

Royal Academy of Music

Financial Statements 2011–2012



Royal
Academy
of
Music



Royal Academy Opera: A scene from *Mansfield Park* (May 2012)

Financial Statements for the year ended 31st July 2012

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

Patron

HM The Queen

President

HRH The Duchess of Gloucester GCVO HonFRAM

Vice-Presidents

Sir David Lumsden MA DPhil HonRAM HonFRCO

David Josefowitz CBE HonFRAM

Sir Elton John CBE HonRAM

Members of the Governing Body

Lord Burns GCB HonFRAM (Chairman)

Lady Sainsbury of Turville CBE HonFRAM (Deputy Chairman)

The Rt Hon Lord Sumption PC OBE HonFRAM (appointed Deputy Chairman September 2012)

John Burgess

Sir Howard Davies HonFRAM

Matthew Ferrey

Lesley Garrett CBE FRAM

Professor Roger Parker HonFRAM

Laurel Powers-Freeling

Sir John Ritblat HonFRAM (retired July 2012)

Simon Robey HonFRAM

Martin Smith HonFRAM

Anthony Travis HonFRAM

John Willan BMus ARAM FRSA FCA

Elected Members of Governing Body

Keith Bragg HonRAM (Academic Staff Representative – retired August 2012)

Nicola Mutton HonARAM (Administrative Staff Representative – retired August 2012)

Joseph Fisher BMus (Student Union President – retired August 2012)

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

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

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

Dominic Tyler (Student Union President – appointed August 2012)

Principal

Professor Jonathan Freeman-Attwood BMus MPhil HonRAM FKC

Deputy Principals

Mark Racz BA MFA

Dr Timothy Jones MA DPhil LTCL

Director of Development

Carol McCormack BA HonARAM

Director of Finance

Judith Barber BSc CPFA HonARAM

Operating and Financial Review for the year ended 31st July 2012

The Governors of the Royal Academy of Music present their annual report and audited financial statements for the year ended 31st July 2012 and confirm that they comply with the requirements of the Charities Act 1993, as amended by the Charities Act 2006, the Academy's Charter and the Statement of Recommended Practice 'Accounting for Further and Higher Education' (SORP) published in October 2007.

The Academy's Mission

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

Public Benefit

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

- the advancement of education;
- the advancement of the arts, culture and heritage.

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

Following a recent independent study by the London School of Economics, it has become clear that public investment in conservatoire teaching has significant economic and public benefit. Academy graduates form a significant percentage of members of leading orchestras, opera companies and chamber ensembles.

The Academy has also sponsored a collaborative research project, with the Institute of Education and Kuumba Youth Music, exploring the barriers faced by young people from black and minority ethnic groups in accessing elite musical training.

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

The Academy is aware of the need to ensure that people from all backgrounds can benefit from its activities and that people in financial hardship are not excluded from the opportunity to benefit. The Academy spent nearly 10% of its total income supporting students through bursaries and scholarships.

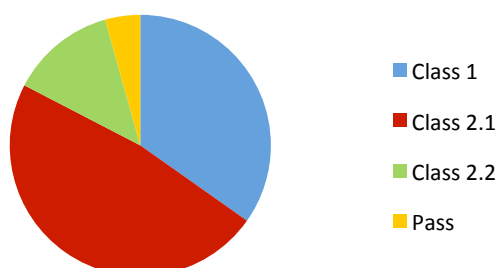
Some of the Academy's activities, notably its programmes of study, are dependent on fee income. We invested £1.8m (from our endowment income and other funds raised by the Development Department) in scholarships and financial support in 2011/12 to enable talented musicians who could not otherwise afford to undertake programmes to attend the Academy. We recognise that not everyone has the same level of educational opportunity, support or information, and we continue to develop our successful access initiatives through the work of the Junior Academy and through Open Academy, our specialist outreach department. Many of our

students are committed to working in the community through Open Academy projects: 239 Academy students took part in 39 projects during 2011/12 that reached over 1,711 external participants.

Academic Achievements

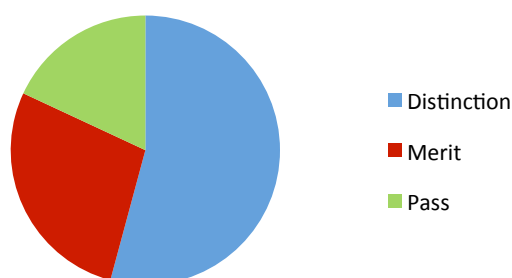
In 2011/12 69 students were awarded the BMus (University of London: RAM). Of these, 57 (83%) achieved either a First or an Upper Second. This represents a 3% decrease on the figures for 2010/11.

BMus Results 2012



170 students received awards at the end of taught postgraduate programmes. Of 155 students who graduated from the MA programme, 84 (54%) achieved a Distinction and 43 (20%) achieved a Merit. The percentage of Distinctions and Merits awarded represents a steady state against 2010/11.

MA Results 2012



One student was awarded a University of London PhD during 2011/12.

The number and quality of applicants to the Academy's programmes of study remain buoyant. For entry in September 2012 there were almost 2,000 applications which converted to just over 350 enrolments.

Artistic Achievements

The Academy produced a calendar of over 400 artistic events in 2011/12. Highlights include the Academy's collaboration with the Juilliard School New York in orchestral concerts at the Lincoln Center and at the BBC Proms conducted by John Adams; guest appearances by the Thomanerchor Leipzig and Sir John Eliot Gardiner during the fourth season of the Academy/Kohn Foundation Bach Cantata Series; concerts at the Southbank Centre to mark significant birthdays of Pierre Boulez and George Benjamin; four opera productions (including *Béatrice et Bénédict* conducted by Sir Colin Davis, *Die Zauberflöte* conducted by Jane Glover, and the London premiere of Jonathan Dove's *Mansfield Park*) together with a concert performance of the Prologue to *Ariadne auf Naxos* conducted by Elgar Howarth; two musical theatre productions (*The Pajama Game* and *Promises, Promises*); the European premiere of Charles Ives's Universe Symphony at the Aldeburgh Festival; orchestra concerts conducted by Christian Thielemann, Sir Colin Davis, Sir Mark Elder, Trevor Pinnock, Semyon Bychkov, Pierre-Laurent Aimard, Yan Pascal Tortelier, Martyn Brabbins and Susanna Mälkki; historical performance projects directed by Rachel Podger, Margaret Faultless and Laurence Cummings; and a year-long festival celebrating British viola music.

We released a CD of music by Frank Zappa, arranged by Academy student composers and performed by the Academy's Manson Ensemble conducted by Frank Ollu.

A busy schedule of public workshops and masterclasses by a host of internationally-renowned musicians – including Sir Thomas Allen, Sir Peter Maxwell Davies and Dame Mitsuko Uchida – bridged our programmes of study, community engagement, and artistic events.



Musical Theatre: A scene from *The Pajama Game* (June 2012)

Facilities

The major enhancement to the Academy's facilities during 2011/12 was the completion of Phase 1 of the refurbishment of the galleries in York Gate. The reconfiguration of the ground floor gallery has provided clearer visibility for the display of items from the Academy's collections, and enabled us to mount more focused, concentrated temporary exhibitions. It has thus been a major enhancement to one of the Academy's most public spaces.

Other Developments

On 1st March 2012, the Privy Council granted the Academy taught-degree-awarding powers, allowing the institution for the first time in its 190-year history to award its own degrees. The challenges of building and sustaining a career in the music industry mean that the Academy must always be a step ahead in the ways it fosters the employability of its students. In 2011/12 we introduced significant enhancements to our programme of professional development activities and appointed a new Head of Professional Development, Marc Ernesti. Many of our graduates will teach in their principal-study areas as part of a multi-strand career. The key way in which we lay firm foundations for their future success as teachers is the Licentiate of the Royal Academy of Music (LRAM) diploma. The structure and delivery of this course have been significantly developed and refined through the periodic review of the course in 2011/12. Our students acquire their understanding of the highest professional standards in performance and composition in large part through repeated exposure to leading practitioners. In 2011/12 our roster of professors and visiting professors was enriched by many new appointments from the highest echelons of the profession, including Joanna MacGregor (Head of Piano), Bjorn Dobbelaere (Head of Musical Theatre), Gareth Hancock (Head of Preparatory and Vocal Study Opera), Sir Harrison Birtwistle (Visiting Professor of Composition), and Semyon Bychkov (Otto Klemperer Chair in Conducting).

Open Academy is now delivering much of its community music and outreach work in partnership with the newly formed Music Hubs in Camden, Haringey, and Tri-borough (the Royal Borough of Kensington and Chelsea, Westminster City Council and London Borough of Hammersmith and Fulham). They continue to collaborate closely with Wigmore Hall, Glyndebourne and Spitalfields music on a range of innovative projects.

Junior Academy continues to provide high-quality music education for 12- to 18-year olds through its Saturday school, but has also been key in developing links with external community-based music organisations, including Academy partners Kuumba and Tomorrow's Warriors in the newly formed Advance Network.

The Academy's unique place in British musical life is embodied in our collections. They are a dynamic trace of the developing traditions of our musical heritage. It is acknowledged worldwide that our collection of fine stringed instruments by the greatest makers from the seventeenth and eighteenth centuries is of global significance. In 2011/12 we launched an exciting new project in collaboration with the Calleva Foundation to commission new stringed instruments from the finest makers working throughout the world today.

Future Plans

Along with the Higher Education sector as a whole, the Academy moves into 2012/13 with bracing challenges from a rapidly changing regulatory and funding landscape. We can, however, be positive about our prospects. We have made a strong case to the Higher Education Funding Council (HEFCE) for the continuation of our targeted allocation. We plan to refurbish our theatre, with a view to providing a venue worthy of the quality of our students' work, enabling easier access to the facility, and adding to the public resources of our local community in the Regent's Park area of London. As part of our strategy to develop support for our students and alumni, we are planning to launch the American Society for the Royal Academy of Music (ASRAM) to celebrate the success of our American alumni, strengthen our connections with top American institutions, and foster an American network of Academy friends and supporters. And we will continue to develop the quality of our students' educational experience by making every effort to attract the best musical talent (whether as students or staff) to the Academy and ensuring that our programmes and facilities offer them the best opportunities to fulfil their potential.

Academic and financial sustainability

Ongoing cuts in public sector funding have meant that the Academy's Senior Management Team continues to review all activity on a regular basis. Proposed new developments are considered alongside existing activities to ensure the most effective use of limited resources in order to maintain a world-class institution. The following principles underpin the plans:

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

Risk and uncertainty

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

- a further reduction in grant or fee income;
- the increased cost of pension funds;
- a substantial reduction in donations.

Scope of the Financial Statements

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

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

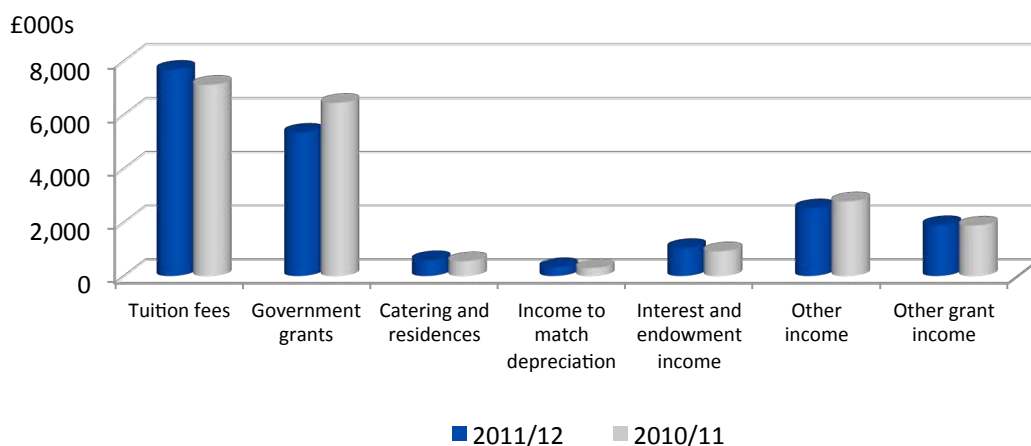
Results for the Year

The Academy is showing a surplus of £2,693k for the year (2010/11 £2,530k) after transfers and appropriations. The favourable outturn reflects both additional one-off income, including the donation of the Becket Collection of period instruments, and reduced operating costs. The Academy has continued a review of all activities to prepare for further cost reductions to meet the decrease in future HEFCE income and the continuing uncertainty arising from the impact of increased tuition fees, particularly in an economic climate that remains weak.

Total income for the year decreased by 3.0% to £19.5m (2010/11 £20.1m). The reduction in income was partly due to the third tranche of HEFCE matched funding grant being £575k lower than the year before, which reflected the phasing of the income. This grant was payable over three years and in the first year the Academy received £389k with £1,468k payable in 2010/11 and £893k paid in 2011/12. A substantial reduction in the ABRSM donation of £725k compared with the previous year has also led to lower income. This has been partially mitigated by the donation of a number of instruments.

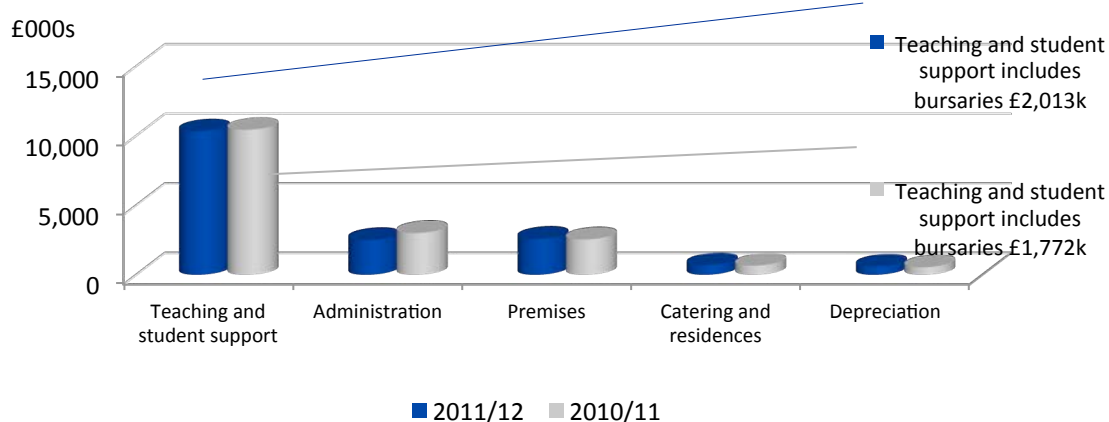
The success of the Development Department in raising donations in excess of the target and the excellent level of student retention, together with the low level of bad debts for fees, has meant that income exceeded the budget.

Income



Expenditure for the year was 2.9% lower than the previous year at £16.8m (2010/11 £17.3m) and salary costs have increased by just 0.5%, which reflects the national pay award. Non staff costs, excluding depreciation, have reduced by 7.9%. This is largely due to higher than normal expenditure in 2010/11 as a result of one-off fundraising, publicity and museum redevelopment costs. Investment in student bursaries increased as part of the Academy's overall commitment to ensuring the most able students can benefit from attending the Academy.

Expenditure



The main financial objective of the Academy is to achieve an operating surplus of 3% after allowing for long-term maintenance provision and earmarked funds, which can be re-invested in education. Our continued success in achieving matched funding targets together with careful control of expenditure has led to a surplus which will help to ensure a sustainable position for the future. It will be used as a cushion against further reductions in Government funding and donations, and a proportion of the funds will be earmarked to create additional bursaries. The results are set out in the table below.

	2011/12 £000s	2010/11 £000s
Income	19,476	20,067
Expenditure	(16,811)	(17,313)
Surplus on continuing operations, before transfers	2,665	2,754
Surplus for the year, after transfers and appropriations	2,693	2,530

The actuarial valuation of the Royal Academy of Music 1967 Pension Scheme showed an increase in the scheme deficit for FRS 17 purposes to £3,466k (2010/11 £2,043k). This was due to two factors: a large increase in scheme liabilities, mainly caused by a fall in the discount rate of 0.75% over the year; and lower than expected returns from net cash which impacted negatively on the asset value. The Academy is making contributions aimed at eliminating the deficit over nine years, in accordance with the recommendations of the actuary.

Capital Projects

The main investments during the year were in accordance with our planned maintenance programme and, in addition, we invested in a number of carbon reduction projects. We have been granted planning approval to transform our out-dated Theatre into a superb new facility with a reshaped auditorium, new balconies and increased seating capacity. We have launched a fundraising scheme 'Taking Centre Stage' to enable this development.

Cash Reserves and Long-term Liabilities

High quality treasury management is a particular priority as we seek to minimise risk whilst at the same time maximising returns from our cash. Working capital cash balances at the end of the year were £2.5m (2010/11 £2.0m), designated cash was £13.1m (2010/11 £11.2m) and current assets exceeded current liabilities by £12.0m (2010/11 £9.9m). Overall liquidity remains healthy but the majority of cash is designated or earmarked for specific purposes.

Endowment Assets and Investment Performance

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

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

Uncertainty remained high in the markets, global economic recovery was poor and the eurozone crisis continued to dominate. As a result the portfolio, managed by the external fund managers, shrank by 1.7% during the year although it generated a net yield of 2.9% (2010/11 2.6%) on the average fund balance, whilst the cash funds managed internally generated a return of 1.9% over the year (2010/11 1.6%).

The market value of combined endowment and fixed asset investments decreased from £26.0m at 31st July 2011, to £25.8m at 31st July 2012. New endowments from benefactors totalled £207k (2010/11 £178k).

Conclusion

The Academy has made a surplus on its operations mainly due to successful fundraising activities, which have attracted HEFCE matched funding grant, the receipt of a substantial gift of instruments, together with the control of operating costs. The forecast for the future is more challenging and these reserves will help to provide some protection for the next few years as the impact of public sector funding reductions, the Institution Specific Targeted Allocation review and the higher tuition fees are felt. This will provide the Academy with the opportunity to make considered decisions regarding any necessary restructuring for the future. We plan to increase our endowment income so that the Academy will have sufficient financial flexibility to maintain its position as a world-class conservatoire and to invest in training at the highest level.

This Report was approved by the Governing Body and the Principal on 22nd November 2012 and signed on its behalf by



Lord Burns
Chairman of Governing Body



Professor Jonathan Freeman-Attwood
Principal



Corporate Governance Statement

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

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

The Academy is an independent corporation, whose legal status derives from a Royal Charter originally granted in 1830. It is also a charity registered with the Charity Commission 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 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 Audit Committee, the Nominations Committee and the Academic Board. Recommendations and decisions of these Committees are reported to the Governing Body. These Committees are formally constituted as Committees of the Governing Body with written terms of reference. With the exception of the Academic Board, the membership of these committees includes a significant proportion of lay members from whom the Chairman is selected.

Corporate Governance arrangements are reviewed annually and amended as the Governing Body sees fit. As a result of a recent assurance review, a Governance Adviser, who is independent of both the Governing Body and the Senior Management Team, has been appointed to support the Governing Body.

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

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

The Nominations Committee considers nominations for Independent Governors. Vacancies are advertised on appropriate websites and other media.

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

Statement on Internal Control and Risks

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

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

The system of internal control is based on an ongoing process designed to identify the principal risks, to evaluate the nature and extent of those risks, and to manage them efficiently and effectively. This process has been in place for the year ended 31st July 2012 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

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

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

The Academy tendered for and appointed new external auditors and appointed new internal auditors during the year as part of the normal cycle of review.

The Academy's internal auditors operate to standards defined in the 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 2012 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 22nd November 2012, and signed on its behalf by

Responsibilities of the Governing Body

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

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

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

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

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

The Governing Body is responsible for taking reasonable steps to:

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

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

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

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 31st July 2012 which comprise the Consolidated Income and Expenditure Account, the Consolidated and Parent Institution Balance Sheets, the Consolidated Cash Flow Statement, the Statement of Group Total Recognised Gains and Losses, the Accounting Policies and the related Notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective Responsibilities of the Governing Body and Auditors

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

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent institution's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governing Body; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and institution's affairs as at 31st July 2012 and of the group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice –Accounting for Further and Higher Education.

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

In our opinion, in all material respects:

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

Matters on which we are required to report by exception

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

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

Mazars

MAZARS LLP
Chartered Accountants and Statutory Auditors
Clifton Down House
Beaufort Buildings
Bristol BS8 4AN

Date

26/11/12

Statement of Principal Accounting Policies

1 Accounting Convention

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

2 Basis of Consolidation

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

3 Accounting for retirement benefits

The Academy contributes to the Teachers Pension Scheme (TPS) and a Group Personal Pension Scheme (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 FRS 17 Retirement Benefits, it accounts for the Scheme as if it were a defined contribution scheme. As a result, the amount charged to the Income and Expenditure Account represents the contributions payable to the Scheme in respect of the accounting period.

The Academy also operates a defined benefit pension scheme, The Royal Academy of Music Pension Scheme 1967, which is closed to new members, and which provides retirement benefits based on the length of service and final pensionable salary for certain employees. The Academy has adopted FRS 17 Retirement Benefits in full with effect from 1st August 2005. In accordance with FRS 17, the operating and financing costs of the Scheme are recognised separately in the Income and Expenditure Account. Service costs are spread over the service lives of the employees and financing costs are recognised in the period in which they arise. The cost of past service benefit enhancements, settlements and curtailments are also recognised in the period in which they arise. The differences between actual and expected returns during the year, including changes in actuarial assumptions, are recognised in the Statement of Total Recognised Gains and Losses.

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

4 Leases

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

5 Land and Buildings

Expenditure which has added value to the main Academy property has been capitalised and has been depreciated over 40 years on a straight line basis.

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

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

6 Equipment and Collection of Musical Instruments

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

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

Assets in excess of £5k are capitalised.

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

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

7 Heritage assets

Since its foundation in 1822 the Academy has acquired important collections of instruments, manuscripts, paintings, photographs, busts, drawings, teaching aids and artefacts, batons, furnishings, memorabilia and other objects which have been bought or donated over the years. The majority of the instruments have been valued and are recorded in the balance sheet, most as working assets but a few, primarily stringed instruments made by Stradivari and Amati, are considered to be of such international importance that they are not generally used for educational or musical purposes but are on display in the Academy's museum, which is open to the public. Consequently they fall to be treated as heritage assets in accordance with Financial Reporting Standard 30 "Heritage Assets" as they are held primarily for their contribution to knowledge and culture. The Spencer Collection and the Menuhin Collection were both purchased by the Academy and are also included in the balance sheet as heritage assets. The other items of the type described above are numerous and 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 re-valued annually by independent valuers. Heritage assets purchased by the Academy are included in the financial statements at cost and are depreciated over 40 years. Costs in connection with the preservation and conservation of heritage assets are charged to the Income and Expenditure Account as they are incurred.

8 Investments

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

9 Taxation Status

As a registered charity the Academy is exempt from taxation in respect of income received within categories covered by Part II of the Corporation Tax Act 2010, to the extent that such income is applied exclusively for charitable purposes. The Academy's supply of education services is exempt from Value Added Tax; consequently no recovery of VAT suffered on educational expenditure incurred by the Academy is permissible.

10 Stocks

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

11 Endowments

Under the SORP endowments have been categorised as unrestricted or restricted and are further sub-divided between expendable and permanent. All bursary endowments are treated as permanent endowments. Donations in excess of £50k, where no direction has been given to the contrary, are classified as restricted expendable endowments. A review of endowments during the year has led to a reclassification of the unrestricted expendable endowments to restricted expendable.

12 Recognition of Income

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

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

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

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

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

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

13 Deferred Income

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

14 Provisions

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

15 Cash Flows and Liquid Resources

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

16 Maintenance of Premises

The Academy has a provision for the maintenance of its buildings which it is required to carry out in accordance with the terms of its lease. This is based on a 15-year maintenance plan which is reviewed on an annual basis. The provision represents the estimated cost at the balance sheet date of maintenance work falling due within the cyclical programme under the lease.

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

17 Comparatives

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

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



Royal Academy Opera: A scene from *Die Zauberflöte* (March 2012)

Consolidated Income and Expenditure Account

	<i>Note</i>	<i>2012</i> <i>Total</i> <i>£000</i>	<i>2011</i> <i>Total</i> <i>£000</i>
Income			
Funding Council Grants	1	5,175	6,279
Academic Fees and Support Grants	2	7,687	7,127
Research Grants & Contracts	3	171	175
Other Operating Income	4	5,387	5,555
Endowment and Investment Income	5	1,056	931
Total Income		<u>19,476</u>	<u>20,067</u>
Expenditure			
Staff Costs	6/7	9,211	9,165
Other Operating Expenses	8	6,981	7,576
Depreciation/impairment of Fixed Assets	9	619	572
Total Expenditure		<u>16,811</u>	<u>17,313</u>
Surplus on Continuing Operations for the Year		2,665	2,754
Transfer from/(to) Restricted Endowments	15	<u>(79)</u>	<u>(8)</u>
Surplus After Transfers		2,586	2,746
Appropriations to Earmarked Funds	16	107	(216)
Net Surplus after Transfers and appropriations		<u>2,693</u>	<u>2,530</u>

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

All items of income and expenditure arise from continuing operations.

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

Consolidated Balance Sheet

	<i>Note</i>	2012	2011
		£000	Restated £000
Fixed Assets			
Tangible Fixed Assets:			
Heritage	9a	35,751	27,554
Operational	9a	37,973	35,286
		<u>73,724</u>	<u>62,840</u>
Fixed Asset Investments	10	636	649
		<u>74,360</u>	<u>63,489</u>
Endowment Assets	10	<u>25,125</u>	<u>25,330</u>
Current Assets			
Stock		98	132
Debtors	11	1,391	2,033
Cash at bank - Working Capital		2,473	2,038
Cash at bank - Designated		13,083	11,220
		<u>17,045</u>	<u>15,423</u>
Creditors: Amounts falling due within one year	12a	<u>(5,010)</u>	<u>(5,565)</u>
Net Current Assets		<u>12,035</u>	<u>9,858</u>
Total Assets less Current Liabilities		<u>111,520</u>	<u>98,677</u>
Creditors: Amounts falling due after more than one year	12b	(106)	(108)
Provisions for Liabilities and Charges	13	<u>(1,139)</u>	<u>(1,005)</u>
Net Assets excluding pension deficit		110,275	97,564
Pension Deficit FRS 17	18	<u>(3,466)</u>	<u>(2,043)</u>
Net assets after pension deficit		<u>106,809</u>	<u>95,521</u>
Deferred Capital Grants	14	16,561	16,912
Endowment Funds			
Restricted Expendable	15	8,468	8,433
Permanent	15	16,657	16,897
		<u>25,125</u>	<u>25,330</u>
Income and Expenditure Account Reserves			
Revaluation Reserve	22	50,060	39,117
Earmarked Funds	16	6,445	6,557
		<u>56,505</u>	<u>45,674</u>
Income and Expenditure Account excluding pension reserve	17	12,084	9,648
Pension Deficit	17	<u>(3,466)</u>	<u>(2,043)</u>
Income and Expenditure Account after pension deficit		8,618	7,605
Total Reserves		<u>65,123</u>	<u>53,279</u>
Total Funds		<u>106,809</u>	<u>95,521</u>

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

Academy Balance Sheet

	<i>Note</i>	<i>2012</i>	<i>2011</i>
		<i>£000</i>	<i>Restated £000</i>
Fixed Assets			
Tangible Fixed Assets:			
Heritage	9b	34,821	26,594
Operational	9b	26,073	23,172
		<hr/>	<hr/>
		60,894	49,766
Fixed Asset Investments	10	636	649
		<hr/>	<hr/>
		61,530	50,415
Endowment Assets	10	<hr/>	<hr/>
		25,125	25,330
Current Assets			
Stock		5	24
Debtors	11	1,387	2,030
Cash at bank and in hand - Working Capital		2,435	2,005
Cash at bank and in hand - Designated		13,083	11,220
		<hr/>	<hr/>
		16,910	15,279
Creditors: Amounts falling due within one year	12a	<hr/>	<hr/>
		(4,983)	(5,531)
Net Current Assets		<hr/>	<hr/>
		11,927	9,748
Total Assets less Current Liabilities		<hr/>	<hr/>
		98,582	85,493
Provisions for Liabilities and Charges	13	<hr/>	<hr/>
		(1,139)	(1,005)
Net Assets		<hr/>	<hr/>
		97,443	84,488
Pension Deficit FRS 17	18	<hr/>	<hr/>
Net assets after pension deficit		(3,466)	(2,043)
		<hr/>	<hr/>
		93,977	82,445
Deferred Capital Grants	14	<hr/>	<hr/>
		3,729	3,836
Endowment Funds:			
Restricted Expendable	15	8,468	8,433
Permanent	15	16,657	16,897
		<hr/>	<hr/>
		25,125	25,330
Income and Expenditure Account Reserves			
Revaluation Reserve	22	50,060	39,117
Earmarked Funds	16	6,445	6,557
Income and Expenditure Account excluding pension reserve	17	12,084	9,648
Pension Deficit	17	(3,466)	(2,043)
Income and Expenditure Account after pension deficit		<hr/>	<hr/>
		8,618	7,605
Total Reserves		<hr/>	<hr/>
		65,123	53,279
Total Funds		<hr/>	<hr/>
		93,977	82,445

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

The financial statements were approved by the Governing Body and authorised for issue on 22nd November 2012



Lord Burns
Chairman



Anthony Travis
Chairman - Finance and General Purposes Committee

Consolidated Cash Flow Statement

	<i>Note</i>	2012	2011
		£000	£000
Net cash inflow from operating activities		1,799	996
Returns on investment	21a	1,124	973
Capital expenditure and financial investment	21a	(437)	51
Cash inflow before use of liquid resources and financing		<u>2,486</u>	<u>2,020</u>
Management of liquid resources	21a	(186)	337
Financing	21a	(2)	8
Increase in cash in the year		<u>2,298</u>	<u>2,365</u>
Reconciliation of Surplus for the year to Net Cash Inflow from Operating Activities			
Surplus on continuing operations for the year		2,665	2,754
Adjustments for non cash items			
Depreciation and impairment charges		619	572
Release of deferred capital grants		(356)	(322)
Decrease in stock		34	8
(Increase)/decrease in debtors		642	(1,486)
(Decrease)/increase in creditors		(560)	952
Increase in provisions		134	75
Profit on disposal of fixed assets		(11)	(47)
Pension Fund non-cash movement		(244)	(537)
Reclassification			
Endowment and Investment Return		(1,124)	(973)
Net cash inflow from operating activities		<u>1,799</u>	<u>996</u>
Reconciliation of Net Cash Flow to Movement in Net Funds			
Increase in cash in the year		2,298	2,365
Cash (outflow)/inflow from long-term loan repayment		2	(8)
Cash (outflow)/inflow from liquid resources		186	(337)
Movement in net funds in the period		<u>2,486</u>	<u>2,020</u>
Net funds at 1st August		<u>15,140</u>	<u>13,120</u>
Net funds at 31st July	21b	<u>17,626</u>	<u>15,140</u>

Consolidated Statement of Total Recognised Gains and Losses

	<i>Note</i>	2012	2011
		£000	£000
Surplus on continuing operations after transfers		2,586	2,746
Net additions to other reserves:			
Musical Instrument Collection Reserve - Heritage share		8,250	2,000
Musical Instrument Collection Reserve - Operational share		2,693	(111)
Fixed Asset Investment General Fund Devaluation		(13)	52
(Depreciation)/appreciation of Expendable Endowment Asset		(491)	1,967
Investments			
Endowment Income retained on Expendable endowments		24	28
Endowment Income utilised on Permanent endowments		55	(20)
New Endowments received		207	178
Earmarked Funds		(5)	-
Actuarial loss in respect of RAM 1967 pension scheme		(1,667)	(968)
Total recognised gains for the year		<u>11,639</u>	<u>5,872</u>
Reconciliation			
Opening reserves and endowments as previously reported		78,609	69,721
Prior year adjustment regarding historic assets	17	<u>3,016</u>	-
Opening reserves and endowments		81,625	69,721
Total recognised gains and losses for the year		<u>11,639</u>	<u>5,872</u>
Closing reserves and endowments		<u>93,264</u>	<u>75,593</u>

Notes to the Financial Statements

	<i>Note</i>	2012 £000	2011 £000
1 Funding Council Grants			
Recurrent Teaching grant		3,605	4,013
Recurrent Research grant		431	428
Other Special funding		1,128	1,827
Release of deferred capital grants (equipment)		11	11
		<u>5,175</u>	<u>6,279</u>
2 Academic Fees and Support Grants			
Full-time Home and EU		3,514	3,329
Full-time International		3,320	2,965
Junior & Intermediate		853	833
		<u>7,687</u>	<u>7,127</u>
3 Research Grants & Contracts			
Research Councils		171	175
		<u>171</u>	<u>175</u>
4 Other Operating Income			
Residences and catering		603	563
Other grant income		1,907	1,891
Release of deferred capital grants	14	345	311
Other operating income *		2,060	2,790
Donations of assets (non cash)		472	-
		<u>5,387</u>	<u>5,555</u>
* Includes donation income from ABRSM			
5 Endowment and Investment Return			
Income earned from Expendable Endowments	15	268	248
Income earned from Permanent Endowments	15	544	505
Sub-total Endowment Investment Income		<u>812</u>	<u>753</u>
Other finance income - Pension Scheme	18	(68)	(42)
Other interest receivable		312	220
		<u>1,056</u>	<u>931</u>

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:

	2012 Staff nos FTE	2011 Staff nos FTE	2012 Staff costs £000	2011 Staff costs £000
Teaching	121	118	5,554	5,469
Support	9	9	409	398
Other Academic Services	11	11	357	396
Central administration and services	32	31	1,472	1,541
General Education	14	15	508	478
Student/staff facilities	2	2	79	78
Premises	14	15	528	485
Catering and residence	6	6	180	178
Research Grants and Contracts	3	3	124	142
	<u>212</u>	<u>210</u>	<u>9,211</u>	<u>9,165</u>

Notes to the Financial Statements continued

6	Staff Numbers and Costs	2012	2011
ctd		£000	£000
	Wages and Salaries	8,241	8,253
	Social Security Costs	635	569
	Other Pension Costs	335	343
		<u>9,211</u>	<u>9,165</u>

There were no staff, excluding the Principal, who received emoluments (including taxable benefits but excluding employer's pension contributions) in excess of £100,000 (2011 nil).

7	Principal's Emoluments	2012	2011
		£	£
	Emoluments	145,627	138,662
	Pension contributions	45,325	44,275

The Principal is required as part of his contract to live on the Academy premises. The premises are an integral part of the main Academy building and the apportioned costs associated with the Principal's residence are £15,473 (2011 £15,352).

8	Other Operating Expenses	2012		2011	
		£000	£000	£000	£000
	Teaching		851		772
	Support		35		37
	Other Academic Services		(210)		432
	Central administration and services	969		1,303	
	External audit - annual audit fee *	45		47	
	- other fees *	6		36	
	Internal audit	<u>32</u>		<u>42</u>	
	Subtotal Central Administration		1,052		1,428
	General Education		2,208		1,931
	Student/staff facilities		67		66
	Premises		1,776		1,840
	Long-term maintenance		315		250
	Catering and Residence		539		510
	Research Grants and Contracts		47		33
	Other Services rendered - Academy Chimes		<u>301</u>		<u>277</u>
			<u>6,981</u>		<u>7,576</u>

*External Auditors' remuneration includes £32,868 (2011 £41,400) in respect of the Main Academy.

Notes to the Financial Statements continued

9 Tangible Fixed Assets

a) Consolidated

	OPERATIONAL			HERITAGE			TOTAL	
	<i>Long Leasehold Land and Buildings</i>	<i>Equipment</i>	<i>Operational Instrument Collection</i>	<i>Subtotal Operational Assets</i>	<i>Heritage Instrument Collection</i>	<i>Menuhin & Spencer Collections</i>	<i>Subtotal Heritage Assets</i>	<i>Grand Total</i>
	Cost	Cost	Valuation		Valuation	Cost		
Cost or valuation	£000	£000	£000	£000	£000	£000	£000	£000
At 1st August 2011	24,622	2,546	13,427	40,595	25,690	2,105	27,795	68,390
Prior Year Adjustment	-	2,455	381	2,836	180	-	180	3,016
At 1st August 2011 Restated	24,622	5,001	13,808	43,431	25,870	2,105	27,975	71,406
Additions	-	127	472	599	-	-	-	599
Disposals	(69)	(385)	-	(454)	-	-	-	(454)
Revaluation	-	-	2,693	2,693	8,250	-	8,250	10,943
At 31st July 2012	24,553	4,743	16,973	46,269	34,120	2,105	36,225	82,494
Depreciation								
At 1st August 2011	6,228	1,917	-	8,145	-	421	421	8,566
Disposals	(30)	(385)	-	(415)	-	-	-	(415)
Charge for the year	360	206	-	566	-	53	53	619
At 31st July 2012	6,558	1,738	-	8,296	-	474	474	8,770
Net Book Value								
At 31st July 2012	17,995	3,005	16,973	37,973	34,120	1,631	35,751	73,724
At 1st August 2011	18,394	629	13,427	32,450	25,690	1,684	27,374	59,824
Prior Year Adjustment	-	2,455	381	2,836	180	-	180	3,016
At 31st July 2011 Restated	18,394	3,084	13,808	35,286	25,870	1,684	27,554	62,840

Over 95% of the value of stringed instruments held as heritage assets is represented by four instruments made by Antonio Stradivari. The key instruments are re-valued by J & A Beare Limited.

The Cobbe Collection, valued at £180,000, is included under heritage assets for the first time in the year ended 31st July 2012 as a prior year adjustment (2011 no additions).

There were no disposals of heritage assets during the year (2011 nil).

b) Academy

	<i>Long Leasehold Land and Buildings</i>	<i>Equipment</i>	<i>Operational Instrument Collection</i>	<i>Subtotal Operational Assets</i>	<i>Heritage Instrument Collection</i>	<i>Spencer Collection</i>	<i>Subtotal Heritage Assets</i>	<i>Grand Total</i>
	Cost	Cost	Valuation		Valuation	Cost		
	£000	£000	£000	£000	£000	£000	£000	£000
At 1st August 2011	10,212	2,551	13,427	26,190	25,690	905	26,595	52,785
Prior Year Adjustment	-	2,455	381	2,836	180	-	180	3,016
At 1st August 2011 Restated	10,212	5,006	13,808	29,026	25,870	905	26,775	55,801
Additions	-	127	472	599	-	-	-	599
Disposals	(69)	(385)	-	(454)	-	-	-	(454)
Revaluation	-	-	2,693	2,693	8,250	-	8,250	10,943
At 31st July 2012	10,143	4,748	16,973	31,864	34,120	905	35,025	66,889
Depreciation								
At 1st August 2011	3,937	1,917	-	5,854	-	181	181	6,035
Disposals	(30)	(385)	-	(415)	-	-	-	(415)
Charge for the year	147	205	-	352	-	23	23	375
At 31st July 2012	4,054	1,737	-	5,791	-	204	204	5,995
Net Book Value								
At 31st July 2012	6,089	3,011	16,973	26,073	34,120	701	34,821	60,894
As at 1st August 2011	6,275	634	13,427	20,336	25,690	724	26,414	46,750
Prior Year Adjustment	-	2,455	381	2,836	180	-	180	3,016
At 31st July 2011 Restated	6,275	3,089	13,808	23,172	25,870	724	26,594	49,766

Notes to the Financial Statements continued

10 Investments and Endowment Assets

At Market Value	<i>Consolidated and Academy</i>		
	<i>Fixed</i>	<i>Endowment</i>	<i>Total</i>
	<i>Assets</i>	<i>Assets</i>	<i>Investments</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1st August 2011	649	25,330	25,979
Purchases of investments	22	938	960
Proceeds from sales of investments	(22)	(838)	(860)
Depreciation on disposal/revaluation	(13)	(491)	(504)
Increase in cash balances held at Fund managers	-	6	6
Change in current assets	-	180	180
At 31st July 2012	636	25,125	25,761
Represented by:			
Fixed Interest Stocks	98	3,758	3,856
Equities	398	15,225	15,623
Property	75	2,872	2,947
Other	65	1,094	1,159
Current Assets	-	2,176	2,176
	636	25,125	25,761

11 Debtors

	<i>Consolidated</i>	<i>Academy</i>	<i>Consolidated</i>	<i>Academy</i>
	<i>2012</i>	<i>2012</i>	<i>2011</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade Debtors	204	202	325	322
Prepayments and accrued income	1,187	1,185	1,708	1,708
	1,391	1,387	2,033	2,030

12 Creditors

a) Creditors: Amounts falling due within one year	<i>Consolidated</i>	<i>Academy</i>	<i>Consolidated</i>	<i>Academy</i>
	<i>2012</i>	<i>2012</i>	<i>2011</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Trade Creditors	9	-	213	199
Fees in Advance	1,708	1,708	1,719	1,719
Deferred revenue grants and donations (specific purpose)	1,785	1,785	1,831	1,831
Amounts owed to subsidiary undertakings	-	1	-	1
Taxation and social security	239	239	248	248
Other Creditors & Accruals	1,269	1,250	1,554	1,533
	5,010	4,983	5,565	5,531
b) Creditors: Amounts falling due after more than one year	<i>Consolidated</i>	<i>Academy</i>	<i>Consolidated</i>	<i>Academy</i>
	<i>2012</i>	<i>2012</i>	<i>2011</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Loan from Chimes Consultancy	106	-	108	-
	106	-	108	-

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.

Notes to the Financial Statements continued

13 Provisions for Liabilities and Charges

Consolidated & Academy
£000

Long-term Maintenance Provision

At 1st August 2011	1,005
Transferred from Income and Expenditure Account	315
Expenditure	(181)
At 31st July 2012	<u>1,139</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 2011						
Buildings	-	13,662	13,662	-	1,547	1,547
Equipment	261	2,989	3,250	261	2,028	2,289
Total	<u>261</u>	<u>16,651</u>	<u>16,912</u>	<u>261</u>	<u>3,575</u>	<u>3,836</u>
Cash received:						
Buildings	-	2	2	-	3	3
Equipment	-	3	3	-	3	3
Total	<u>-</u>	<u>5</u>	<u>5</u>	<u>-</u>	<u>6</u>	<u>6</u>
Released to Income and Expenditure:						
Buildings	-	254	254	-	41	41
Equipment	11	91	102	11	61	72
Total (Notes 1 and 4)	<u>11</u>	<u>345</u>	<u>356</u>	<u>11</u>	<u>102</u>	<u>113</u>
At 31st July 2012						
Buildings	-	13,410	13,410	-	1,509	1,509
Equipment	250	2,901	3,151	250	1,970	2,220
Total	<u>250</u>	<u>16,311</u>	<u>16,561</u>	<u>250</u>	<u>3,479</u>	<u>3,729</u>

15 Endowment Funds

	<i>Consolidated and Academy</i>			<i>2011</i>
	<i>Restricted Expendable</i>	<i>Restricted Permanent</i>	<i>Grand Total</i>	<i>Grand Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Capital				
At 1st August 2011	8,153	16,506	24,659	22,514
Depreciation of endowment asset investments	(164)	(327)	(491)	1,967
New endowments received	175	32	207	178
At 31st July 2012	<u>8,164</u>	<u>16,211</u>	<u>24,375</u>	<u>24,659</u>
Accumulated Income				
At 1st August 2011	280	391	671	663
Investment income	268	544	812	753
Expenditure	(244)	(489)	(733)	(745)
Transfer (to)/from Income & Expenditure Account	24	55	79	8
At 31st July 2012	<u>304</u>	<u>446</u>	<u>750</u>	<u>671</u>
Total Funds				
At 1st August 2011	8,433	16,897	25,330	23,177
At 31st July 2012	<u>8,468</u>	<u>16,657</u>	<u>25,125</u>	<u>25,330</u>

Notes to the Financial Statements continued

16 Earmarked Funds - Academy and Consolidated

	<i>Consolidated & Academy</i>	<i>Academy</i>
	<i>£000</i>	<i>£000</i>
At 1st August 2011	6,557	6,557
Transfer from Income and Expenditure Account (Note 17)	(107)	(108)
Transfer to Creditors	(5)	(4)
At 31st July 2012	6,445	6,445

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

17 Income and Expenditure Account

	<i>Consolidated & Academy</i>			<i>Academy</i>		
	<i>Excluding pension scheme</i>	<i>RAM 1967 pension scheme</i>	<i>Total</i>	<i>Excluding pension scheme</i>	<i>RAM 1967 pension scheme</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 2011	6,632	(2,043)	4,589	6,632	(2,043)	4,589
Prior Year Adjustment	3,016	-	3,016	3,016	-	3,016
At 1st August 2011 Restated	9,648	(2,043)	7,605	9,648	(2,043)	7,605
Revaluation of Fixed Asset Investments	(13)	-	(13)	(13)	-	(13)
Transfer to Earmarked Funds (Note 16)	107	-	107	108	-	108
Surplus for the year	2,342	244	2,586	2,341	244	2,585
Actuarial loss	-	(1,667)	(1,667)	-	(1,667)	(1,667)
At 31st July 2012	12,084	(3,466)	8,618	12,084	(3,466)	8,618

The prior year adjustment reflects the inclusion of artefacts, value £2,545k, and instruments, value £561k, which were not previously included in the balance sheet as valuations were not available.

18 FRS 17 Retirement Benefits disclosures

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

Total pension cost for the year was:	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
Teachers Pension Scheme: employer's contributions paid	229	202
Group Personal Pension Scheme: employer's contributions paid	106	141
Royal Academy of Music Pension Scheme 1967: net charge to Income & Expenditure Account	79	42
Total pension cost	414	385

Teachers' Pension Scheme

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

Notes to the Financial Statements continued

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

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

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

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

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

From 1st April 2012 to 31 March 2013, the employee contribution rate will range between 6.4% and 8.8%, depending on a member's Full Time Equivalent salary. Further changes to the employee contribution rate will be applied in 2013/14 and 2014/15.

Actuarial scheme valuations are dependent on assumptions about the value of future costs, design of benefits and many other factors. Many of these are being discussed in the context of the design of a reformed TPS, as set out in the Proposed Final Agreement, and scheme valuations are, therefore, currently suspended. The Government, however, has set out a future process for determining the employer contribution rate under the new scheme, and this process will involve a full actuarial valuation.

Royal Academy of Music Pension Scheme 1967

The Academy operates a funded defined benefit scheme which is managed by the Prudential Assurance Company Limited and was closed to future accruals of pension benefit on 31st March 2005. The Academy is funding the scheme deficit with minimum contributions of £312,000 per annum with effect from 1st April 2011. Scheme liabilities have been valued using the projected unit method. The actuarial valuation as at 31st December 2009 was updated to 31st July 2011 for FRS 17 purposes.

Notes to the Financial Statements continued

18 Main assumptions used by the actuary in valuing liabilities	As at	As at
ctd	31st July 2012	31st July 2011
Discount rate	4.50%	5.25%
Inflation	2.75%	3.20%
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	2.50%	2.85%
*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	As at
		31st July 2012	31st July 2011
Retiring today:	Males	23.00	22.90
	Females	25.50	25.40
Retiring in 20 years:	Males	25.40	25.30
	Females	27.80	27.70

Analysis of amount charged to operating profit	2012	2011
	£000	£000
Past service cost	(11)	-
Total operating charge	(11)	-

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

Analysis of amount (charged)/credited to other finance income	2012	2011
	£000	£000
Expected return on pension scheme assets	495	507
Interest on pension scheme liabilities	(563)	(549)
Net charge (Note 5)	(68)	(42)

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)	2012	2011
	£000	£000
Actual return less expected return on pension scheme assets	9	(540)
Experience gains and losses arising on scheme liabilities	(1,676)	(428)
Actuarial loss recognised in STRGL	(1,667)	(968)

Movement in deficit assets and liabilities during the year

	2012			2011		
	Assets	Liabilities	Net	Assets	Liabilities	Net
	£000	£000	£000	£000	£000	£000
Deficit in scheme at beginning of the year	8,908	10,951	(2,043)	8,738	10,350	(1,612)
Movement in year:						
Contributions	323	-	323	579	-	579
Past service cost	-	11	(11)	-	-	-
Other finance income/(charge)	495	563	(68)	507	549	(42)
Benefits paid	(472)	(472)	-	(376)	(376)	-
Actuarial gain/(loss)	9	1,676	(1,667)	(540)	428	(968)
Deficit in scheme at end of the year	9,263	12,729	(3,466)	8,908	10,951	(2,043)

Notes to the Financial Statements continued

18	Analysis of Scheme Assets	<i>Long term ROR expected</i>		<i>Long term ROR expected</i>		
ctd						
	Cash Accumulation Policy	4.70%	3,520	5.95%	4,273	
	Secured pensions in payment	4.50%	5,743	5.25%	4,635	
			<u>9,263</u>		<u>8,908</u>	
	History of experience gains and losses	2012	2011	2010	2009	2008
	Experience adjustments on scheme assets					
	Amount (£000)	9	(540)	711	(305)	(458)
	Percentage of scheme assets	0.1%	-6.1%	8.1%	-4.0%	-6.2%
	Experience adjustments on scheme liabilities					
	Amount (£000)	1,676	428	1,103	901	(1,137)
	Percentage of scheme liabilities	13.2%	3.9%	10.7%	10.0%	-14.4%
	Total amount recognised in statement of recognised gains and losses					
	Amount (£000)	(1,667)	(968)	(392)	(1,206)	679
	Percentage of scheme liabilities	-13.1%	-8.8%	-3.8%	-13.4%	8.6%
	History of Defined Benefit Scheme					
	Present Value of Defined Benefit Obligation	12,729	10,951	10,350	9,015	7,890
	Fair Value of Scheme Assets	9,263	8,908	8,738	7,578	7,390
	Surplus/(deficit) arising in the scheme	(3,466)	(2,043)	(1,612)	(1,437)	(500)

Group Personal Pension Scheme

A Group Personal Pension Scheme (GPPS) was started on 1st April 2005 for all Administration Staff. This scheme is a defined contribution scheme with employee and employer contributions being based on length of service. There were no contributions outstanding or prepaid at the balance sheet date and the amount of employer contributions paid during the year were £106,149 (2010/11 £140,921).

19	Capital Commitments	<i>Consolidated</i>	<i>Academy</i>	<i>Consolidated</i>	<i>Academy</i>
		2012	2012	2011	2011
		£000	£000	£000	£000
	Capital Commitments contracted for at 31st July 2012	450	450	720	720

Notes to the Financial Statements continued

20 Lease Obligations

At 31st July 2012, the Academy and its group had annual commitments under non-cancellable operating leases expiring as follows

	2012	Restated
	£000	2011
		£000
Land and Buildings		
Expiring within one year	147	28
Expiring between two and five years	17	157
Expiring in over five years	338	327
	<u>502</u>	<u>512</u>
Other		
Expiring within one year	-	20
Expiring between one and two years	17	2
Expiring between two and five years	44	17
	<u>61</u>	<u>39</u>

21 Notes to the Cash Flow Statement

a) Gross Cash Flows

	2012	2011
	£000	£000
Interest and investment income		
Bank interest received	312	220
Endowment income	812	753
Net cash inflow from returns on investment	<u>1,124</u>	<u>973</u>
Capital expenditure and financial investment		
Purchase of tangible operational assets	(599)	(388)
Payments to acquire fixed asset investments	(22)	(13)
Payments to acquire endowment asset investments	(938)	(1,021)
Total payments to acquire fixed/endowment assets	<u>(1,559)</u>	<u>(1,422)</u>
Receipts from sale of tangible operational assets	50	47
Receipts from sale of fixed asset investments	22	13
Receipts from sale of endowment asset investments	838	498
Deferred capital grants received	5	737
New endowments received	207	178
Net cash (outflow)/inflow from capital expenditure and financial investment	<u>(437)</u>	<u>51</u>
Management of Liquid Resources		
Movement in cash held by fund managers	(6)	-
Movement on endowment current assets	(180)	337
Net cash (outflow)/inflow from management of liquid resources	<u>(186)</u>	<u>337</u>
Financing		
Increase in long-term loan	(2)	8
Net cash (outflow)/inflow from financing	<u>(2)</u>	<u>8</u>

Notes to the Financial Statements continued

21 Notes to the Cash Flow Statement ctd

b) Analysis of changes in net funds

	<i>Net Funds</i> <i>At 1st August 2011</i>	<i>Cash Flows</i>	<i>Net Funds</i> <i>At 31st July 2012</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cash at bank and in hand	13,258	2,298	15,556
Endowment current assets	1,990	186	2,176
	<u>15,248</u>	<u>2,484</u>	<u>17,732</u>
Debt due after more than one year	(108)	2	(106)
	<u>15,140</u>	<u>2,486</u>	<u>17,626</u>

22 Revaluation Reserve

	<i>Consolidated and Academy</i>			
	<i>Musical Instrument Collection Reserve - Operational</i>	<i>Musical Instrument Collection Reserve - Heritage</i>	<i>Musical Instrument Collection Reserve - Total</i>	<i>Total Revaluation Reserve</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1st August 2011	13,247	25,870	39,117	39,117
Revaluation of Operational Instruments	2,693	-	2,693	2,693
Revaluation of Heritage Instruments	-	8,250	8,250	8,250
At 31st July 2012	<u>15,940</u>	<u>34,120</u>	<u>50,060</u>	<u>50,060</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 Limited 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 re-valued in accordance with FRS 15.

23 Additional Disclosure Items

	<i>2012</i>	<i>2011</i>
	<i>£000</i>	<i>£000</i>
Access Funds		
HEFCE grants	7	9
Disbursed to Students	(7)	(9)
At 31st July 2012	<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.

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.

Notes to the Financial Statements continued

24 The RAM Student Union is a separate entity which is classed as a related party for the purposes of these financial statements. A grant of £42,751 (2011 £41,448) was due to the RAMSU for their work in supporting students during the year. Of this sum £1,364 was paid in advance at the year end (2011 £13,855 was owing to RAMSU).

No Trustee (member of the Governing Body) received any remuneration or reimbursement of expenses during the year.

FRS 8 Exemption

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

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Principal: Jonathan Freeman-Attwood



University of London