that salary costs have increased by 5.5%, of which 2.0% is the result of the national pay award, and other increases reflect additional teaching costs for increased student numbers. Non staff costs, excluding depreciation, have increased by 8.2%, which is largely due to professional and legal fees associated with the capital works. There is continued investment in student bursaries to allow the most able students to 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 2014/15 the operating surplus was 10.4% of income, which is being used towards the redevelopment of the theatre and the creation of a new recital hall. The results are set out in the table below.

	2014/15 £000	2013/14 £000
Income	21,443	19,615
Expenditure	(19,096)	(17,933)
Surplus on continuing operations, before transfers	2,347	1,682
Surplus for the year, after transfers	2,221	1,592

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 £4,646k (2013/14 £3,091k). This was mainly due to changes in financial conditions over the last year leading to a decrease in the discount rate used which resulted in an increase in the liabilities. The Academy is making annual contributions aimed at eliminating the deficit over 17 years, in accordance with the recommendations of its actuary.

Capital Projects

Work 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. Other works during the year were 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 (2013/14 £2.5m), designated cash was £13.3m (2013/14 £15.3m) and current assets exceeded current liabilities by £12.8m (2013/14 £14.5m). Overall liquidity remains healthy but the majority of cash is designated 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 £31.2m at 31 July 2014 to £35.7m at 31 July 2015, including new endowments from benefactors of £573k (2013/14 £504k), and a transfer of £3m from general funds to the fixed asset investment. The fixed asset investment consists of general unrestricted Academy funds, which are not required in the short-term and which are placed with the external fund managers to achieve a better rate of return.

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. 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.



Marin Alsop conducts Academy Symphony Orchestra 2014

The financial markets have picked up during the year and as a result the portfolio, managed by the external fund managers, grew by 2.9% during the year and generated a net yield of 2.8% (2013/14 2.4%) on the average fund balance, whilst the cash funds managed internally generated a return of 1.2% (2013/14 1.3%) over the year as interest rates on fixed term deposits remained low.

Conclusion

In preparation for the start of the major theatre redevelopment the Academy wished to contribute further monies to the contingency fund established in 2013/14. A significant capital project is not without risk and, although this level of savings is not sustainable in the longer term, it was considered necessary for the initial period of the theatre project, especially at a time of reduced HEFCE income and rising costs. With limited HEFCE Capital Funding and no Higher Education Innovation Funds available, the Academy must build reserves in order to be able to maintain the necessary infrastructure and estate. In addition we are seeking to increase endowment income in order 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 18 November 2015 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). The Academy is cognisant of The Higher Education Code of Governance (published in December 2014) by the Committee of University Chairmen which will be fully implemented during 2015/16.

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. With effect from 1 September 2014 a new Secretary to the Governing Body was appointed, 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.



Statement on Internal Control and Risks

The Governing Body of the Academy has, in accordance with its Charter and Statutes and the Memorandum of Assurance and Accountability 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 2015 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.

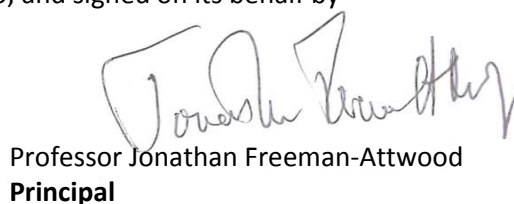
The Royal Academy of Music is subject to review by internal audit which, for 2014/15, was carried out by the internal audit consortium, Kingston City Group (KCG). The Academy is a member institution of the KCG Consortium – a higher education shared services organisation for the provision of internal audit services to member institutions. The internal auditors operate to standards defined in the Audit Code of Practice set out in the Memorandum of Assurance and Accountability between HEFCE and Institutions (2014/12). The internal auditors report on the adequacy and effectiveness of the Academy's system of internal control and make recommendations for improvement. Scott-Moncrieff has been appointed as internal auditor from 2015/16.

The Governing Body's full review of the effectiveness of the system of internal control for the year ended 31 July 2015 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 18 November 2015, 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 Memorandum of Assurance and Accountability 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:

- ensuring that there is a robust and comprehensive system of management, control and corporate governance, including prevention and detection of corruption, fraud, bribery and irregularities;
- obtaining regular, reliable, timely and adequate information to monitor performance and track the use of public funds;
- planning and managing its activities to remain sustainable and financially viable;
- informing HEFCE of any significant changes in its circumstances that could impact on the mutual interests of the Academy and HEFCE;
- using public funds for proper purpose and seeking to achieve value for money from public funds;
- delivery its charitable purpose for the public benefit;
- sending required returns and information to HEFCE;
- ensuring there are effective arrangements in place for the managing and quality assurance of data submitted to funding and regulatory bodies;
- ensuring an effective framework exists to manage the quality of learning and teaching and to maintain academic standards;
- considering HEFCE's assessment of the Academy's risk status and taking action accordingly.

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;
- 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; and
- the existence of sub-committees reporting to the Governing Body, particularly the Academic Board, the Audit Committee and the Finance and General Purposes Committee.

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.



Piano Masterclass with visiting professor Imogen Cooper (March 2015)

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 2015 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 2015 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
90 Victoria Street
Bristol
BS1 6DP

Date *25/11/2015*



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, RAM Collections Trust, as well as its trading subsidiary, Academy Chimes Limited. There has been no change in activity. York Gate Music Trust and RAM Development Company Limited were 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. Intra-group transactions are eliminated on consolidation.

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 six 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 2015. They are not depreciated until they are brought into use.

6 Component Accounting

Each asset on the balance sheet is made up of components which may have different life spans and which may be accounted for differently for depreciation purposes. To be considered for componentisation an individual asset must:

- a) have a carrying value of at least £200k; and
- b) have undergone enhancement works over £50k; or
- c) have been acquired; or
- d) have been re-valued.

A component must:

- a) have a cost of at least £100k; or
- b) cost at least 20% of the overall asset value (whichever is higher); and
- c) have a useful life which is at least plus or minus 5 years from other components or the overall asset.

Improvements to an asset are not normally capitalised unless they exceed 50% of the value of the asset or £200k, whichever is the greater.

7 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.

- 7** 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 re-valued in 2014/15 as at 1 August 2014.

8 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), are included in the balance sheet at valuation as at 1 August 2014. The carrying amounts are reviewed annually for impairment. Donated heritage assets are depreciated but, given their long economic life and high residual value, there is no depreciation charge to the income and expenditure account. 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.

The classification of assets as heritage assets was reviewed as part of the revaluation project and as a result an additional 14 instruments, valued at £17.3m, were classified as heritage assets. The re-categorisation was based on both the significance of the instrument and the fact that it is held and maintained principally for its contribution to knowledge and culture.

9 Investments

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

10 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 a partial exemption calculation enables the recovery of a small portion of the VAT suffered on education expenditure incurred by the Academy.

11 Stocks

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

12 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.

Appreciation and depreciation of endowment investments are credited directly to the capital element of the endowment fund on the Balance Sheet and do not pass through the Income and Expenditure Account.

13 Recognition of Income

Tuition fee income is credited to income over the period in which students are studying. Bursaries funded from external donations or endowment income are included within bursary expenditure and fee income. Income received for restricted purposes is recognised to the extent of the expenditure incurred in the year.

Grants used for capital purchases are transferred to deferred capital grants and are released to match the depreciation charge.

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 Designated 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.

14 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.

15 Provisions

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

16 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.

17 Maintenance of Premises

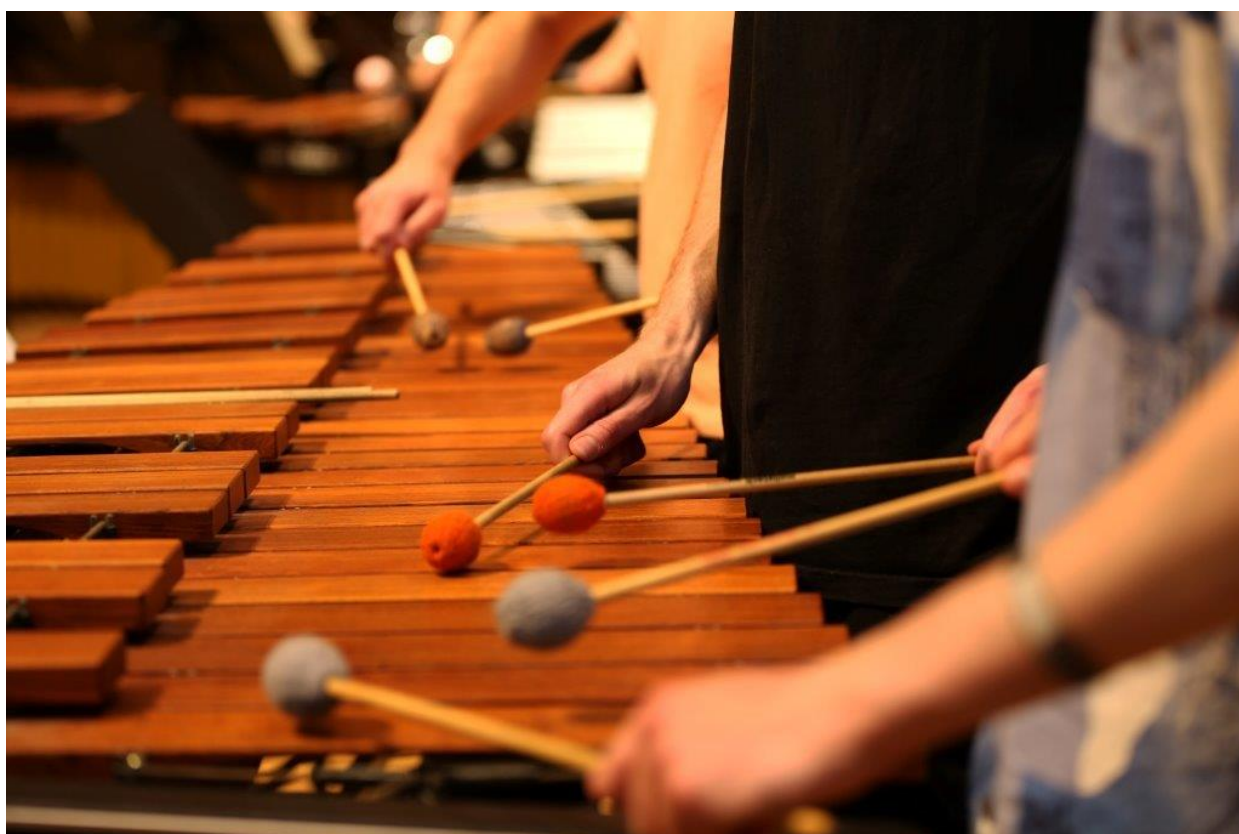
The Academy has a provision for the maintenance of its buildings which it is required to carry out in accordance with the terms of its lease. This is based on a 13-year maintenance plan which is reviewed on an annual basis. The provision represents the estimated cost, at the balance sheet date, of maintenance 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.

18 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.

Notes 6 and 18 have been amended to reflect the full cost of USS employer's pension contributions.



Consolidated Income and Expenditure Account

	<i>Note</i>	<i>2015 Total £000</i>	<i>2014 Total £000</i>
Income			
Funding Council Grants	1	4,074	4,141
Academic Fees and Support Grants	2	10,139	9,209
Research Grants and Contracts	3	2	19
Other Operating Income	4	6,087	5,285
Endowment and Investment Income	5	1,141	961
Total Income		21,443	19,615
Expenditure			
Staff Costs	6/7	10,067	9,547
Other Operating Expenses	8	8,344	7,709
Depreciation/impairment of Fixed Assets	9	685	677
Total Expenditure		19,096	17,933
Surplus on Continuing Operations for the Year		2,347	1,682
Transfer (to) Restricted Endowments	15	(126)	(90)
Surplus After Transfers		2,221	1,592

The Notes on pages 31 to 43 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 was re-valued at 1 August 2014.

Consolidated Balance Sheet

	Note	2015 £000	2014 £000
Fixed Assets			
Tangible Fixed Assets: Heritage*	9a	67,294	35,645
Operational	9a	30,472	39,428
		<u>97,766</u>	<u>75,073</u>
Fixed Asset Investments	10	4,046	952
		<u>101,812</u>	<u>76,025</u>
Endowment Assets	10	<u>31,614</u>	<u>30,204</u>
Current Assets			
Stock		112	112
Debtors	11	542	552
Cash at bank: Working Capital		2,415	2,391
Designated		<u>13,337</u>	<u>15,368</u>
		<u>16,406</u>	<u>18,423</u>
Creditors: Amounts falling due within one year	12a	<u>(3,587)</u>	<u>(4,048)</u>
Net Current Assets		<u>12,819</u>	<u>14,375</u>
Total Assets less Current Liabilities		<u>146,245</u>	<u>120,604</u>
Creditors: Amounts falling due after more than one year	12b	(98)	(95)
Provisions for Liabilities and Charges	13	<u>(1,127)</u>	<u>(1,235)</u>
Net Assets excluding pension deficit		<u>145,020</u>	<u>119,274</u>
Pension Deficit (FRS 17)	18	<u>(4,646)</u>	<u>(3,091)</u>
Net assets after pension deficit		<u>140,374</u>	<u>116,183</u>
Deferred Capital Grants	14	<u>18,308</u>	<u>17,488</u>
Endowment Funds			
Permanent	15	25,359	24,209
Expendable	15	<u>6,255</u>	<u>5,995</u>
		<u>31,614</u>	<u>30,204</u>
Income and Expenditure Account Reserves			
Revaluation Reserve	22	71,618	50,103
Designated Funds	16	10,234	6,579
Income and expenditure account excluding pension reserve	17	13,246	14,900
Pension Deficit	17	<u>(4,646)</u>	<u>(3,091)</u>
Income and expenditure account after pension deficit		<u>8,600</u>	<u>11,809</u>
Total Reserves		<u>90,452</u>	<u>68,491</u>
Total Funds		<u>140,374</u>	<u>116,183</u>

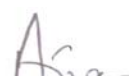
*Over 95% of heritage assets are musical instruments which are closely associated with the Academy's history over nearly 200 years.

The Notes on pages 31 to 43 form part of these Financial Statements.

The Financial Statements were approved by the Governing Body and authorised for issue on 18 November 2015



Dame Jenny Abramsky
Chair of Governing Body



Anthony Travis
Chair of Finance and General Purposes Committee

Academy Balance Sheet

	Note	2015 £000	2014 £000
Fixed Assets			
Tangible Fixed Assets: Heritage*	9b	66,454	34,776
Operational	9b	30,472	39,429
		<u>96,926</u>	<u>74,205</u>
Fixed Asset Investments	10	4,046	952
		<u>100,972</u>	<u>75,157</u>
Endowment Assets	10	<u>31,614</u>	<u>30,204</u>
Current Assets			
Stock		14	11
Debtors	11	535	548
Cash at bank and in hand: Working Capital		2,400	2,370
Designated		<u>13,337</u>	<u>15,368</u>
		<u>16,286</u>	<u>18,297</u>
Creditors: Amounts falling due within one year	12a	<u>(3,565)</u>	<u>(4,019)</u>
Net Current Assets		<u>12,721</u>	<u>14,278</u>
Total Assets less Current Liabilities		<u>145,307</u>	<u>119,639</u>
Provisions for Liabilities and Charges	13	<u>(1,127)</u>	<u>(1,235)</u>
Net Assets		<u>144,180</u>	<u>118,404</u>
Pension Deficit (FRS17)	18	<u>(4,646)</u>	<u>(3,091)</u>
Net assets after pension deficit		<u>139,534</u>	<u>115,313</u>
Deferred Capital Grants	14	17,468	16,618
Endowment Funds			
Permanent	15	25,359	24,209
Expendable	15	6,255	5,995
		<u>31,614</u>	<u>30,204</u>
Income and Expenditure Account Reserves			
Revaluation Reserve	22	71,618	50,103
Designated Funds	16	10,234	6,579
Income and expenditure account excluding pension reserve	17	13,246	14,900
Pension Deficit	17	<u>(4,646)</u>	<u>(3,091)</u>
Income and expenditure account after pension deficit		<u>8,600</u>	<u>11,809</u>
Total Reserves		<u>90,452</u>	<u>68,491</u>
Total Funds		<u>139,534</u>	<u>115,313</u>

*Over 95% of heritage assets are musical instruments which are closely associated with the Academy's history over nearly 200 years.

The Notes on pages 31 to 43 form part of these Financial Statements.

The Financial Statements were approved by the Governing Body and authorised for issue on 18 November 2015


 Dame Jenny Abramsky
 Chair of Governing Body


 Anthony Travis
 Chair of Finance and General Purposes Committee

Consolidated Cash Flow Statement

	<i>Note</i>	2015 £000	2014 £000
Net cash inflow from operating activities		723	1,856
Returns on investment	21a	1,241	1,060
Capital expenditure and financial investment	21a	(3,764)	(2,359)
Cash (outflow)/inflow before use of liquid resources and financing		(1,800)	557
Management of liquid resources	21a	(210)	1,339
Financing	21a	3	-
(Decrease)/increase in cash in the year		(2,007)	1,896
Reconciliation of Surplus for the year to Net Cash Inflow from Operating Activities			
Surplus on continuing operations for the year		2,347	1,682
Adjustments for non cash items			
Depreciation and impairment charges		685	677
Release of deferred capital grants		(380)	(357)
(Increase)/decrease in stock		-	(18)
Decrease in debtors		10	1,063
(Decrease)/increase in creditors		(370)	69
(Decrease)/increase in provisions		(108)	12
(Profit)/loss on disposal of fixed assets		-	1
Pension Fund non-cash movement		(220)	(213)
Reclassification			
Endowment and Investment Return		(1,241)	(1,060)
Net cash (outflow)/inflow from operating activities		723	1,856
Reconciliation of Net Cash Flow to Movement in Net Funds			
(Decrease)/increase in cash in the year		(2,007)	1,896
Cash (outflow) from long-term loan repayment		(3)	-
Cash inflow/(outflow) from liquid resources		210	(1,339)
Movement in net funds in the period		(1,800)	557
Net funds at 1 August 2014		19,384	18,827
Net funds at 31 July 2015	21b	17,584	19,384

Consolidated Statement of Total Recognised Gains and Losses

	2015	2014
	£000	£000
Surplus on continuing operations after transfers	2,221	1,592
Net additions to other reserves		
Musical Instrument Collection Reserve – Heritage share	19,995	-
Musical Instrument Collection Reserve – Operational share	1,426	(22)
Fixed Asset Investment Revaluation Reserve	94	26
Appreciation of Endowment Asset Investments	711	804
Endowment Income retained on Expendable endowments	16	10
Endowment Income retained on Permanent endowments	110	80
New Endowments received	573	504
Actuarial (loss) in respect of RAM 1967 pension scheme	(1,775)	(875)
Total recognised gains for the year	23,371	2,119
Reconciliation		
Opening reserves and endowments as previously reported	98,695	96,526
Prior year adjustment regarding historic assets	-	24
Prior year adjustment regarding designated bursary funds	-	26
Opening reserves and endowments	98,695	96,576
Total recognised gains and losses for the year	23,371	2,119
Closing reserves and endowments	122,066	98,695

Notes to the Financial Statements

	<i>Note</i>	2015 £000	2014 £000
1 Funding Council Grants			
Recurrent Teaching grant		3,075	3,329
Recurrent Research grant		439	425
Other Special funding		515	359
Release of deferred capital grants (buildings)	14	34	17
Release of deferred capital grants (equipment)	14	11	11
		<u>4,074</u>	<u>4,141</u>
2 Academic Fees and Support Grants			
Full-time Home and EU		5,272	4,489
Full-time International		3,952	3,843
Junior and Intermediate		915	877
		<u>10,139</u>	<u>9,209</u>
3 Research Grants and Contracts			
Research Councils		2	19
		<u>2</u>	<u>19</u>
4 Other Operating Income			
Residences and catering		632	593
Other grant income		2,839	1,911
Release of deferred capital grants	14	335	329
Other operating income *		2,139	2,382
Donation of assets (non-cash)		142	70
		<u>6,087</u>	<u>5,285</u>
* Includes donation income from ABRSM			
5 Endowment and Investment Return			
Income from Unrestricted Permanent Endowments	15	143	113
Income from Restricted Permanent Endowments	15	660	541
Income from Permanent Endowments	15	803	654
Income from Restricted Expendable Endowments	15	189	157
Sub-total Endowment Investment Income		<u>992</u>	<u>811</u>
Other finance income – Pension Scheme	18	(100)	(99)
Other interest receivable		<u>249</u>	<u>249</u>
		<u>1,141</u>	<u>961</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:

	2015	2014	2015	2014
	Staff nos	Staff nos	Staff costs	Staff costs
	FTE	FTE	£000	£000
Teaching	129	125	5,971	5,744
Support	8	8	432	415
Other Academic Services	13	14	416	389
Central administration and services	33	33	1,729	1,564
General Education	15	16	608	589
Student/staff facilities	3	3	94	97
Premises	16	14	585	520
Catering and residence	8	8	230	224
Research Grants and Contracts	-	-	2	5
	225	221	10,067	9,547
				Restated
Wages and Salaries			8,718	8,318
Social Security Costs			684	689
Other Pension Costs			665	540
			10,067	9,547

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

	2015	2014
	£	£
Emoluments	173,452	152,707
Pension contributions	96,709	83,028

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 £16,452 (2014 £16,002).

8 Other Operating Expenses

	2015	2014
	£000	£000
Teaching	870	771
Support	58	57
Other Academic Services	97	86
Central administration and services	1,000	1,124
External audit - annual audit fee *	36	40
other fees *	62	9
Internal audit	21	21
Subtotal Central Administration	1,119	1,194
General Education	3,038	2,853
Student/staff facilities	70	64
Premises	2,089	1,643
Long-term maintenance	216	250
Catering and Residence	523	506
Research Grants and Contracts	-	14
Other Services rendered - Academy Chimes	264	271
	8,344	7,709

*External Auditors' remuneration includes £32,280 (2014 £31,980) 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	Non- Heritage Instrument Collection	Subtotal Operational Assets	Heritage Instrument Collection	Menuhin & Spencer Collections	Subtotal Heritage Assets	Grand Total
Cost or valuation	Cost	Cost	Cost	Valuation	£000	Valuation	Cost	£000	£000
At 1 August 2014	24,890	301	6,942	17,322	49,455	34,120	2,105	36,225	85,680
Additions	-	1,636	235	86	1,957	-	-	-	1,957
Disposals	(486)	-	(18)	(27)	(531)	-	-	-	(531)
Reclassification at 1 August 2014	-	-	-	(11,705)	(11,705)	11,705	-	11,705	-
Revaluation at 1 August 2014	-	-	-	1,453	1,453	19,995	-	19,995	21,448
At 31 July 2015	24,404	1,937	7,159	7,129	40,629	65,820	2,105	67,925	108,554
Depreciation									
At 1 August 2014	7,293	-	2,734	-	10,027	-	580	580	10,607
Disposals	(486)	-	(18)	-	(504)	-	-	-	(504)
Charge for the year	392	-	242	-	634	-	51	51	685
At 31 July 2015	7,199	-	2,958	-	10,157	-	631	631	10,788
Net Book Value									
At 31 July 2015	17,205	1,937	4,201	7,129	30,472	65,820	1,474	67,294	97,766
At 31 July 2014	17,597	301	4,208	17,322	39,428	34,120	1,525	35,645	75,073

The instrument collection was re-valued at 1 August 2014 and the value was increased by £21,448k. At the same time the classification of heritage assets was reviewed and a further fourteen instruments were reclassified as heritage assets.

There were no disposals of heritage assets during the year (2014 £0).

b) Academy

Academy	OPERATIONAL				HERITAGE			TOTAL	
	Long Leasehold Land and Buildings	Assets in the Course of Construction	Equipment	Non- Heritage Instrument Collection	Subtotal Operational Assets	Heritage Instrument Collection	Menuhin & Spencer Collections	Subtotal Heritage Assets	Grand Total
Cost or valuation	Cost	Cost	Cost	Valuation	£000	Valuation	Cost	£000	£000
At 1 August 2014	22,113	301	6,947	17,322	46,683	34,120	905	35,025	81,708
Additions	-	1,636	230	86	1,952	-	-	-	1,952
Disposals	(486)	-	(18)	(27)	(531)	-	-	-	(531)
Reclassification at 1 August 2014	-	-	-	(11,705)	(11,705)	11,705	-	11,705	-
Revaluation at 1 August 2014	-	-	-	1,453	1,453	19,995	-	19,995	21,448
At 31 July 2015	21,627	1,937	7,159	7,129	37,852	65,820	905	66,725	104,577
Depreciation									
At 1 August 2014	4,521	-	2,733	-	7,254	-	249	249	7,503
Disposals	(486)	-	(18)	-	(504)	-	-	-	(504)
Charge for the year	389	-	241	-	630	-	22	22	652
At 31 July 2015	4,424	-	2,956	-	7,380	-	271	271	7,651
Net Book Value									
At 31 July 2015	17,203	1,937	4,203	7,129	30,472	65,820	634	66,454	96,926
At 31 July 2014	17,592	301	4,214	17,322	39,429	34,120	656	34,776	74,205

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 2014	952	30,204	31,156
Purchases of investments	3,524	7,193	10,717
Proceeds from sales of investments	(524)	(6,704)	(7,228)
Appreciation on disposal/revaluation	94	711	805
(Decrease) in cash balances held at Fund managers	-	(430)	(430)
Change in current assets	-	640	640
At 31 July 2015	4,046	31,614	35,660
Represented by:			
Fixed Interest Stocks	356	2,697	3,053
Equities	2,728	20,644	23,372
Property	387	2,933	3,320
Other	575	3,410	3,985
Current Assets	-	1,930	1,930
	4,046	31,614	35,660

11 Debtors

	<i>Consolidated</i>	<i>Academy</i>	<i>Consolidated</i>	<i>Academy</i>
	<i>2015</i>	<i>2015</i>	<i>2014</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade Debtors	210	206	173	169
Prepayments and accrued income	332	329	379	379
	542	535	552	548

12 Creditors

a) Amounts falling due within one year

	<i>Consolidated</i>	<i>Academy</i>	<i>Consolidated</i>	<i>Academy</i>
	<i>2015</i>	<i>2015</i>	<i>2014</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade Creditors	7	-	22	12
Fees in Advance	1,717	1,717	1,948	1,948
Deferred grants and donations (specific purpose)	616	616	1,090	1,090
Taxation and social security	236	236	215	215
Other Creditors and Accruals	1,011	996	773	754
	3,587	3,565	4,048	4,019

b) Amounts falling due after more than one year

	<i>Consolidated</i>	<i>Academy</i>	<i>Consolidated</i>	<i>Academy</i>
	<i>2015</i>	<i>2015</i>	<i>2014</i>	<i>2014</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Loan from Chimes Consultancy	98	-	95	-
	98	-	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 2014

Transferred from Income and Expenditure Account

Expenditure

At 31 July 2015

1,235

216

(324)

1,127

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 1 August 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>
Cash received						
Buildings	-	1,109	1,109	-	1,109	1,109
Equipment	-	-	-	-	-	-
Total	<u>-</u>	<u>1,109</u>	<u>1,109</u>	<u>-</u>	<u>1,109</u>	<u>1,109</u>
Transfer from deferred revenue grants						
Buildings	-	-	-	-	-	-
Equipment	91	-	91	91	-	91
	<u>91</u>	<u>-</u>	<u>91</u>	<u>91</u>	<u>-</u>	<u>91</u>
Released to Income and Expenditure						
Buildings	34	253	287	34	253	287
Equipment	11	82	93	11	52	63
Total (Notes 1 and 4)	<u>45</u>	<u>335</u>	<u>380</u>	<u>45</u>	<u>305</u>	<u>350</u>
At 31 July 2015						
Buildings	286	15,119	15,405	286	15,120	15,406
Equipment	308	2,595	2,903	308	1,754	2,062
Total	<u>594</u>	<u>17,714</u>	<u>18,308</u>	<u>594</u>	<u>16,874</u>	<u>17,468</u>

Notes to the Financial Statements continued

15 Endowment Funds

<i>Consolidated and Academy</i>						2014
	<i>Unrestricted Permanent £000</i>	<i>Restricted Permanent £000</i>	<i>Subtotal Permanent £000</i>	<i>Restricted Expendable £000</i>	<i>Grand Total £000</i>	Grand Total £000
Capital						
At 1 August 2014	4,099	19,668	23,767	5,657	29,424	28,099
Reclassification	-	-	-	-	-	17
At 1 August 2014	4,099	19,668	23,767	5,657	29,424	28,116
Appreciation of endowment asset investments	105	469	574	137	711	804
New endowments received	365	101	466	107	573	504
At 31 July 2015	4,569	20,238	24,807	5,901	30,708	29,424
Accumulated Income						
At 1 August 2014	-	442	442	338	780	707
Reclassification to Capital	-	-	-	-	-	(17)
At 1 August 2014	-	442	442	338	780	690
Investment income	143	660	803	189	992	811
Expenditure	(143)	(550)	(693)	(173)	(866)	(721)
Transfer from Income and Expenditure Account	-	110	110	16	126	90
At 31 July 2015	-	552	552	354	906	780
Total Funds						
At 1 August 2014	4,099	20,110	24,209	5,995	30,204	28,806
At 31 July 2015	4,569	20,790	25,359	6,255	31,614	30,204

16 Designated Funds - Academy and Consolidated

	<i>Consolidated and Academy £000</i>
At 1 August 2014	6,579
Transfer from Income and Expenditure Account (Note 17)	3,655
At 31 July 2015	10,234

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

17 Income and Expenditure Account

	<i>Consolidated and Academy</i>		
	<i>Excluding pension scheme £000</i>	<i>RAM 1967 pension scheme £000</i>	<i>Total £000</i>
At 1 August 2014	14,900	(3,091)	11,809
Transfer to Designated Funds (Note 16)	(3,655)	-	(3,655)
Surplus for the year	2,001	220	2,221
Actuarial loss	-	(1,775)	(1,775)
At 31 July 2015	13,246	(4,646)	8,600

Notes to the Financial Statements continued

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.

	2015	2014
	£000	Restated £000
Total pension cost for the year was:		
Teachers Pension Scheme: employer's contributions paid	344	323
Group Personal Pension Scheme: employer's contributions paid	188	116
Universities Superannuation Scheme	129	99
National Employment Savings Trust	4	2
Royal Academy of Music Pension Scheme 1967: net charge to Income and Expenditure account	100	99
Total pension cost	765	639

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.

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>.

Notes to the Financial Statements continued

- 18 ctd** 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 commenced 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.

Royal Academy of Music Pension Scheme 1967

The Academy operates a funded defined benefit scheme which is managed by the Prudential Assurance Company Ltd and was closed to future accruals of pension benefit on 31 March 2005. The Academy is funding the scheme deficit with minimum contributions of £312,000 per annum with effect from 1 April 2011. Scheme liabilities have been valued using the projected unit method. A full actuarial valuation was carried out at 31 December 2012 and the results of that valuation have been projected to 31 July 2015 for FRS 17 purposes.

Main assumptions used by the actuary in valuing liabilities	As at 31 July 2015	As at 31 July 2014
Discount rate	3.60%	4.45%
Inflation	3.55%	3.45%
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	3.55%	3.45%

*Fixed rates in rules of scheme

Notes to the Financial Statements continued

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

		<i>As at 31 July</i> 2015	<i>As at 31 July</i> 2014
Retiring today	Males	23.00	23.00
	Females	25.30	25.20
Retiring in 20 years	Males	25.30	25.20
	Females	27.70	27.60

Analysis of amount (charged)/credited to other finance income	2015 £000	2014 £000
Expected return on pension scheme assets	474	472
Interest on pension scheme liabilities	(574)	(571)
Net charge (Note 5)	(100)	(99)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)	2015 £000	2014 £000
Actual return less expected return on pension scheme assets	748	323
Experience gains and losses arising on scheme liabilities	(2,523)	(1,198)
Actuarial gain/(loss) recognised in STRGL	(1,775)	(875)

Amounts recognised in the balance sheet	2015 £000	2014 £000
Present value of scheme liabilities	(15,804)	(13,104)
Fair value of scheme assets	11,158	10,013
Deficit in scheme	(4,646)	(3,091)

	2015			2014		
	<i>Assets</i> £000	<i>Liabilities</i> £000	<i>Net</i> £000	<i>Assets</i> £000	<i>Liabilities</i> £000	<i>Net</i> £000
Deficit in scheme at beginning of the year	10,013	(13,104)	(3,091)	9,292	(11,721)	(2,429)
Movement in year						
Contributions	320	-	320	312	-	312
Other finance income/(charge)	474	(574)	(100)	472	(571)	(99)
Benefits paid	(397)	397	-	(386)	386	-
Actuarial gain/(loss)	748	(2,523)	(1,775)	323	(1,198)	(875)
Deficit in scheme at end of the year	11,158	(15,804)	(4,646)	10,013	(13,104)	(3,091)
Actual return on scheme assets	1,222			795		

Notes to the Financial Statements continued

18 Movement in deficit assets and liabilities during the year

ctd

Analysis of Scheme Assets	<i>Long-term ROR expected (including annuities)</i>		<i>Long-term ROR expected (including annuities)</i>	
	<i>2015 £000</i>		<i>2014 £000</i>	
Equities	6.10%	1,805	6.10%	1,467
Bonds	4.45%	2,201	4.45%	2,119
Property	6.10%	595	6.10%	490
Cash	3.10%	66	3.10%	95
Total market value of invested assets		4,667		4,171
Secured pensions in payment	4.45%	6,491	4.45%	5,842
	4.75%	11,158	4.75%	10,013
Long-term ROR expected (excluding Annuities)	5.20%		5.20%	

The Academy expects to contribute £328,000 to the Scheme during the year ending 31 July 2016.

History of experience gains and losses	<i>2015</i>	<i>2014</i>	<i>2013</i>	<i>2012</i>	<i>2011</i>
Experience adjustments on scheme assets					
Amount (£000)	748	323	(235)	9	(540)
Percentage of scheme assets	6.7%	3.2%	-2.5%	0.1%	-6.1%
Experience adjustments on scheme liabilities					
Amount (£000)	2,523	1,198	(1,099)	1,676	428
Percentage of scheme liabilities	16.0%	9.1%	-9.4%	13.2%	3.9%
Total amount recognised in statement of recognised gains and losses					
Amount (£000)	(1,775)	(875)	864	(1,667)	(968)
Percentage of scheme liabilities	-11.2%	-6.7%	7.4%	-13.1%	-8.8%
Cumulative amount recognised in STRGL	(6,872)	(5,097)	(4,222)	(5,086)	(3,419)
History of Defined Benefit Scheme					
Present Value of Defined Benefit Obligation	15,804	13,104	11,721	12,729	10,951
Fair Value of Scheme Assets	11,158	10,013	9,292	9,263	8,908
Surplus/(deficit) arising in the scheme	(4,646)	(3,091)	(2,429)	(3,466)	(2,043)

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 £108,647 (2013/14 £116,478).

19 Capital Commitments

	<i>Consolidated 2015 £000</i>	<i>Academy 2015 £000</i>	<i>Consolidated 2014 £000</i>	<i>Academy 2014 £000</i>
Capital Commitments contracted for at 31 July 2015	468	468	-	-

At 31 July 2015, theatre project works with an overall budget of £19m had been authorised but not contracted.

Notes to the Financial Statements continued

20 Lease Obligations

At 31 July 2015, the Academy and its group had annual commitments under non-cancellable operating leases expiring as follows.

	2015	2014
	£000	£000
Land and Buildings		
Expiring between one and five years	139	295
Expiring in over five years	478	478
	<u>617</u>	<u>773</u>
Other		
Expiring within one year	20	-
Expiring between one and five years	28	69
Expiring in over five years	2	-
	<u>50</u>	<u>69</u>

In September 2015 a 34 month lease was signed for two floors of Aybrook Street to provide additional teaching space.

21 Notes to the Cash Flow Statement

	2015	2014
	£000	£000
a) Gross Cash Flows		
Interest and investment income		
Bank interest received	249	249
Endowment income	992	811
Net cash inflow from returns on investment	<u>1,241</u>	<u>1,060</u>
Capital expenditure and financial investment		
Purchase of tangible operational assets	(1,957)	(2,194)
Payments to acquire fixed asset investments	(3,524)	(110)
Payments to acquire endowment asset investments	(7,193)	(5,304)
Total payments to acquire fixed/endowment assets	<u>(12,674)</u>	<u>(7,608)</u>
Receipts from sale of fixed asset investments	524	110
Receipts from sale of endowment asset investments	6,704	3,371
Deferred capital grants received	1,109	1,264
New endowments received	573	504
Net cash (outflow)/inflow from capital expenditure and financial investment	<u>(3,764)</u>	<u>(2,359)</u>
Management of Liquid Resources		
Change in cash with brokers	430	(11)
Movement on endowment current assets	(640)	1,350
Net cash inflow/(outflow) from management of liquid resources	<u>(210)</u>	<u>1,339</u>
Financing		
Increase in long-term loan	3	-
Net cash inflow from financing	<u>3</u>	<u>-</u>

b) Analysis of changes in net funds

	Net Funds	Cash	Net Funds
	at 1 August 2014	Flows	at 31 July 2015
	£000	£000	£000
Cash at bank and in hand	17,759	(2,007)	15,752
Endowment current assets	1,720	210	1,930
	<u>19,479</u>	<u>(1,797)</u>	<u>17,682</u>
Debt due after more than one year	(95)	(3)	(98)
	<u>19,384</u>	<u>(1,800)</u>	<u>17,584</u>

Notes to the Financial Statements continued

22 Revaluation Reserve

	<i>Consolidated and Academy</i>				
	<i>Fixed Asset Investment Reserve</i>	<i>Musical Instrument Collection Reserve - Non- Heritage</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 2014	74	15,909	34,120	50,029	50,103
Disposal of Operational Instruments During Year	-	(27)	-	(27)	(27)
Revaluation of Operational Instruments	-	1,453	-	1,453	1,453
Revaluation of Heritage Instruments	-	-	19,995	19,995	19,995
Revaluation in Fixed Asset Investments	94	-	-	-	94
At 31 July 2015	168	17,335	54,115	71,450	71,618

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 of all the Musical Instrument Collection by J & A Beare Violin Dealers and Restorers in 2014/15, as at 1 August 2014. The collection is re-valued in accordance with FRS 15.

23 Additional Disclosure Items

Access Funds	<i>2015 £000</i>	<i>2014 £000</i>
HEFCE grants	-	8
Disbursed to Students	-	(7)
At 31 July 2015	-	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. This funding stream ceased in 2014/15.

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 £45,695 (2013/14 £42,668) was due to the RAMSU for their work in supporting students during the year. Of this sum £0 was owing at the year end (2013/14 £9,710).

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.

Notes to the Financial Statements continued

- 24** 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 £1,200,000 (2014 £1,250,000).

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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

The Academy signed a three-year lease for 32 Aybrook Street in September 2015, to provide an Academic Centre during the theatre works.



Graduation July 2015

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