

Royal Academy of Music Financial Statements 2009–2010



Royal
Academy
of
Music



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Tony Travis HonFRAM
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Elected Members of Governing Body

Keith Bragg HonRAM (Academic Staff Representative)
Nicola Mutton HonARAM (Administrative Staff Representative)
Hayley Pullen (Student Union President)

Principal

Professor Jonathan Freeman-Attwood BMus MPhil HonRAM FKC

Deputy Principals

Mark Racz BA MFA
Dr Timothy Jones MA DPhil LTCL

Director of Finance & Administration and Secretary to the Governing Body

Jan Whitehouse CPFA MCMI HonFRAM

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Operating and Financial Review for the year ended 31st July 2010

The Governors of the Royal Academy of Music present their annual report and audited financial statements for the year ended 31st July 2010 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.

Our Aims

The Academy operates under its Royal Charter, granted in 1830, which requires us 'to promote the Cultivation of the Science of Music and to afford facilities for attaining perfection in it by assisting with general instruction all persons desirous of acquiring knowledge thereof'.

The mission of the Academy is to provide pre-professional, undergraduate and postgraduate musical training of the highest national and international standards; to engage in concert, operatic and research activities related to the education of the institution; to create and perform new music; and to preserve and enrich national and international musical culture.

The Academy aims to produce musicians at the highest level as soloists, orchestral and chamber players, singers and composers, with a knowledge of the whole art of music – its performance, history, theory and understanding of its context within the humanities.

Our Objectives

Our objectives are designed to articulate our mission and to reflect the ethos of the Academy. Maintaining and enhancing the quality of our students' educational experience and ensuring that the Academy engages with the music profession, the higher education sector, and with society in general is crucial to our role as Britain's senior conservatoire. In setting our objectives and planning our activities the Governors have given consideration to the Charity Commission's guidance on public benefit and in particular to its supplementary public benefit guidance on advancing education and fee charging. Our key objectives for the year included:

To maintain and enhance the quality of student recruitment and retention while ensuring equality of opportunity.

We continue to provide training and educational programmes to national and international students of all ages, through the senior Academy for students aged 18 and above, and through the Junior Academy for young people up to the age of 18. Admission to the Academy is governed by a transparent and comprehensive process based on merit. In order to ensure equality of opportunity without regard to applicants' income we have expanded our bursary provision for students.

For entry in September 2010 the Academy received over 2,000 applications (representing a 12.3% increase on the previous year's figures) of which all were heard in live auditions in London, New York, Beijing, Seoul, Tokyo, Taipei and Hong Kong. We were delighted with the conversion rate of the highest-quality applications into accepted places. From 2,000 applications we offered 630 places, which resulted in 344 acceptances. Our retention rate for 2009/10 remained high with a non-completion rate of 7.9% for UG funded students and 2.7% for PG funded students. In 2009/10 over 46% of our students were in receipt of scholarships or bursaries. The Junior Academy also remains a clear leader in its sector, with 230 auditions resulting in 76 offers and 68 acceptances for entry in September 2010.

At Graduation on 30th June 2010, 11 students received the University of London PhD. 28 students received the MMus University of London degree, of whom 15 gained Distinction or the Dip RAM (the Academy's paramount accolade awarded for an outstanding postgraduate final recital or composition portfolio). 84 students received the University of London MA, of whom 41 gained Distinction. 33 students received the PGDip in Musical Theatre. 74 students received a University of London BMus degree, of whom 30 gained first-class honours.

To enhance the quality of staff recruitment and retention, so that the Academy continues to employ staff with the necessary expertise and experience to contribute to the fulfilment of the institutional mission.

During 2009/10 the Academy was pleased to enhance its roster of distinguished teachers with the appointment of Alessio Allegrini as International Visiting Professor of Horn; Sir Thomas Allen as Visiting Professor of Singing; Eric Aubier as International Visiting Professor of Trumpet; Django Bates as Visiting Professor of Jazz; Michael Chance CBE as Professor of Singing and Baroque Opera Coach; Pascal Devoyon as Visiting Professor of Piano; Reinhold Friedrich as International Visiting Professor of Trumpet; Patrick Messina as Visiting Professor of Clarinet, Ann Murray DBE as Professor of Singing; James Newton Howard as Visiting Professor of Composition; John Alexei Ogrintchouk as Visiting Professor of Oboe; Dominic Seldis as Visiting Professor of Double Bass; Yevgeny Sudbin as Visiting Professor of Piano; Angelika Kirschsclager as Visiting Professor of Singing and Radovan Vlatkovich as International Visiting Professor of Horn.

Three appointments were made to departmental headships during the year: Jo Cole, Head of Strings; Nick Smart, Head of Jazz Programmes; and Karen Vaughan, Head of Harp.

In addition to the institution-wide staff training opportunities in IT, HR policy, finance procedures and other needs identified through the annual appraisal process, the Academy introduced two significant enhancements in 2009/10. Following a successful trial in previous years, we formally introduced our Management Development Programme. This is targeted at all staff with managerial responsibilities, regardless of their individual specialism. Initial foundation days, which covered introductions to numerous variants of management and leadership, were followed by individual training programmes which continued throughout the year. In 2009/10 the Academy also acquired an online management development toolkit, designed to give access to current, relevant and effective help on the most commonly shared managerial issues.

To enhance the quality of the Academy's educational provision through the development and delivery of the curriculum, the management of the programmes of study and the management of learning resources, with the aim of producing graduates who will be able to sustain careers in leading positions in the music industry nationally and internationally.

During the academic year 2009/10 the Academy has conducted a Periodic Review of the BMus Programme, leading to significant restructuring of the programme and revisions to large areas of the curriculum and its delivery. The independent review panel concluded that the Academy can place firm confidence in the continuing validity of the programme and its quality and standards. The panel commended the proposed enhancements to the programme, especially the way they are designed to strengthen the first-year experience and to place a greater emphasis on employability and careers.

A further major enhancement to our education provision was the launch of a global Alumni Network in June 2010. The Network, which is supported by its own dedicated staff, will enable our widely dispersed alumni to maintain contact with the Academy and with each other, to forge useful links between graduates at the earliest stages in their career and senior alumni in leading positions within the profession, to take part in mentoring schemes, and to benefit from specially-mounted careers and Continuing Professional Development (CPD) events.

Significant new benefits to Academy students have arisen from further investment in information technology in 2009/10, including the launch of a more flexible and powerful intranet site, ('Air'), and the completion of two new technology and recording studios.

The Academy's Museum was awarded full accreditation by the Museum, Libraries and Archives Association in 2010. This is a signal public recognition of the significance of the Academy's collections, the standards of care and conservation we uphold, and the quality of the educational benefits for our students and public alike from access to our collections through free exhibitions and events. This new provision is offered as a free subscription.

To maintain and enhance the quality and range of outreach activities, so that the greatest possible number can benefit from the Academy's resources and achievements.

The Academy continues to offer outstanding concert opportunities, both inside and outside the building, with a range of distinguished professional partners. Artistic highlights in 2009/10 included

concerts conducted by Pierre-Laurent Aimard, Semyon Bychkov, Sir Mark Elder, and Sir Colin Davis. The late Sir Charles Mackerras conducted Royal Academy Opera in Handel's *Semele*. Sir Harrison Birtwistle and Elgar Howarth worked with the Academy Manson Ensemble and student composers in a two-day focus on Birtwistle's music. The Academy's pioneering Bach Cantata Series continued to attract capacity audiences. Professor Sir Peter Maxwell Davies continued to work with Academy composers and gave a series of public lectures on composing for community and education projects. Events marking the conferment of University of London doctorates on Pierre Boulez and Daniel Barenboim drew large public audiences.

External showcases included concerts at the Aldeburgh Festival; four concerts in the Kings Place 2009 festival and a four-day residency at Kings Place in June 2010; a concert by Sir Elton John, Ray Cooper and students from the Academy's Musical Theatre programme at the Royal Albert Hall in September 2009; the first concert in a new contemporary music series at the Louise T Blouin Institute in West London; and a performance by the Academy's baroque orchestra, choir and soloists of Handel's *Saul* under Laurence Cummings at the Spitalfields Festival in June 2010.

Two new CDs of Academy recordings were released as part of our ongoing Sainsbury series: a recital of German song performed by the Academy's Song Circle, and a showcase of instrumental virtuosity, entitled *Premier Prix*. The former was favourably reviewed on BBC Radio 3's high-profile *CD Review* programme in May 2010. Additional opportunities for Academy performances and performers to reach the widest possible audience through BBC broadcasts and the BBC's i-player came through Radio 3's *In Tune* programme, and through the station's daily focus on the work of the Academy in the week beginning 31st May 2010.

Open Academy – our department which manages outreach and community work as part of the curriculum – mounted projects in which our students worked with primary school children from Camden and Westminster; projects which took music into Greater London hospitals; and collaborative educational projects with the Wigmore Hall, the Spitalfields Festival, and the Orchestra of the Age of Enlightenment.

The Academy's Museum (which is open six days a week and has free public entry) presented a year-long exhibition *Orchestral Magicians* that explored the phenomenon of the composer-conductor. The exhibition was accompanied by over thirty public events, ranging from research presentations through thematically-related concerts to family playdays targeting the under-10 age group.

In total, the Academy mounted over 300 free-entry public events in 2009/10. Our online digital collection *Apollo* received nearly 5 million hits, thereby significantly widening public access to the musical treasures in the Academy's care.

During 2009/10 the Academy reviewed its policies and processes regarding equality of opportunity and fair access.

Academic and financial sustainability

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

- Educational developments and performance opportunities of the highest level
- Investment in infrastructure to develop facilities of the highest standard
- Maximising external income
- Financial discipline and cost management.

Risk and uncertainty

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

- The levels of government funding at a time when the government is seeking to reduce public expenditure
- The current economic climate and the impact on student recruitment
- Reduction in the growth of the endowment to provide scholarships and bursaries.

Scope of the Financial Statements

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

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

Results for the Year

Total income for the year increased by 3.8% to £18.2m (2008/09 £17.5m) and total expenditure for the year remained at virtually the same level at £17.2m (2008/09 £17.2m). The surplus, after transfers to restricted endowments and Earmarked Reserves, was £208,000 (2008/09 £79,000).

Income outperformed the budget because donations received were higher than expected and also because additional income was received from HEFCE, through the matched funding scheme.

Income from external donations is needed to support both revenue and capital projects. During the year some £1,125,000 of revenue income was raised to help support students and general projects and some £1,145,000 of income was received for endowments and capital projects. The Academy spends some 7.9% of its total income supporting students through bursaries and scholarships.

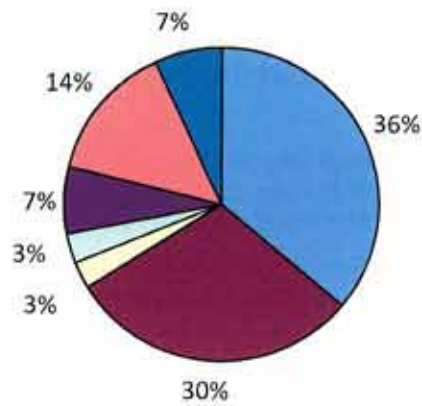
The main financial objectives of the Academy are to achieve a balanced position after allowing for long-term maintenance provisions and earmarked funds and, where possible, to generate surpluses which can be re-invested in education. The surplus achieved in the year will be added to general reserves and funds will be earmarked to create additional bursaries. The results are set out in the table below.

	2009/10 £'000s	2008/09 £'000s
Income	18,223	17,553
Expenditure	(17,179)	(17,190)
Surplus on continuing operations, before transfers	1,044	363
Surplus for the year, after transfers and appropriations	208	79

The actuarial valuation of the RAM 1967 Pension Scheme showed an increase in the scheme deficit for FRS17 purposes to £1,612,000 (£1,437,000 in 2009). This was due to an increase in scheme liabilities caused by a reduction in the AA bond yield, although this was partially offset by higher returns on scheme assets. Steps are being taken to eliminate the deficit over 10 years in accordance with the recommendations of the actuary.

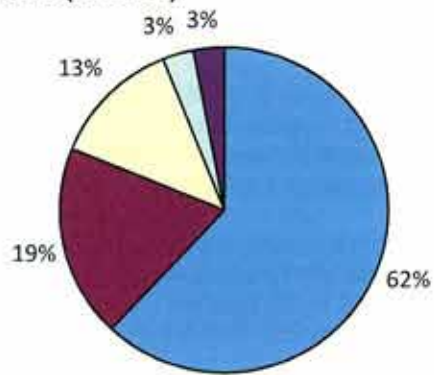
In terms of strategic planning and sustainability the Academy is continuing to diversify its teaching, and is continuing to seek external funding to support both its education and bursary programmes. An analysis of the Academy's funding by source, together with its expenditure by main category, is set out overleaf.

Income (£18.2m)



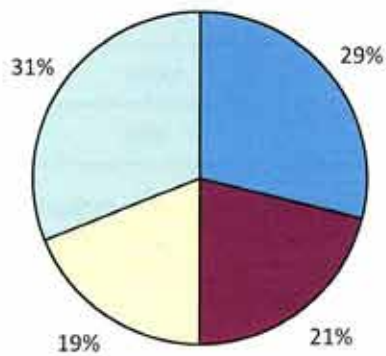
- Tuition fees
- Government grants
- Catering and residences
- Income to match depreciation
- Income from interest and endowments
- Other income
- Other grant income

Expenditure (£17.2m)



- Teaching and student support
- Administration
- Premises
- Catering and residences
- Depreciation

Voluntary Funds Raised (£2.3m)



- Bursary income
- General income
- Endowments
- Capital projects

Capital Projects

The main investments during the year were in accordance with our planned maintenance programme. We also commissioned a feasibility study on the upgrading of the Theatre.

Cash Reserves and Long-Term Liabilities

We continue to have a proactive approach to treasury management with a view to minimising risk at the same time as maximising returns. Working capital cash balances at the end of the year were £2.4m (2008/09 £2.8m), designated cash was £8.4m (2008/09 £8.0m) and current assets exceeded current liabilities by £6.9m (2008/09 £6.7m). Whilst overall liquidity remains healthy, the majority of cash is designated or earmarked for specific purposes.

Endowment Assets and Investment Performance

The Academy has a number of endowment assets, the largest of which is the Legacy Pool, which represents the accumulated funds donated or bequeathed to the Academy for the purposes of providing scholarships, prizes and bursaries for the benefit of students. These funds are managed by external fund managers within strategic guidelines set by the Finance & General Purposes Committee.

Our objectives are to maximise the income yield to satisfy the Academy's expenditure commitments, while maintaining the real value of the endowment asset base over time. During the year the investment strategy was kept under review, and the overall target was to achieve a net yield of 3% for the year.

Although the markets have been unstable, they have recovered during the year. The portfolio managed by the external fund managers grew by 15.2% and generated a net yield of 4.3% on average fund balance and the cash funds managed internally generated a return of 2.25%. The investment strategy has been constantly reviewed during 2009/10 to adapt to changing market conditions and will be kept under review as we move into 2010/11.

The market value of endowment investments increased from £21.5m at 31st July 2009 to £23.7m at 31st July 2010. New endowments from benefactors totalled £432,000 (2008/09 £889,000).

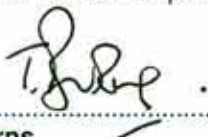
Conclusion

The financial statements show that the Academy has made a modest surplus on continuing operations after transfers to specific endowments and reserves. Our balance sheet remains strong because of our cash position and healthy reserves, which are predominantly for supporting students through bursaries and scholarships.

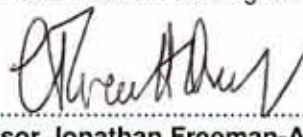
Enrolment targets were reached on student numbers and income from donations exceeded expectations. Financial markets improved and hence we were able to increase our investment in student bursaries. The Academy distributes some 7.9% of its income to students through the bursary and scholarship programme and our aim is to increase our support to students in the future.

Higher Education is due to undergo radical funding changes over the next few years as the government introduces cuts in public funding. The new arrangements for HE funding and student fee levels will be announced in the autumn.

The Academy has a comprehensive risk-management strategy and is well aware of the major risks it faces: the fragile economic climate, changes to the HE funding model, student recruitment and the generation of extra income from patronage, benefaction and our alumni. Our plan remains to increase substantially our endowment income so that the Academy will have sufficient financial flexibility to maintain its position as a world-class conservatoire and to invest in training at the highest level.



.....
Lord Burns
Chairman of Governing Body



.....
Professor Jonathan Freeman-Attwood
Principal

Corporate Governance Statement

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

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

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

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

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

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

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

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

The Audit Committee is responsible for meeting 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. They receive and consider reports from the Higher Education Funding Council for England and monitor adherence with the regulatory requirements.

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

Statement on Internal Control and Risks

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

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

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

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

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

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

The Governing Body's full review of the effectiveness of the system of internal control for the year ended 31st July 2010 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.

Responsibilities of the Governing Body

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

The Governing Body is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Academy and enable it to ensure that the financial statements are prepared in accordance with the Royal Charter, the Statement of Recommended Practice: "Accounting for Further and Higher Education" and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Higher Education Funding Council for England 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 has ensured that:

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

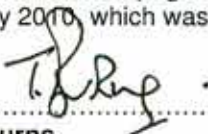
The Governing Body is satisfied that it has adequate resources to continue in operation for the foreseeable future. For this reason the going concern basis continues to be adopted in the preparation of the financial statements.


The Governing Body has taken reasonable steps to:

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

Governing Body Report

The statements on pages 16 to 31 comprise the Report of the Governing Body for the year ending 31st July 2010, which was approved by the Governing Body on 25th November 2010.


..... Date 25.11.10
Lord Burns
Chairman


..... Date 25.11.10
Tony Travis
Chairman of the Finance & General Purposes Committee

Independent Auditors' Report to the Academy's Governing Body

We have audited the financial statements of the Royal Academy of Music which comprise the Consolidated Income and Expenditure Account, the Consolidated and Academy Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These have been prepared under the historical cost convention, modified for the revaluation of the Academy's collection of musical instruments and listed investments, and the accounting policies set out therein.

This report is made solely to the Academy's Governors, as a body, in accordance with the Academy's Royal Charter and the Financial Memorandum between the Academy and the Higher Education Funding Council for England. Our audit work has been undertaken for no purpose other than to draw to the attention of the Academy's Governors those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the Academy and the Academy's Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Governing Body and Auditors

The Academy's Governing Body is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (generally accepted accounting practice). Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, in particular those of the Higher Education Funding Council for England and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recommended Practice: "Accounting for Further and Higher Education". We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the Academy have been properly applied only for the purpose for which they were received and whether income has been applied in accordance with the Royal Charter and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

We also report to you if, in our opinion, the Report of the Governing Body is not consistent with the financial statements, if the Academy has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit. We read the other information contained in the Report of the Governing Body and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of our Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and "Accountability and Audit: HEFCE Code of Practice" issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Governing Body in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Academy's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information which we considered necessary in order to provide us with sufficient evidence to give us reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

The financial statements give a true and fair view, in accordance with United Kingdom generally accepted accounting practice, of the state of affairs of the Academy and the group at 31st July 2010 and of the surplus of income over expenditure of the group for the year then ended and have been properly prepared in accordance with the Statement of Recommended Practice: "Accounting for Further and Higher Education", and the Royal Charter governing the Academy.

Funds from the Higher Education Funding Council for England, from grants and income for specific purposes, and from other restricted funds administered by the Academy, have been applied only for the purposes for which they were received.

Income has been applied in accordance with the Royal Charter governing the Academy and, where appropriate, with the Financial Memorandum dated 1st August 2008 with the Higher Education Funding Council for England.

Kingston Smith LLP

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

Date *26 November 2010*

Statement of Principal Accounting Policies

1 Accounting Convention

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

2 Basis of Consolidation

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

3 Accounting for retirement benefits

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

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

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

4 Leases

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

5 Land and Buildings

Expenditure which has added value to the main Academy property has been capitalised and has been depreciated over 40 years on a straight line basis. Where property improvements are subject to planning permission, the direct costs (including professional fees) incurred prior to

obtaining planning permission are capitalised as assets in the course of construction but are subject to an impairment provision until planning consent is obtained.

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

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

6 Equipment and Collection of Musical Instruments

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

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

Assets in excess of £5,000 are capitalised.

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

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

The Collection of Prestigious Musical Instruments is a working collection and is not classed as a heritage asset. The instruments have been acquired by or donated to the Academy over many years and their value at the date of acquisition is unlikely to be material compared to the current value of the Collection.

7 Investments

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

8 Taxation Status

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

9 Stocks

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

10 Endowments

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

11 Recognition of Income

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

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

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

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

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

12 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.

13 Provisions

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

14 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.

15 Maintenance of Premises

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

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

Consolidated Income and Expenditure Account

	<i>Note</i>	<i>2010 Total £000</i>	<i>2009 Total £000</i>
Income - Continuing activities			
Funding Council Grants	1	5,570	5,093
Academic Fees and Support Grants	2	6,601	6,313
Research Grants & Contracts	3	96	219
Other Operating Income	4	4,853	4,449
Endowment and Investment Income	5	<u>1,103</u>	<u>1,479</u>
Total Income		<u>18,223</u>	<u>17,553</u>
Expenditure			
Staff Costs	6/7	9,725	9,559
Other Operating Expenses	8	6,923	7,134
Depreciation/impairment of Fixed Assets	9	<u>531</u>	<u>497</u>
Total Expenditure		<u>17,179</u>	<u>17,190</u>
Surplus on Continuing Operations for the Year		1,044	363
Transfer from/(to) Restricted Endowments	15	<u>35</u>	<u>90</u>
Surplus After Transfers		1,079	453
Appropriations to Earmarked Funds	16	<u>(871)</u>	<u>(374)</u>
Net Surplus after Transfers and appropriations		<u>208</u>	<u>79</u>

The notes on pages 21 to 31 form part of these Financial Statements.

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

Consolidated Balance Sheet

	<i>Note</i>	<i>2010</i> <i>£000</i>	<i>2009</i> <i>£000</i>
Fixed Assets			
Tangible Fixed Assets	9	58,119	53,863
Fixed Asset Investments	10	597	548
		<u>58,716</u>	<u>54,411</u>
Endowment Assets	10	<u>23,177</u>	<u>20,944</u>
Current Assets			
Stock		140	140
Debtors	11	547	760
Cash at bank - Working Capital		2,400	2,855
Cash at bank - Designated		8,493	8,042
		<u>11,580</u>	<u>11,797</u>
Creditors: Amounts falling due within one year	12a	<u>(4,613)</u>	<u>(5,122)</u>
Net Current Assets		<u>6,967</u>	<u>6,675</u>
Total Assets less Current Liabilities		<u>88,860</u>	<u>82,030</u>
Creditors: Amounts falling due after more than one year	12b	(100)	(100)
Provisions for Liabilities and Charges	13	<u>(930)</u>	<u>(1,048)</u>
Net Assets excluding pension deficit		87,830	80,882
Pension Deficit (FRS17)	18	<u>(1,612)</u>	<u>(1,437)</u>
Net assets after pension deficit		<u>86,218</u>	<u>79,445</u>
Deferred Capital Grants	14	16,497	15,997
Endowment Funds:			
Expendable	15	7,744	6,803
Permanent	15	15,433	14,141
		<u>23,177</u>	<u>20,944</u>
Income and Expenditure Account Reserves			
Revaluation Reserve	22	37,228	33,925
Earmarked Funds	16	6,341	5,470
Income and expenditure account excluding pension reserve	17	4,587	4,546
Pension Deficit	17	<u>(1,612)</u>	<u>(1,437)</u>
Income and expenditure account after pension deficit		2,975	3,109
Total Reserves		<u>46,544</u>	<u>42,504</u>
Total Funds		<u>86,218</u>	<u>79,445</u>

The notes on pages 21 to 31 form part of these Financial Statements.

Academy Balance Sheet

	Note	2010 £000	2009 £000
Fixed Assets			
Tangible Fixed Assets	9	44,801	40,301
Fixed Asset Investments	10	597	548
		<u>45,398</u>	<u>40,849</u>
Endowment Assets			
	10	<u>23,177</u>	<u>20,944</u>
Current Assets			
Stock		28	29
Debtors	11	543	755
Cash at bank and in hand - Working Capital		2,383	2,855
Cash at bank and in hand - Designated		8,493	8,042
		<u>11,447</u>	<u>11,681</u>
Creditors: Amounts falling due within one year	12a	<u>(4,581)</u>	<u>(5,107)</u>
Net Current Assets		<u>6,866</u>	<u>6,574</u>
Total Assets less Current Liabilities		<u>75,441</u>	<u>68,367</u>
Provisions for Liabilities and Charges			
	13	<u>(930)</u>	<u>(1,048)</u>
Net Assets		74,511	67,319
Pension Deficit (FRS17)	18	<u>(1,612)</u>	<u>(1,437)</u>
Net assets after pension deficit		<u>72,899</u>	<u>65,882</u>
Deferred Capital Grants			
	14	3,178	2,434
Endowment Funds:			
Expendable	15	7,744	6,803
Permanent	15	15,433	14,141
		<u>23,177</u>	<u>20,944</u>
Income and Expenditure Account Reserves			
Revaluation Reserve	22	37,228	33,925
Earmarked Funds	16	6,341	5,470
Income and expenditure account excluding pension reserve	17	4,587	4,546
Pension Deficit	17	<u>(1,612)</u>	<u>(1,437)</u>
Income and expenditure account after pension deficit		2,975	3,109
Total Reserves		<u>46,544</u>	<u>42,504</u>
Total Funds		<u>72,899</u>	<u>65,882</u>

The notes on pages 21 to 31 form part of these Financial Statements.

The financial statements were approved by the Governing Body and authorised for issue on 25th November 2010

Lord Burns
 Chairman

Tony Travis
 Chairman of the Finance & General Purposes Committee

Consolidated Cash Flow Statement

	<i>Note</i>	<i>2010</i> <i>£000</i>	<i>2009</i> <i>£000</i>
Net cash outflow from operating activities		(553)	(868)
Returns on investment	21a	1,153	1,475
Capital expenditure and financial investment	21a	<u>(2,217)</u>	<u>2,453</u>
Cash (outflow)/inflow before use of liquid resources and financing		(1,617)	3,060
Management of liquid resources	21a	1,613	(2,638)
Financing	21a	<u>-</u>	<u>18</u>
(Decrease)/increase in cash in the year		<u>(4)</u>	<u>440</u>
Reconciliation of Surplus for the year to Net Cash Inflow from Operating Activities			
Surplus on continuing operations for the year		1,044	363
Adjustments for non cash items			
Depreciation and impairment charges		531	497
Release of deferred capital grants		(305)	(306)
Increase in stock		-	(22)
Decrease/(increase) in debtors		213	(251)
(Decrease)/increase in creditors		(509)	592
(Decrease)/Increase in provisions		(118)	34
Profit on disposal of fixed assets		(39)	(31)
Pension Fund non-cash movement		(217)	(269)
Reclassification			
Endowment and Investment Return		<u>(1,153)</u>	<u>(1,475)</u>
Net cash outflow from operating activities		<u>(553)</u>	<u>(868)</u>
Reconciliation of Net Cash Flow to Movement in Net Funds			
(Decrease)/increase in cash in the year		(4)	440
Cash outflow from long-term loan repayment		-	(18)
Cash (outflow)/inflow from liquid resources		<u>(1,613)</u>	<u>2,638</u>
Movement in net funds in the period		(1,617)	3,060
Net funds at 1st August 2009		<u>14,737</u>	<u>11,677</u>
Net funds at 31st July 2010	21b	<u>13,120</u>	<u>14,737</u>

Consolidated Statement of Total Recognised Gains and Losses

	<i>2010</i> <i>£000</i>	<i>2009</i> <i>£000</i>
Surplus on continuing operations after transfers	1,079	453
Net additions to other reserves:		
Musical Instrument Collection Reserve	3,303	5,673
Fixed Asset Investment General Fund Revaluation/(Devaluation)	50	(91)
Appreciation/(depreciation) of Expendable Endowment Asset Investments	1,823	(3,284)
Endowment Income retained on Expendable endowments	37	25
Endowment Income utilised on Permanent endowments	(72)	(115)
New Endowments received	445	861
Earmarked Funds	-	(1)
Actuarial loss in respect of RAM 1967 pension scheme	(392)	(1,206)
Total recognised gains for the year	<u>6,273</u>	<u>2,315</u>
Reconciliation		
Opening reserves and endowments	63,448	61,133
Total recognised gains and losses for the year	<u>6,273</u>	<u>2,315</u>
Closing reserves and endowments	<u>69,721</u>	<u>63,448</u>

Notes to the Financial Statements

	<i>Note</i>	<i>2010</i>	<i>2009</i>
		<i>£000</i>	<i>£000</i>
1 Funding Council Grants			
Recurrent Teaching grant		4,149	4,220
Recurrent Research grant		432	307
Other Special funding		978	555
Release of deferred capital grants (equipment)		11	11
		<u>5,570</u>	<u>5,093</u>
2 Academic Fees and Support Grants			
Full-time Home and EU		3,121	2,741
Full-time International		2,637	2,752
Junior & Intermediate		843	820
		<u>6,601</u>	<u>6,313</u>
3 Research Grants & Contracts			
Research Councils		96	219
		<u>96</u>	<u>219</u>
4 Other Operating Income			
Residences and catering		534	491
Other grant income		1,413	1,596
Release of deferred capital grants	14	294	295
Other operating income		2,612	2,067
		<u>4,853</u>	<u>4,449</u>
5 Endowment and Investment Return			
Income earned from Expendable Endowments	15	308	281
Income earned from Permanent Endowments	15	624	635
Sub-total Endowment Investment Income		<u>932</u>	<u>916</u>
Other finance (costs)/income - Pension Scheme	18	(50)	4
Other interest receivable		221	559
		<u>1,103</u>	<u>1,479</u>

6 Staff

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:

	2010	2009	2010	2009
	Staff nos FTE	Staff nos FTE	Staff costs £000	Staff costs £000
Teaching	116	109	5,610	5,585
Support	9	8	411	369
Other Academic Services	12	10	453	422
Central administration and services	35	36	1,876	1,778
General Education	15	15	491	480
Student/staff facilities	2	2	85	82
Premises	15	15	534	520
Catering and residence	6	5	183	162
Research Grants and Contracts	2	5	82	161
	<u>212</u>	<u>205</u>	<u>9,725</u>	<u>9,559</u>
Wages and Salaries			8,822	8,670
Social Security Costs			609	598
Other Pension Costs			294	291
			<u>9,725</u>	<u>9,559</u>

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

	2010	2009
£110,001 - £120,000	1	1

7 Principal's Emoluments

	2010 £	2009 £
Emoluments	139,454	139,235
Pension contributions	33,470	31,375

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 £24,568 (2009 - £24,164).

8 Other Operating Expenses	2010	2009
	£000	£000
Teaching	730	698
Support	431	471
Other Academic Services	92	93
Central administration and services	1,292	985
External audit - annual audit fee *	42	43
- other fees *	11	9
Internal audit	32	32
Subtotal Central Administration	1,377	1,069
General Education	1,814	1,756
Student/staff facilities	67	65
Premises	1,442	2,058
Long-term maintenance	250	224
Catering and Residence	440	424
Research Grants and Contracts	14	31
Shop trading costs - Academy Chimes	266	245
	<u>6,923</u>	<u>7,134</u>

*External Auditors' remuneration includes £39,245 (2009 £39,445) in respect of the Main Academy.

9 Tangible Fixed Assets

a) Consolidated	Long Leasehold Land and Buildings	Assets in the Course of Construction	Equipment	Musical Instrument Collection	Other Collections	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1st August 2009	22,892	519	1,968	33,925	2,105	61,409
Additions	-	1,211	273	-	-	1,484
Disposals	-	-	(16)	(6)	-	(22)
Transfer	1,730	(1,730)	-	-	-	-
Revaluation	-	-	-	3,309	-	3,309
At 31st July 2010	<u>24,622</u>	<u>-</u>	<u>2,225</u>	<u>37,228</u>	<u>2,105</u>	<u>66,180</u>
Depreciation						
At 1st August 2009	5,545	-	1,684	-	317	7,546
Disposals	-	-	(16)	-	-	(16)
Charge for the year	321	-	157	-	53	531
At 31st July 2010	<u>5,866</u>	<u>-</u>	<u>1,825</u>	<u>-</u>	<u>370</u>	<u>8,061</u>
Net Book Value						
At 31st July 2010	<u>18,756</u>	<u>-</u>	<u>400</u>	<u>37,228</u>	<u>1,735</u>	<u>58,119</u>
At 31st July 2009	<u>17,347</u>	<u>519</u>	<u>284</u>	<u>33,925</u>	<u>1,788</u>	<u>53,863</u>

9 Tangible Fixed Assets
b) Academy

	<i>Long Leasehold Land and Buildings</i>	<i>Assets in the Course of Construction</i>	<i>Equipment</i>	<i>Musical Instrument Collection</i>	<i>Other Collections</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost or valuation						
At 1st August 2009	8,482	519	1,972	33,925	905	45,803
Additions	-	1,211	274	-	-	1,485
Disposals	-	-	(16)	(6)	-	(22)
Transfer	1,730	(1,730)	-	-	-	-
Revaluation	-	-	-	3,309	-	3,309
At 31st July 2010	10,212	-	2,230	37,228	905	50,575
Depreciation						
At 1st August 2009	3,681	-	1,684	-	137	5,502
Disposals	-	-	(16)	-	-	(16)
Charge for the year	108	-	157	-	23	288
At 31st July 2010	3,789	-	1,825	-	160	5,774
Net Book Value						
At 31st July 2010	6,423	-	405	37,228	745	44,801
At 31st July 2009	4,801	519	288	33,925	768	40,301

10 Investments and Endowment Assets

Consolidated and Academy

At Market Value	<i>Fixed Assets</i>	<i>Endowment Assets</i>	<i>Total Investments</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1st August 2009	548	20,944	21,492
Purchases of investments	88	5,347	5,435
Proceeds from sales of investments	(89)	(3,324)	(3,413)
Appreciation/(depreciation) on disposal/revaluation	50	1,823	1,873
Change in current assets	-	(1,613)	(1,613)
At 31st July 2010	597	23,177	23,774
Represented by:			
Fixed Interest Stocks	77	2,910	2,987
Equities	343	12,906	13,249
Property	77	2,877	2,954
Other	100	2,157	2,257
Current Assets	-	2,327	2,327
	597	23,177	23,774

11 Debtors	<i>Consolidated</i>	<i>Academy</i>	<i>Consolidated</i>	<i>Academy</i>
	<i>2010</i>	<i>2010</i>	<i>2009</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade Debtors	216	212	167	162
Prepayments and accrued income	331	331	593	593
	<u>547</u>	<u>543</u>	<u>760</u>	<u>755</u>

12 Creditors: Amounts falling due within one a) year	<i>Consolidated</i>	<i>Academy</i>	<i>Consolidated</i>	<i>Academy</i>
	<i>2010</i>	<i>2010</i>	<i>2009</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade Creditors	12	-	64	53
Fees in Advance	1,557	1,557	1,355	1,355
Deferred revenue grants and donations (specific purpose)	1,620	1,620	1,469	1,469
Amounts owed to subsidiary undertakings	-	1	-	1
Taxation and social security	241	241	261	261
Other Creditors & Accruals	1,183	1,162	1,973	1,968
	<u>4,613</u>	<u>4,581</u>	<u>5,122</u>	<u>5,107</u>

b) Creditors: Amounts falling due after more than one year	<i>Consolidated</i>	<i>Academy</i>	<i>Consolidated</i>	<i>Academy</i>
	<i>2010</i>	<i>2010</i>	<i>2009</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Loan from Chimes Consultancy	100	-	100	-
	<u>100</u>	<u>-</u>	<u>100</u>	<u>-</u>

The loan from Chimes Consultancy shown in Note 12 is interest free and unsecured. Chimes Consultancy manages the Academy Chimes shop. The loan is used to purchase stock for the shop which commenced trading on 1st August 2006. This loan is repayable in full at the end of the management agreement which has no fixed termination date.

13 Provisions for Liabilities and Charges	<i>Consolidated & Academy £000</i>
Long-Term Maintenance Provision	
At 1st August 2009	1,048
Transferred from Income and Expenditure Account	250
Expenditure	<u>(368)</u>
At 31st July 2010	<u>930</u>

14 Deferred Capital Grants

	<i>Consolidated</i>			<i>Academy</i>		
	<i>Funding Council</i>	<i>Other Grants</i>	<i>Total</i>	<i>Funding Council</i>	<i>Other Grants</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1st August 2009						
Buildings	-	13,772	13,772	-	1,229	1,229
Equipment	283	1,942	2,225	283	922	1,205
Total	283	15,714	15,997	283	2,151	2,434
Cash received:						
Buildings	-	229	229	-	229	229
Equipment	-	576	576	-	576	576
Total	-	805	805	-	805	805
Released to Income and Expenditure:						
Buildings	-	234	234	-	20	20
Equipment	11	60	71	11	30	41
Total (notes 1 and 4)	11	294	305	11	50	61
At 31st July 2010						
Buildings	-	13,767	13,767	-	1,438	1,438
Equipment	272	2,458	2,730	272	1,468	1,740
Total	272	16,225	16,497	272	2,906	3,178

15 Endowment Funds

	<i>Consolidated and Academy</i>				<i>Grand Total</i>
	<i>Unrestricted Expendable</i>	<i>Restricted Expendable</i>	<i>Subtotal Expendable</i>	<i>Restricted Permanent</i>	
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Capital					
At 1st August 2009	5,212	1,376	6,588	13,682	20,270
Reclassification to Accumulated Income	-	-	-	(24)	(24)
At 1st August 2009	5,212	1,376	6,588	13,658	20,246
Depreciation of endowment asset investments	467	141	608	1,215	1,823
New endowments received	63	233	296	149	445
At 31st July 2010	5,742	1,750	7,492	15,022	22,514
Accumulated Income					
At 1st August 2009	-	215	215	459	674
Reclassification from Capital	-	-	-	24	24
At 1st August 2009	-	215	215	483	698
Investment income	239	69	308	624	932
Expenditure	(239)	(32)	(271)	(696)	(967)
Transfer from/(to) Income & Expenditure	-	37	37	(72)	(35)
At 31st July 2010	-	252	252	411	663
Total Funds					
At 1st August 2009	5,212	1,591	6,803	14,141	20,944
At 31st July 2010	5,742	2,002	7,744	15,433	23,177

16 Earmarked Funds - Academy and Consolidated	Consolidated & Academy £000
At 1st August 2009	5,470
Transfer from Income and Expenditure Account (note 17)	<u>871</u>
At 31st July 2010	<u>6,341</u>

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

17 Income and Expenditure Account	Consolidated & Academy		
	Excluding pension scheme £000	RAM 1967 pension scheme £000	Total £000
At 1st August 2009	4,546	(1,437)	3,109
Revaluation of Fixed Asset Investments	50	-	50
Transfer to Earmarked Funds (note 16)	(871)	-	(871)
Surplus for the year	862	217	1,079
Actuarial loss	-	(392)	(392)
At 31st July 2010	<u>4,587</u>	<u>(1,612)</u>	<u>2,975</u>

FRS17 Retirement Benefits disclosures

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

	2010 £000	2009 £000
Total pension cost for the year was:		
Teachers Pension Scheme: employer's contributions paid	188	191
Group Personal Pension Scheme: employer's contributions paid	106	100
Royal Academy of Music Pension Scheme 1967: net charge to Income & Expenditure account	50	(2)
Total pension cost	<u>344</u>	<u>289</u>

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme. The regulations under which the TPS operates are the Teachers' Pensions Regulations 1997 as amended. These regulations apply to teachers in schools and other educational establishments in England and Wales maintained by local authorities, to teachers in many independent and voluntary-aided schools, and to teachers and lecturers in establishments of further and higher education. Membership is automatic for full-time teachers and lecturers and from 1st January 2007 automatic too for teachers and lecturers in part-time employment following appointment or a change of contract. Teachers and lecturers are able to opt out of the TPS.

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

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

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

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

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

Royal Academy of Music Pension Scheme 1967

The Academy operates a funded defined benefit scheme which is managed by the Prudential Assurance Company Ltd and was closed to future accruals of pension benefit on 31st March 2005. The Academy is funding the scheme deficit with minimum contributions of £267,000 pa. Scheme liabilities have been valued using the projected unit method. The actuarial valuation as at 1st January 2007 was updated to 31st July 2010 for FRS17 purposes.

Main assumptions used by the actuary in valuing liabilities :	As at 31st July 2010	As at 31st July 2009
Discount rate	5.4%	6.0%
Inflation	3.10%	3.30%
Increases to deferred pensions in excess of GMP before retirement	5%*	5%*
Increases to pensions in payment for all members in respect of service up to 31st December 2003	5%*	5%*
Increase to Pension in payment for all members in respect of service after 1st January 2004	2.70%	2.90%

*Fixed rates in rules of scheme

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

		As at 31st July 2010	As at 31st July 2009
Retiring today	Males	22.10	22.02
	Females	25.00	24.91
Retiring in 20 years	Males	23.10	23.10
	Females	25.90	25.90

18 ctd Analysis of amount charged to operating profit	2010 £000	2009 £000				
Current service cost	-	2				
Total operating charge	-	2				
The total current service cost represents the expenses incurred in running the scheme.						
Analysis of amount (charged)/credited to other finance income	2010 £000	2009 £000				
Expected return on pension scheme assets	482	516				
Interest on pension scheme liabilities	(532)	(512)				
Net charge (Note 5)	(50)	4				
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)	2010 £000	2009 £000				
Actual return less expected return on pension scheme assets	711	(305)				
Experience gains and losses arising on scheme liabilities	(1,103)	(901)				
Changes in assumptions underlying the present value of the scheme liabilities	-	-				
Actuarial gain/(loss) recognised in STRGL	(392)	(1,206)				
Movement in deficit assets and liabilities during the year	2010 £000	2010 £000	2010 £000	2009 £000	2009 £000	2009 £000
	<i>Assets</i>	<i>Liabilities</i>	<i>Net</i>	<i>Assets</i>	<i>Liabilities</i>	<i>Net</i>
Deficit in scheme at beginning of the year	7,578	9,015	(1,437)	7,390	7,890	(500)
Movement in year:						
Current service cost	-	-	-	-	2	(2)
Contributions	267	-	267	267	-	267
Past service cost	-	-	-	-	-	-
Other finance income/(charge)	482	532	(50)	516	512	4
Benefits paid	(300)	(300)	-	(290)	(290)	-
Actuarial gain/(loss)	711	1,103	(392)	(305)	901	(1,206)
Deficit in scheme at end of the year	8,738	10,350	(1,612)	7,578	9,015	(1,437)
Analysis of Scheme Assets	Long term ROR expected			Long term ROR expected		
Cash Accumulation Policy	6.15%	4,018		6.90%	3,193	
Secured pensions in payment	5.40%	4,720		6.00%	4,385	
		8,738			7,578	
History of experience gains and losses	2010	2009	2008	2007	2006	
Experience adjustments on scheme assets						
Amount (£000)	711	(305)	(458)	(235)	(224)	
Percentage of scheme assets	8.1%	-4.0%	-6.2%	-3.1%	-3.0%	
Experience adjustments on scheme liabilities						
Amount (£000)	1,103	901	(1,137)	(546)	(279)	
Percentage of scheme liabilities	10.7%	10.0%	-14.4%	-6.2%	-3.0%	
Total amount recognised in statement of recognised gains and losses						
Amount (£000)	(392)	(1,206)	679	311	55	
Percentage of scheme liabilities	-3.8%	-13.4%	8.6%	3.5%	0.6%	
History of Defined Benefit Scheme						
Present Value of Defined Benefit Obligation	10,350	9,015	7,890	8,840	9,237	
Fair Value of Scheme Assets	8,738	7,578	7,390	7,474	7,478	
Surplus/(deficit) arising in the scheme	(1,612)	(1,437)	(500)	(1,366)	(1,759)	

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 £106,454 (2008/09 £100,390).

19 Capital Commitments	<i>Consolidated</i>	<i>Academy</i>	<i>Consolidated</i>	<i>Academy</i>
	<i>2010</i>	<i>2010</i>	<i>2009</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Capital Commitments contracted for at 31st July 2010	-	-	1,265,878	1,265,878

20 Lease Obligations

At 31st July 2010, the Academy and its group had annual commitments under non-cancellable operating leases expiring as follows

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Land and Buildings		
Expiring within one year	27	44
Expiring in over five years	327	275
	<u>354</u>	<u>319</u>
Other		
Expiring within one year	-	2
Expiring between one and two years	20	-
Expiring between two and five years	19	33
Expiry in over five years	-	1
	<u>39</u>	<u>36</u>

21 Notes to the Cash Flow Statement

a) Gross Cash Flows

	<i>2010</i>	<i>2009</i>
	<i>£000</i>	<i>£000</i>
Interest and investment income		
Bank interest received	221	559
Endowment income	932	916
	<u>1,153</u>	<u>1,475</u>
Net cash inflow from returns on investment		
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,484)	(561)
Payments to acquire fixed asset investments	(88)	(135)
Payments to acquire endowment asset investments	(5,347)	(2,994)
	<u>(6,919)</u>	<u>(3,690)</u>
Total payments to acquire fixed/endowment assets		
Receipts from sale of tangible assets	39	31
Receipts from sale of fixed asset investments	89	134
Receipts from sale of endowment asset investments	3,324	4,861
Deferred capital grants received	805	256
New endowments received	445	861
	<u>(2,217)</u>	<u>2,453</u>
Net cash (outflow)/inflow from capital expenditure and financial investment		
Management of Liquid Resources		
Movement on endowment current assets	1,613	(2,638)
	<u>1,613</u>	<u>(2,638)</u>
Net cash (outflow)/inflow from management of liquid resources		
Financing		
Increase in long-term loan	-	18
	<u>-</u>	<u>18</u>
Net cash (outflow)/inflow from financing		

21 Notes to the Cash Flow Statement ctd

b) Analysis of changes in net funds

	<i>Net Funds at 1st August 2009 £000</i>	<i>Cash Flows £000</i>	<i>Net Funds at 31st July 2010 £000</i>
Cash at bank and in hand	10,897	(4)	10,893
Endowment current assets	3,940	(1,613)	2,327
	<u>14,837</u>	<u>(1,617)</u>	<u>13,220</u>
Debt due after more than one year	(100)	-	(100)
	<u>14,737</u>	<u>(1,617)</u>	<u>13,120</u>

22 Revaluation Reserve

	<i>Consolidated and Academy Musical</i>		
	<i>Fixed Asset Investment Reserve £000</i>	<i>Instrument Collection Reserve £000</i>	<i>Total Revaluation Reserve £000</i>
At 1st August 2009	-	33,925	33,925
Disposal During Year	-	(6)	(6)
Revaluation of Musical Instruments	-	3,309	3,309
At 31st July 2010	<u>-</u>	<u>37,228</u>	<u>37,228</u>

The Musical Instrument Collection reserve represents an estimate of the current market value of the collection of Musical Instruments donated to the Royal Academy of Music, including instruments purchased by the Academy using funds donated for this purpose. Valuations are undertaken by J & A Beare Violin Dealers and Restorers every year for the most valuable items and all other stringed musical instruments were revalued internally in 2009. The collection is revalued in accordance with FRS 15.

Additional Disclosure Items

Access Funds

	<i>2010 £000</i>	<i>2009 £000</i>
HEFCE grants	9	10
Disbursed to Students	(9)	(10)
At 31st July 2010	<u>-</u>	<u>-</u>

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

23 Related Party Transactions

There were no related party transactions.

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