



Royal Academy of Arts
Annual Accounts 2012

**ROYAL ACADEMY OF ARTS
LIMITED**

(A Company Limited by Guarantee)

Registered Charity No. 1125383
Registered Company No. 06298947

**REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 AUGUST 2012**

Royal Academy of Arts

Trustees' Report

For the Year Ended 31 August 2012

Registered Charity No. 1125383

Registered Company No. 06298947

PRESIDENT AND COUNCIL:

in the financial year and at the date of signing:

President

Sir Nicholas Grimshaw CBE PPRA (resigned 8 December 2011)

Christopher Le Brun PRA (elected 8 December 2011)

Council

Tony Bevan RA (appointed 20 September 2011, resigned 2 October 2012)

John Coombe (resigned 2 October 2012)

Stephen Cox RA (elected 2 October 2012)

Gus Cummins RA (elected 16 March 2010, resigned 2 October 2012)

Richard Deacon CBE RA (appointed 20 September 2011)

Spencer de Grey CBE RA (elected 16 March 2010, re-elected 2 October 2012)

Tracey Emin CBE RA (appointed 21 Sept 2010, resigned 2 October 2012)

Professor Stephen Farthing RA (appointed 21 Sept 2010, elected 2 October 2012)

Mariella Frostrup (appointed 8 Dec 2009)

Piers Gough CBE RA (appointed 20 September 2011)

Nigel Hall RA (appointed 20 September 2011, resigned 2 October 2012)

Julian Heslop (appointed 2 October 2012)

Gary Hume RA (appointed 2 October 2012)

Eva Jiricna CBE RA (appointed 20 September 2011, elected 2 October 2012)

Allen Jones RA (appointed 21 Sept 2010, resigned 2 October 2012)

Michael Landy RA (appointed 20 September 2011, resigned 2 October 2012)

Mali Morris RA (appointed 2 October 2012)

Sir Alan Moses (appointed 11 December 2007, reappointed 10 March 2010)

Professor Humphrey Ocean RA (appointed 20 September 2011, re-appointed 20 October 2012)

Hughie O'Donoghue RA (appointed 2 October 2012)

Professor Chris Orr RA (appointed 2 October 2012)

Cornelia Parker RA (appointed 2 October 2012)

Alison Wilding RA (appointed 20 September 2011)

Officers

Sir Nicholas Grimshaw CBE PRA

President (resigned 8 December 2011)

Christopher Le Brun

President (elected 8 December 2011)

Maurice Cockrill RA

Keeper (resigned 1 October 2011)

Eileen Cooper RA

Keeper (elected 1 October 2011)

Professor Paul Huxley RA

Treasurer

Charles Saumarez Smith CBE

Secretary & Chief Executive

Company Secretary

Dominic Anghileri

Royal Academy of Arts

Trustees' Report

For the Year Ended 31 August 2012

Royal Academy Committees

at the date of signing:

Executive Committee

Charles Saumarez Smith CBE (Chairman)
Dominic Anghileri
Ian Blackburn
Eliza Bonham Carter
Will Dallimore
Elizabeth Horne
Jane Marriott
Katherine Montague
Kathleen Soriano
MaryAnne Stevens

Finance Committee

Professor Paul Huxley RA (Chairman)
Dominic Anghileri
Adam Bennett
John Coombe
Julian Heslop
Professor Chris Orr MBE RA
Charles Saumarez Smith CBE
Peter Williams

Audit Committee

Julian Heslop (Chairman)
Professor Norman Ackroyd CBE RA
Tony Bevan RA
Steve Caine
Hughie O'Donoghue RA
Ronald W Zeghibe

Professional Advisors:

Auditors

Kingston Smith LLP
Devonshire House
60 Goswell Road
London EC1M 7AD

Bankers

The Royal Bank of Scotland plc
PO Box 412
62/63 Threadneedle Street
London EC2R 8LA

Registered Office

Burlington House
Piccadilly
London W1J 0BD

Registered Charity Number

1125383

Registered Company Number

06298947

Exhibitions Committee

Professor Stephen Farthing RA (Chairman)
Professor Josephine Dawn Ades CBE FBA
Stephen Chambers RA
Allen Jones RA
Christopher Lloyd CVO
Mick Moon RA
Eric Parry RA
Kathleen Soriano
Alison Wilding RA
Professor Richard Wilson RA
President *ex officio*
Keeper *ex officio*
Treasurer *ex officio*
Secretary and Chief Executive *ex officio*

Remuneration Committee

Philip Marsden (Chairman)
Stephen Chambers RA
Alan Stanton RA
Treasurer *ex officio*
Secretary and Chief Executive *ex officio*

Solicitors

Jones Day
21 Tudor Street
London EC4Y 0DJ

Royal Academy of Arts

Trustees' Report

For the Year Ended 31 August 2012

CONSTITUTION AND CHARITABLE OBJECTIVES

Constitution

The Royal Academy of Arts was incorporated as a company limited by guarantee on 2 July 2007, company registration number 06298947, and registered as a charity on 6 August 2008, charity registration number 1125383.

The incorporated Royal Academy of Arts commenced trading on 1 September 2009 following the transfer of the net assets and undertakings from the unincorporated Royal Academy of Arts, charity registration number 212798.

The Royal Academy today continues to aspire, in the words of its eighteenth-century founders, to “promote the arts of design”. It believes in learning through first-hand experience of the arts and is unique in its combination of practical work, exhibitions and learning programmes.

Its members are painters, sculptors, architects, engravers, printmakers and draughtsman elected by their peers for their distinction as artists. There are up to 80 active members (under the age of 75) and a number of senior Academicians (over the age of 75).

The Royal Academy receives no revenue support from the government or any other public body.

The charitable objects are:

- The promotion of the Arts of Design
- The education of the public in the creation, enjoyment, appreciation and understanding of the arts, through exhibitions, educational programmes and debate by all charitable means as the members of Council may think fit.
- The relief of poverty by the payment of pensions or donations to any person connected with the Royal Academy who is in need.

Governance and Management

The Royal Academy is governed by a Council consisting of thirteen Academicians, up to three individuals who are not Academicians, and the President.

Six seats in the Council go by rotation to all the Academicians, three go to newly elected Academicians and four are elected by a General Assembly of all Academicians. Academicians serve for one year (if newly elected) or two years for their second and subsequent terms. Elected Academicians serve for two years and are able to be re-elected for a further two terms of two years. External members of Council are elected for a period of two years and may be re-elected for two further terms of two years.

No member of Council may serve more than three consecutive terms.

The President, the Keeper and the Treasurer serve ex officio.

Council meets monthly between October and the following July. Changes in rules, elections, and discussion on important issues of the moment take place at General Assemblies, held three times a year. Council is responsible for approving adequate arrangements for induction and training for new Academicians.

Newly elected Academicians are:

- given a copy of the laws which set out structure, role and responsibilities;
- given copies of the annual reports and financial management reports; and
- required to sign the Roll of Obligations.
- invited to attend an induction meeting and meet with members of the Executive Committee

Council is aware of its requirement to provide training for Trustees and an ongoing programme of training has been undertaken.

The Royal Academy of Arts is a charity; its Trustees, who are also Directors of the company are the members of Council, full details of which are given on page 1.

The Secretary and Chief Executive is in charge of the day-to-day running of the Academy and, together with the President, Keeper and Treasurer, is an Officer. He attends Council meetings, but is not a Royal Academician.

Royal Academy of Arts

Trustees' Report

For the Year Ended 31 August 2012

Governance and Management (continued)

The Academy has three trading entities, RA Enterprises Limited, Burlington House Limited and RA (Arts) Limited. Although these are separate legal entities, they are regarded as part of the Academy "Group" for management purposes and therefore they are included in the consolidated financial statements.

The Executive Committee, comprising senior members of staff and led by the Secretary and Chief Executive, has delegated responsibility for the day-to-day running of the Academy and implements policies and strategies in accordance with the Administrative Instructions issued by Council. The Chief Executive reports to Council.

The Finance Committee, currently composed of Academicians, Trustees of the Royal Academy Trust and senior members of staff and external advisors, makes recommendations to Council on the finances of the Academy. The remit of the Finance Committee is to advise Council on matters of a financial nature.

The Audit Committee consisting of three Academicians and three external advisors reports to General Assembly through Council. Committee members are appointed initially for three years and the Committee meets at least four times a year.

The Remuneration Committee consisting of Academicians and Trustees of the Royal Academy Trust makes recommendations to Council on remuneration for Officers and members of the Executive Committee.

The Royal Academy Trust, set up in 1981 to provide funds for the support of the Academy, is separately registered as a charity with its own Trustees, who are men and women of distinction from business and the wider community. As it is not controlled by the Academy, its resources have not been consolidated with those of the Academy.

The Friends of the Royal Academy, a separate charity with its own Trustees, was incorporated as a company limited by guarantee in December 1976 to support the work of the Royal Academy of Arts. As with the Royal Academy Trust, it is not controlled by the Academy, and its resources have not been consolidated with those of the Academy.

Another separate, independent organisation, the American Associates of the Royal Academy Trust (AARAT), based in New York, raises money for the Academy. There is an annual joint meeting of the American and British Trustees at which management briefs the Trustees on developments and fund-raising needs and initiatives.

Objectives and Activities

The objectives of the Royal Academy as described in 'A Plan for the Future' are:

- to be a vibrant centre for independent creativity, debate, discussion and research
- to engage the widest possible public in the understanding and enjoyment of all aspects of visual culture
- to represent the professional interests of all artists and architects to the public and to government
- to nurture the development of the next generation of creative talent
- to provide inspiring spaces and places in which artists, students, critics, staff, benefactors and public can meet to share their passion for visual culture, and
- to increase visits to 1 million per annum.

"A Plan for the Future" is intended to provide the objectives for the medium term and encompasses the Burlington Project Master Plan. The strategies through which we plan to deliver these objectives fall into two categories: firstly, those that relate to our core activities and responsibilities, as well as the physical environment in which those activities take place; and secondly, those that relate to how we govern and manage the organisation, raise funds and promote our work and reputation.

In the first category we strive to:

- deliver an outstanding exhibition programme of international quality representing the art of all periods and cultures
- develop the Schools as a leading international centre for the professional development of artists
- deliver a world leading programme of lectures, debates, seminars and events for professionals and the public
- safeguard and capitalise on the library, archive and collections as a resource for artists, scholars and the public, and build partnerships with related institutions
- ensure that the Academicians are a body of artists and architects of national and international stature closely engaged with the work of the institution
- create a communications and lobbying strategy to keep the achievements and concerns of the creative community in the public eye
- develop 6, Burlington Gardens to provide enhanced facilities, including state-of-the-art exhibition galleries, an outstanding auditorium and a destination restaurant
- maintain and develop Burlington House to provide enhanced spaces and facilities for Academicians, staff and the public, and to ensure that the galleries continue to meet international requirements for art loans

Royal Academy of Arts

Trustees' Report

For the Year Ended 31 August 2012

Objectives and Activities (continued)

In the second category we:

- maintain independence through prudent financial management, controlling costs and significantly increasing revenue from exhibitions and other activities, effective fundraising and investment, including the building of a £50 million endowment
- improve the quality of management, planning, communication and budgeting across the organisation
- ensure that the structures, skills, processes and culture are in place to enable us to deliver our ambitions, through continuing review of organisational effectiveness, up-to-date staff development, as well as focused recruitment practices
- build a coherent national and international brand identity for the whole organisation through a sustained communications campaign presenting the Royal Academy as the leading UK site of visual creativity and voice of artistic debate
- enhance the commercial offer of publications, restaurants, bars, framing and merchandise to support the building of an internationally recognised brand and to maximise income
- better understand the identity, interests and needs of audiences, supporters and benefactors with a view to expanding numbers of visitors and levels of commitment through market research and an integrated database
- remain abreast of and invest in the best creative and communications technology to increase organisational effectiveness and build new ways of connecting with audiences.

These activities are ongoing and we plan to continue to work towards their achievement.

FINANCIAL REVIEW, ACHIEVEMENTS AND PERFORMANCE

Review of Activities

2012 saw the triumph of David Hockney OM CH RA. Throughout a cold and bleak spring, there were queues across the Annenberg Courtyard: people of all sorts and ages, Friends of the Royal Academy, visitors from abroad, visitors from Yorkshire came to be uplifted by the range of work in the exhibition, Hockney's joie de vivre, his passionate commitment to painting and drawing, but also his willingness to experiment with new media, drawing on an i-Pad and making films of the landscape with multiple digital cameras to be shown on a grid of screens. People climbed the Academy's staircase perhaps annoyed by having had to wait in line, but came down having seen the work of a great talent at the height of his powers.

Degas and the Ballet was also wonderful, a visual treat that included many works from private collections and demonstrated the way in which the artist's painting and drawing were influenced by the new medium of photography; the show ended with a short film of an elderly Degas walking down a street in Paris.

Upstairs in The Sackler Wing of Galleries, we showed photographs of Russian architecture from the era of constructivism, with a reconstruction of Tatlin's Tower in the Annenberg Courtyard. Johan Zoffany RA: Society Observed, developed with the Yale Center for British Art, New Haven, was a choice selection of works by one of the first Royal Academicians, nominated by King George III himself, and showing the full range of Zoffany's work, including theatrical subjects, conversation pieces, the well-known picture of the first Academicians and his Tribuna, both generously lent by the Royal Collection. The last exhibition of the year showcased major nineteenth-century pictures from the Clark Institute in Williamstown, Massachusetts, and demonstrated the discerning taste of Sterling and Francine Clark, who were able to buy well on their trips to Paris.

David Hockney's show was the Royal Academy's contribution to the Cultural Olympiad, and the summer was devoted not just to the 244th Summer Exhibition, which this year was overseen by Tess Jaray RA, but also to a Celebration of the Arts, co-hosted by the four Royal Academies and attended by Her Majesty The Queen, and a reception for the creative industries attended by the Prime Minister and HRH The Duchess of Cambridge. Both events were held in the galleries of the Summer Exhibition, and the guests included many major figures in literature, design and film, as well as in art and architecture.

Meanwhile, we have made good progress with the designs for the renovation of the Keeper's House and Burlington Gardens. Sir David Chipperfield CBE RA has assisted us with the interiors of the Keeper's House, which will provide new accommodation for our Friends and visitors, as well as for the Royal Academicians. We have nearly completed our plans for the restoration of Burlington Gardens and were absolutely delighted to be awarded a Stage 1 pass by the Heritage Lottery Fund in April, which gives us a real expectation of completing the Burlington Project in time for the Royal Academy's 250th anniversary in 2018.

In March it was very satisfying to see the work of students of the Royal Academy Schools exhibited in the galleries at Burlington Gardens, including that of Eddie Peake, a second-year student who later had a show in the new Tanks at Tate Modern. The Premiums show of work in progress brought the Burlington Gardens spaces to life and offered a promising vision of what is to come in the building.

The Academy also refreshed its visual identity in the year under review. This project benefited from lively discussion and input from Royal Academicians as well as from our design agency, Pentagram. The resulting new look has a stronger sense of confidence and authorship, helping to tell the story of the Academy and what makes it special, as well as reflecting the renewal that is taking place here.

Royal Academy of Arts

Trustees' Report

For the Year Ended 31 August 2012

Review of Activities (continued)

Finally, one of the major events of the year was the election of a new President. After seven years, Sir Nicholas Grimshaw CBE decided not to seek re-election. During his tenure, he introduced many new changes in governance, encouraged the election of more female Royal Academicians, and oversaw a period of much greater calm and financial stability.

Christopher Le Brun was elected as his successor, the first President of the Royal Academy under the age of sixty since Lord Leighton. He has brought new energy and vigour, particularly to the task of fundraising.

The year under review has been our best year ever financially, and one of the best in terms of visitor numbers, so we can face the future confidently, looking forward to a long period of renovation and revitalisation leading up to our 250th anniversary in 2018.

Further information on the activities undertaken towards the objectives during the year are reported in the Royal Academy of Arts Annual Report, a copy of which is available from the Office of the Secretary and Chief Executive, Royal Academy of Arts, Burlington House, Piccadilly, W1J 0BD.

Financial Review

The statutory accounts for the current year show net incoming resources of £8,103,098 (2011 - £1,179,577) for core activities, being those ongoing activities directly associated with delivering the charitable objectives, and net incoming resources of £4,141,887 (2011 - £1,669,223) for the Burlington Project, being the refurbishment and redevelopment of the Royal Academy's buildings and estate.

Total net movement in funds includes the recognition of the actuarial loss on the pension scheme totalling £3,423,000, (2011 - gain of £3,339,000) and a pension valuation adjustment of £1,204,000 (2011 - £562,000), resulting in a surplus of £8,821,985 (2011 - £6,187,810).

Measurement, Performance and Public Benefit

In implementing the stated objectives through the strategies described, the Trustees confirm that they comply with their duty to have regard to the Charity Commission guidance on public benefit.

The exhibition programme presents a mix of subject matter and content to suit a range of public tastes and is complemented by a programme of activities such as lectures and workshops aimed at providing opportunities for the public to engage with the subject matter and the institution.

These programmes offer a range of opportunities for engagement involving the wider community through activities for students and teachers, parents and children, and adults.

The RA's pricing policy includes opportunities for those on low incomes to visit the Academy and participate in its programmes by taking advantage of reduced ticket prices and free activities.

The impact of the achievements of the Royal Academy of Arts in the year can be ascertained by reference to the Royal Academy of Arts Annual Report which may be found at www.royalacademy.org.uk.

Reserves

At 31 August 2012, total unrestricted reserves stood at £19.8million. Of this, £15.2million relates to unrestricted fixed assets, including £1.4million of funds that have been designated to the Burlington Project. Therefore, free reserves stand at £4.6million after deducting the pension scheme liability.

The reserves at £4.6million are broadly in line with the Council's desired reserves level of £4.5million, which is considered to be sufficient to provide funding for the planned programme of plant replacement for the galleries and to bridge occasional project cashflow needs of major capital donor-funded projects.

Risk Management

Council, advised by the Executive Committee and other specialist committees, evaluate and monitor risks and ensure systems and controls are subject to regular review. Where appropriate, mitigating actions and improvements are put in place by the Executive Committee.

All risks identified are recorded in the Risk Register which is maintained on an ongoing basis and not only includes details of all risks considered but also provides a mechanism for assessing and monitoring those risks, detailing the manager responsible and the actions taken to mitigate the risk. This document is originated by Directors and Department Heads, in consultation with members of staff and committees.

The Risk Register is formulated by the Executive Committee and is reviewed by the Audit Committee on an annual basis. Each risk is given a ranking score, based on impact and likelihood. The highest scoring risks are reviewed by Council and are given the highest priority in terms of management focus and mitigating actions are put into place.

The highest scoring risks include the risk of major building works disrupting the public programmes, the possibility of plant failure in the galleries, loss or damage to artworks, late changes to the exhibition programme resulting in additional costs and/or reduced revenues and a reduction in the Friends' donation to the Royal Academy arising from diminished Friends' membership revenue.

These risks are all subject to immediate management actions to provide mitigation.

Royal Academy of Arts

Trustees' Report

For the Year Ended 31 August 2012

Statement of Trustees' Responsibilities

The trustees (who are also directors of The Royal Academy of Arts for the purpose of company law) are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Charity law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources including the income and expenditure of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgement and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business;
- observe the methods and principles in the Charities SORP.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Audit information

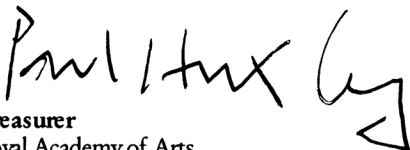
So far as each of the directors at the time the directors' report is approved is aware:

- there is no relevant information of which the auditors are unaware; and
- they have taken all relevant steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

A resolution to re-appoint Kingston Smith LLP as the Academy's auditor will be put to the forthcoming General Assembly.

On behalf of the President and Council



Treasurer
Royal Academy of Arts
Burlington House
Piccadilly
London W1J 0BD

08/01/13

Independent Auditors' Report to the Trustees of Royal Academy of Arts

We have audited the consolidated and parent charitable company's financial statements of the Royal Academy of Arts Limited for the year ended 31 August 2012 which comprise the Consolidated Statements of Financial Activities (incorporating the Consolidated Summary Income and Expenditure Account), the Consolidated and Charitable Company's Balance Sheets, the Consolidated Cash Flow Statement 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).

This report is made solely to the charitable company's members, as a body, in accordance with section 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken for no purpose other than to draw to the attention of the charitable company's members 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 charitable company and charitable company's members as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement, the trustees (who are also the directors of the charitable company for the purposes of company law) are 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.

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 charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Trustees' 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 the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 August 2012 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

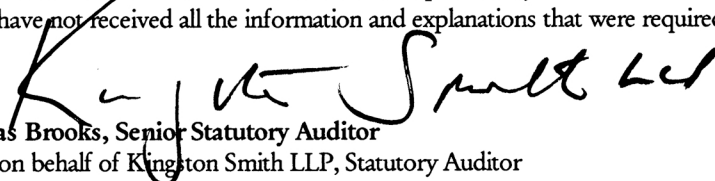
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures or trustees' remunerations specified by law are not made; or
- we have not received all the information and explanations that were required for our audit.


Nicholas Brooks, Senior Statutory Auditor
for and on behalf of Kingston Smith LLP, Statutory Auditor

Date: 22/01/13

Devonshire House
60 Goswell Road
London EC1M 7AD

Royal Academy of Arts
Consolidated Statement of Financial Activities
For the year ended 31 August 2012

		Ongoing Activities		Burlington Project			
		Unrestricted	Restricted	Unrestricted	Restricted	Total	Total
	Note	Funds	Funds	Funds	Funds	2012	2011
		2012	2012	2012	2012	2012	2011
		£	£		£	£	£
Incoming Resources							
<i>Incoming resources from generated funds</i>							
<i>Voluntary income</i>							
General donations from Royal Academy Trust		69,940	122,070	-	-	192,010	597,843
Other donations from Royal Academy Trust:							
Burlington Project		-	-	-	951,726	951,726	-
Cataloguing Project		-	67,894	-	-	67,894	111,534
Donations from Friends of the Royal Academy		7,699,468	-	-	1,074,996	8,774,464	7,778,755
Other donations		1,122,148	869,819	361,126	2,741,671	5,094,764	3,463,429
<i>Activities for generating funds</i>							
Income from trading subsidiaries	2	12,893,182	-	-	-	12,893,182	7,201,291
Rent, insurance and other receipts		2,895,737	-	-	-	2,895,737	1,704,160
<i>Investment income</i>							
Bank interest		17,196	-	12,368	-	29,564	15,653
Dividends		422	-	-	-	422	427
<i>Incoming resources from charitable activities</i>							
Exhibitions		7,798,867	-	-	-	7,798,867	5,244,884
Schools		111,820	114,485	-	-	226,305	290,703
Library		26,299	-	-	-	26,299	20,220
Education		486,175	-	-	-	486,175	231,181
Total Incoming Resources		33,121,254	1,174,268	373,494	4,768,393	39,437,409	26,660,080
Resources Expended							
<i>Cost of generating funds</i>							
Fundraising and publicity	4	(4,931,511)	-	-	-	(4,931,511)	(4,536,219)
Fundraising trading	2	(7,041,237)	-	-	-	(7,041,237)	(4,802,648)
Charitable activities	5	(11,994,485)	(1,174,268)	-	-	(13,168,753)	(12,326,308)
Governance	6	(1,050,923)	-	-	-	(1,050,923)	(896,095)
Donation to Royal Academy Trust		-	-	-	(1,000,000)	(1,000,000)	(1,250,000)
Total Resources Expended	7	(25,018,156)	(1,174,268)	-	(1,000,000)	(27,192,424)	(23,811,270)
Net Incoming Resources for the year before other recognised gains and losses and transfers between funds		8,103,098	-	373,494	3,768,393	12,244,985	2,848,810
Actuarial (losses)/gains on defined benefit pension scheme		(3,423,000)	-	-	-	(3,423,000)	3,339,000
Net movement in funds		4,680,098	-	373,494	3,768,393	8,821,985	6,187,810
Fund balances brought forward at 1st September		13,659,967	-	1,069,814	2,147,813	16,877,594	10,689,784
Fund balances carried forward at 31 August		18,340,065	-	1,443,308	5,916,206	25,699,579	16,877,594

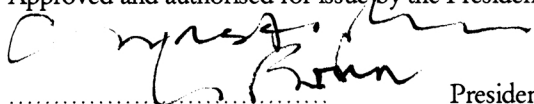
All gains and losses arising in the year are included in the Statement of Financial Activities and derive from continuing activities.

Royal Academy of Arts

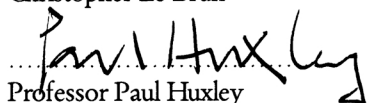
Balance Sheets at 31 August 2012

	Note	Group 2012	2011	Royal Academy 2012	2011
		£	£	£	£
Fixed Assets					
6 Burlington Gardens	12c	14,470,064	14,470,064	14,470,064	14,470,064
Other tangible fixed assets	12a, b	6,616,815	3,709,691	6,605,621	3,644,694
Investments	13	-	-	108	108
		<u>21,086,879</u>	<u>18,179,755</u>	<u>21,075,793</u>	<u>18,114,866</u>
Current Assets					
Stock		311,048	207,271	-	-
Debtors and prepayments	14	2,696,805	3,282,147	2,354,638	2,855,036
Cash at bank and in hand		<u>10,831,264</u>	<u>2,165,744</u>	<u>10,693,769</u>	<u>2,018,845</u>
		13,839,117	5,655,162	13,048,407	4,873,881
Creditors: Amounts falling due within one year	15	<u>(4,920,976)</u>	<u>(4,642,138)</u>	<u>(4,125,980)</u>	<u>(3,802,768)</u>
Net Current Assets		<u>8,918,141</u>	<u>1,013,024</u>	<u>8,922,427</u>	<u>1,071,113</u>
		30,005,020	19,192,779	29,998,220	19,185,979
Creditors: Amounts falling due after more than one year	16	<u>(2,592,441)</u>	<u>(2,821,185)</u>	<u>(2,592,441)</u>	<u>(2,821,185)</u>
Total Net Assets before pension deficit		27,412,579	16,371,594	27,405,779	16,364,794
Defined benefit pension scheme funding deficit	21	<u>(1,713,000)</u>	<u>506,000</u>	<u>(1,713,000)</u>	<u>506,000</u>
Total Net Assets after pension deficit		<u>25,699,579</u>	<u>16,877,594</u>	<u>25,692,779</u>	<u>16,870,794</u>
Represented by:					
Restricted funds					
Burlington Project	17	<u>5,916,206</u>	<u>2,147,813</u>	<u>5,916,206</u>	<u>2,147,813</u>
Unrestricted funds:					
General funds		20,053,065	13,153,967	20,046,265	13,147,167
Pension Reserve		(1,713,000)	506,000	(1,713,000)	506,000
Burlington Project		<u>1,443,308</u>	<u>1,069,814</u>	<u>1,443,308</u>	<u>1,069,814</u>
		<u>19,783,373</u>	<u>14,729,781</u>	<u>19,776,573</u>	<u>14,722,981</u>
	17	<u>25,699,579</u>	<u>16,877,594</u>	<u>25,692,779</u>	<u>16,870,794</u>

Approved and authorised for issue by the President and Council of the Royal Academy of Arts on 08/01/13


 President

Christopher Le Brun


 Treasurer

Professor Paul Huxley

Registered Company No. 06298947

Royal Academy of Arts
Consolidated Cash Flow Statement
For the year ended 31 August 2012

	Notes	2012 £	2011 £
Net Cash Inflow from Operating Activities	20(a)	<u>12,230,332</u>	<u>820,111</u>
Returns on Investments and Servicing of Finance			
Interest paid		(40,395)	(40,533)
Interest received		<u>29,564</u>	<u>15,653</u>
Net Cash Inflow from Returns on Investment and Servicing of Finance		<u>(10,831)</u>	<u>(24,880)</u>
Capital Expenditure and Financial Instruments			
Payments to acquire tangible fixed assets	12	<u>(3,325,237)</u>	<u>(1,988,449)</u>
Net Cash (Outflow) from Capital Expenditure		<u>(3,325,237)</u>	<u>(1,988,449)</u>
Financing			
Bank loans		<u>(228,744)</u>	<u>(228,745)</u>
Cash increase/(decrease) in the Year	20(b)	<u><u>8,665,520</u></u>	<u><u>(1,421,962)</u></u>

Royal Academy of Arts

Notes to the Financial Statements

For the year ended 31 August 2012

1 Accounting Policies

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards, the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2005), published in March 2005, and the Charities Act 2011.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Royal Academy and its three related trading entities (together the Group): RA (Arts) Limited, Burlington House Limited and R.A. Enterprises Limited made up to 31 August 2012. The total income and expenditure of these entities is shown in the Statement of Financial Activities and the detailed results are disclosed in note 2 of the financial statements. The statements are consolidated on a line by line basis.

Burlington House

The Royal Academy holds a 999 year lease to Burlington House, of which almost 850 years remain, title to which is vested in the Secretary of State for the Department of Employment, Transport and the Regions. The rent of the property is nominal but it is the responsibility of the Academy to maintain the property in a sound condition. The property is inalienable in that its ownership reverts to the Government if it is no longer used by the Academy. The property works carried out on the Galleries, Schools and Library are principally to maintain the fabric in its original condition and ensure an adequate environment for the exhibits. As the value of these works is part of the fabric of the building and cannot be realised, no value is carried in the balance sheet.

Heritage Assets

The Academy holds a collection of Works of Art, which consists of paintings sculptures and prints together with silverware and a library of books acquired by the Academy by donation, bequest and from Members on election to the Academy ('Diploma Work').

The collections have a significant intrinsic value relating to the way they provide a unique insight into the development of Art and the study of Art over the past 250 years. The manner in which items are given by Academicians makes valuation of these items difficult as there is no original cost to the item. In addition there is an intrinsic value to the collections as an embodiment of the development of the Royal Academy as an institution which would also be far too subjective and unique to place any reliable value upon.

These collections are hence deemed to fall under the definition of Heritage Assets under FRS30. Expenditure which is required to preserve or prevent further deterioration of the collection is recognised in the Statement of Financial Activities when it is incurred.

Fixed assets and depreciation

Expenditure on new machinery and equipment is capitalised as fixed assets and stated at cost less accumulated depreciation. The Academy applies a £1,000 threshold to the capitalisation of fixed assets. Depreciation is charged at the following rates on a straight line basis:

Building improvements	- 5 to 25 years
Computers	- over 3 years
Office fixtures and fittings	- 5 to 10 years
Plant and equipment	- 5 to 10 years
Motor Vehicle	- over 3 years

Short leasehold property is depreciated over the period of the lease.

Freehold property has been capitalised and included in fixed assets at cost. Depreciation has not been provided after taking into account the value of the land, the residual value of the property and the estimated useful life of the asset. The property is reviewed annually for any potential impairment. No depreciation is charged on the assets in the course of construction.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the SOFA as incurred.

Stock

Stock, which principally consists of shop and mail order products and framing materials is valued at the lower of cost and net realisable value.

Royal Academy of Arts

Notes to the Financial Statements

For the year ended 31 August 2012

1 Accounting Policies (Continued)

Income

Income, which is stated net of VAT, where applicable, and intergroup transactions, consists of box office takings, sponsorships, donations and grants, and is accounted for on an accruals basis. Income received for an activity taking place in a subsequent period is deferred to that period. This is not strictly in accordance with the requirements of the SORP 2005 but is adopted to give a more realistic account of the income and expenditure for the year.

Exhibitions

The results of exhibitions are recognised in the financial statements of the year in which the majority of the exhibition takes place. Costs incurred and income received in connection with forthcoming exhibitions are deferred at the balance sheet date. If a decision is made not to proceed with an exhibition, the costs are written off.

Donations

Donations are accounted for on a receivable basis when their receipt is assured.

Legacies

Legacies are recognised within the financial statements when certain of the amount and entitlement.

Patrons

Patrons income is recognised within the financial statements on a cash received basis.

Expenditure

Expenditure is accounted for on an accruals basis.

Costs of generating funds consist of costs of trading subsidiaries and fundraising and publicity expenditure. They include the direct costs of the development department including the running costs of sponsorship, fundraising and events together with a share of the support costs of the Academy.

Charitable activities include all costs related to the main purpose of the Academy and include: direct costs of exhibitions and the associated education programme; running the Royal Academy Schools; supporting Friends; and the conservation of the permanent collection and the Library.

Governance costs include those costs incurred in the governance of the charity and are primarily associated with constitutional and regulatory requirements.

Support costs are the costs of departments which are shared by the various activities of the Academy such as finance, human resources, information technology and the upkeep of the property. These costs are allocated to activities on bases appropriate to the nature of the expenditure and have been allocated on head count.

Administered funds

Investments held by the administered funds are stated at market value at the balance sheet date. Dividend income from investments is recognised on an accruals basis.

Pension costs

The Academy contributes to a Defined Benefits pension scheme for eligible staff. Rates are set by the Scheme Actuary and advised to the Academy by the Scheme Administrator. This scheme is being accounted for under FRS17, with the annually calculated surplus or deficit on the funding of the scheme shown in the accounts as an unrestricted fund entitled "Pension Reserve", which is deducted from Unrestricted funds in the balance sheet. The Trustees believe that the scheme currently meets the minimum funding requirements. The assets of the scheme are held completely independently from the Royal Academy of Arts and the scheme is now closed to new entrants.

Fund accounting

Unrestricted funds are available for use at the discretion of the Council in furtherance of the general objectives of the Academy and have not been designated for any other purpose. Designated funds comprise unrestricted funds that have been set aside by the Council for particular purposes. Restricted funds are funds that are to be used in accordance with specific instructions imposed by donors or which the charity has raised for specific purposes.

Royal Academy of Arts

Notes to the Financial Statements

For the year ended 31 August 2012

2 Results from Subsidiaries

The Royal Academy of Arts has three wholly owned trading subsidiaries: R.A. Enterprises Limited, which operates a shop and mail order business, a restaurant and coffee shop, a publishing business and a picture framing business; RA (Arts) Limited, which provides entertainment services to the corporate sector and Burlington House Limited, which raises funds from the corporate sector and individuals through ticketed events. These companies donate their distributable profits to the Royal Academy. A summary of their trading results is shown below. Audited financial statements are filed annually with the Registrar of Companies.

Profit and Loss

	Total 2012 £	R.A. Enterprises Limited 2012 £	2011 £	RA Arts Limited 2012 £	2011 £	Burlington House Limited 2012 £	2011 £
Turnover	12,893,182	10,842,920	5,072,086	1,596,420	1,201,406	453,842	927,799
Cost of sales	(4,185,918)	(3,907,588)	(2,079,194)	(13,950)	(16,071)	(264,380)	(490,229)
Administrative expenses	(2,855,319)	(2,506,549)	(1,744,948)	(266,338)	(83,579)	(82,432)	(98,367)
Total expenses	<u>(7,041,237)</u>	<u>(6,414,137)</u>	<u>(3,824,142)</u>	<u>(280,288)</u>	<u>(99,650)</u>	<u>(346,812)</u>	<u>(588,596)</u>
Net result	5,851,945	4,428,783	1,247,944	1,316,132	1,101,756	107,030	339,203
Gift aid donation	<u>(5,851,945)</u>	<u>(4,428,783)</u>	<u>(1,247,944)</u>	<u>(1,316,132)</u>	<u>(1,101,756)</u>	<u>(107,030)</u>	<u>(339,203)</u>

Balance Sheet

Fixed Assets	11,199	11,199	65,001	-	-	-	-
Current Assets							
Stock	311,048	311,048	207,270	-	-	-	-
Debtors	1,055,571	622,242	938,731	353,329	329,099	80,000	62,598
Bank	137,497	86,507	92,202	25,990	28,480	25,000	26,220
	<u>1,504,116</u>	<u>1,019,797</u>	<u>1,238,203</u>	<u>379,319</u>	<u>357,579</u>	<u>105,000</u>	<u>88,818</u>
Current Liabilities							
Creditors: Amounts falling due within one year	<u>(1,515,207)</u>	<u>(1,030,992)</u>	<u>(1,303,200)</u>	<u>(379,315)</u>	<u>(357,575)</u>	<u>(104,900)</u>	<u>(88,718)</u>
	<u>(1,515,207)</u>	<u>(1,030,992)</u>	<u>(1,303,200)</u>	<u>(379,315)</u>	<u>(357,575)</u>	<u>(104,900)</u>	<u>(88,718)</u>
Total Assets less Total Liabilities	<u>108</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>100</u>	<u>100</u>
Capital and Reserves							
Called up share capital	<u>108</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>100</u>	<u>100</u>
Equity shareholders' funds	<u>108</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>100</u>	<u>100</u>

No charge to taxation will arise as the gift aided donation will be paid within nine months of the year end.

Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2012

3 Support costs

	Finance	IT	Personnel	Facilities	2012 Total
	£	£	£	£	£
Exhibitions	686,434	324,172	148,851	1,578,895	2,738,352
Schools	127,979	60,439	27,752	294,370	510,540
Library	209,421	98,900	45,412	481,697	835,430
Education	174,517	82,417	37,843	401,414	696,191
Fundraising	337,400	159,339	73,164	776,067	1,345,970
Governance costs	81,441	38,461	17,660	187,327	324,889
2012 Total	<u>1,617,192</u>	<u>763,728</u>	<u>350,682</u>	<u>3,719,770</u>	<u>6,451,372</u>
2011 Total	<u>1,471,875</u>	<u>725,670</u>	<u>435,983</u>	<u>3,366,076</u>	<u>5,999,604</u>

4 Fundraising and publicity

	2012	2011
	£	£
Direct costs	3,585,541	3,284,503
Support costs (note 3)	<u>1,345,970</u>	<u>1,251,716</u>
	<u>4,931,511</u>	<u>4,536,219</u>

5 Charitable activities

	Direct costs	Support costs	2012 Total	2011 Total
	£	£	£	£
Exhibitions	5,670,208	2,738,352	8,408,560	7,842,666
Schools	954,260	510,540	1,464,800	1,376,587
Library	728,204	835,430	1,563,634	1,460,618
Intellectual Property expenditure	180,166	-	180,166	176,862
Education	855,402	696,191	1,551,593	1,404,045
Burlington project	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,530</u>
	<u>8,388,240</u>	<u>4,780,513</u>	<u>13,168,753</u>	<u>12,326,308</u>
		(note 3)		

Exhibition expenditure includes the direct costs of mounting all loan exhibitions and the Summer Exhibition and all associated costs such as curatorial staff, art handling, security, press office and box office.

6 Governance

	2012 Total	2011 Total
	£	£
Direct costs	726,034	593,956
Support costs (note 3)	<u>324,889</u>	<u>302,139</u>
	<u>1,050,923</u>	<u>896,095</u>

Royal Academy of Arts

Notes to the Financial Statements

For the year ended 31 August 2012

7 Resources expended	2012	2011
This is stated after charging:	£	£
Depreciation	418,113	408,718
Auditors' remuneration:		
External Auditors		
Audit services	49,889	53,222
Other audit services	6,774	-
Internal Auditors	37,150	28,900
Interest Paid	40,395	40,533
	<u>418,113</u>	<u>408,718</u>

8 Officers' and Council Members' Remuneration	2012	2011
	£	£
Officers' remuneration, excluding pension contributions, is as follows:		
President	60,000	61,800
Keeper	49,333	43,260
Secretary	170,930	160,680
Treasurer	25,000	25,750
	<u>305,263</u>	<u>291,490</u>

Remuneration for officers is set by the Remuneration Committee.

Council members are only reimbursed for expenses incurred in the performance of their duties, except for those individuals who are remunerated for their duties as officers. Expenses reimbursed in the year amount to:

	2012	2011
	£	£
Travel	5,615	3,933
Other	4,547	4,453
	<u>10,162</u>	<u>8,386</u>

9 Staff Costs

	Group		Royal Academy	
	2012	2011	2012	2011
	£	£	£	£
Salaries and wages	8,777,488	8,268,720	7,203,096	7,000,418
Social security costs	887,550	826,362	729,220	697,895
Pension contributions - normal	603,751	465,531	523,767	408,656
Pension contributions - additional	753,009	378,991	753,009	378,991
Pension Fund Adjustment - FRS 17	(1,204,000)	(562,000)	(1,204,000)	(562,000)
	<u>9,817,798</u>	<u>9,377,604</u>	<u>8,005,092</u>	<u>7,923,960</u>

Staff costs include payroll for temporary as well as permanent staff. Expenditure on the former varies between years depending on the exhibition programme.

Royal Academy of Arts

Notes to the Financial Statements

For the year ended 31 August 2012

9 Staff Costs (Continued)

The number of employees, including Officers, whose remuneration exceeded £60,000, is shown below:

Band:	2012 No.	2011 No.
£60,000 to £69,999	3	2
£70,000 to £79,999	-	-
£80,000 to £89,999	1	-
£90,000 to £99,999	4	3
£100,000 to £159,999	2	3
Over £159,999	1	1

Pension contributions for the above employees were £133,730 (2011 - £109,070).

The average number of permanent employees, including Officers, during the year were:

	2012 No.	2011 No.
Charitable activities	106	102
Fundraising	43	43
Trading Activities	40	38
Governance	6	7
Support	66	66
	<u>261</u>	<u>256</u>

The number of part-time staff employed by the Academy varies throughout the year, depending on the exhibition programme.

10 Taxation

The Royal Academy of Arts has suffered no tax charge as it is not subject to UK corporation tax on its charitable activities.

11 Heritage Assets

The Academy holds assets that fall under the definition of FRS30: Heritage Assets. These fall into three broad collections; The Works of Art Collections, The Library Collection and The Royal Academy Archive. Each of these is considered in turn, below.

All items of the Collections are available to view by appointment. Items are also from time to time included in exhibitions both at the Royal Academy as well as being loaned out to other exhibitors.

Works of Art Collection

The Works of Art Collection consists of works of art and other objects of historic, artistic or associational significance owned by the Royal Academy of Arts, namely: Paintings, sculpture (including medals, dies, cameos, and intaglio gems); drawings; artistes' sketchbooks; individually issued prints; photographs; plaster casts (including pastes of gems); historic skeletons relating to teaching in the Schools; objects of memorabilia, including artists' tools and materials; historic silver and silver-plate; historic items of furniture; picture frames; and certain fittings and fixtures within the Burlington House.

The Academy holds around 950 paintings in its permanent collection and 20,000 prints and drawings.

Royal Academy of Arts

Notes to the Financial Statements

For the year ended 31 August 2012

11 Heritage Assets (Continued)

The majority of works and objects in the collections date from the foundation of the Royal Academy in 1768 to the present day. Exceptions include the *Taddei Tondo*, the only marble by Michelangelo in the UK, early copies after the Old Masters such as those by Giampietrino, Rosso Fiorentino and Sir James Thornhill, as well as some prints and drawings.

The core of the Works of Art Collections is the Diploma Works. These are given by Academicians on election to the institution and are predominantly by British Artists and Architects. Non-Diploma items are predominantly, though not uniquely, pieces by Academicians. They include various items of Silver given to the Academy by Academicians and, subsequent to 1971 pieces of furniture, which in their totality represent a collection within a collection of historical importance to the Royal Academy.

The Royal Academy Library (Special Books Collection)

The Library (Special Books Collection) comprises the Historic Books Collection dating from the 16th century to approximately 1920, and the Special illustrated Books Collection and prints published in series or in illustration of a text.

The Royal Academy Archive

The Archive holds papers and documents and copies of electronic correspondence relating to the institution's history as well as artists' letters and archives. The Archive also include photographic prints, transparencies, glass slides and negatives, films and videotapes which relate to the history and activities of the institution.

More information about the Academy's Collection is available at www.racollection.org.uk.

Capitalisation of the Collections

In the opinion of the Trustees, reliable information on cost or value is not available for the Royal Academy permanent collection. This is owing to the lack of reliable information on purchase cost; the lack of comparable market values; the diverse nature of the objects; and the volume of items held.

The collections have a significant intrinsic value relating to the way they provide a unique insight into the development of Art and the study of Art over the past 250 years. The manner in which items are given by Academicians makes valuation of these items difficult as there is no original cost to the item. In addition there is an intrinsic value to the collections as an embodiment of the development of the Royal Academy as an institution which would also be far too subjective and unique to place any reliable value upon.

For this reason, the permanent collection, large proportions of which were gifted to the Royal Academy at nil cost, are incomparable in nature and are not recognised as assets in the Royal Academy's Balance Sheet.

Acquisitions and disposals

Diploma Works are proposed by newly elected members and accessioned into the collection following approval of Council. The Approval of non-Diploma Works (by purchase, bequest or donation) is done by the Head of Collections, in consultation with the relevant Curator and Director of Academic Affairs. If the acquisition is more than £5,000 in value, a case for accessioning must be made by the Head of Collections to the Collections & Library Committee. Reports are made by the Registrar to Council, in January, March and September, listing all the acquisitions to the Collections during the preceding period. All acquisitions are reported annually to the Collections and Library Committee by the Head of Collections.

Disposals will only take place in accordance with the Acquisitions and Disposal policy

Objects will only be deaccessioned by way of exchange (in the case of Diploma Works) or if there is irreparable damage to or total loss of an object.

In the financial year, Diploma Works were presented by five academicians including Anne Desmet RA, John Maine RA, Timothy Hyman RA, Richard Long RA and Hughie O'Donoghue RA. In addition, a number of works of art were donated to the Collections including a painting and 98 drawings by Peter Greenham RA, sketchbooks by Michael Sandle RA, Eileen Cooper RA and Chris Riddell and several lithographs and an etching by Christopher Le Brun, PRA. A total of £7,500 was spent on the purchase of a preparatory drawing by Gainsborough for a painting in the Collections. No disposals were made this year.

The acquisitions and disposals policy will be available for review on the Royal Academy's website.

Preservation

The Royal Academy of Arts is committed to the preservation of its Collections. It aims to ensure the longest possible life of the Collections. This includes security, financial, environmental, storage and staffing that all help to preserve the collections for posterity.

Royal Academy of Arts

Notes to the Financial Statements

For the year ended 31 August 2012

11 Heritage Assets (Continued)

Works of art are ordinarily stored and displayed in conditioned spaces. Some sculpture is stored in spaces without environmental controls; however these have proven to be naturally stable environments. The Royal Academy of Arts complies as closely as it is able with BS 5454:2000 'Recommendations for the Storage and Exhibition of Archival Documents 7.3' for the storage of its Archives. Some items are held off-site in specialist warehouses.

For the works of art, most conservators employed by the Royal Academy of Arts are on the ICON Conservation Register. For other areas of the Collections, a variety of conservation experts are consulted.

Collections Management

The Works of Art Collection, special Books Collection and Archive are catalogued in a series of discreet but interconnected databases, each fully conforming to their relevant professional standards, i.e. Spectrum for museum objects; AACR2 & MARC21 for books and ISAD(G) for archives. The three databases are linked to a series of shared authority files and thesauri against which terms such as personal names, corporate names, materials and techniques, and production roles must be validated. This ensures consistency in data-entry and in data searches.

The collection is a Designated Outstanding Collection as awarded by the Arts Council in 2011. In order to meet the Arts Councils stringent requirement for this award, an extensive list of procedures, policies and templates for acquisitions, loans and due diligence was compiled and approved by the governing body. These documents, alongside the nationally and internationally recognised standards for museums and collections which informed the policies, can be consulted in the Collections Office.

12 Tangible Fixed Assets

<i>(a) Group</i>	Building Improvements	Assets in course of construction	Fixtures, Fittings and Equipment	Total
	£	£	£	£
Cost				
At 31 August 2011	3,649,461	904,032	2,259,412	6,812,905
Additions	108,986	2,917,301	298,950	3,325,237
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2012	3,758,447	3,821,333	2,558,362	10,138,142
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 31 August 2011	1,550,975	-	1,552,239	3,103,214
Provided during the year	166,799	-	251,314	418,113
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2012	1,717,774	-	1,803,553	3,521,327
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value				
At 31 August 2012	<u>2,040,673</u>	<u>3,821,333</u>	<u>754,809</u>	<u>6,616,815</u>
At 31 August 2011	<u>2,098,486</u>	<u>641,470</u>	<u>969,735</u>	<u>3,709,691</u>

Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2012

12 Tangible Fixed Assets (Continued)

<i>(b) Royal Academy</i>	Building Improvements	Assets in course of construction	Motor Vehicles	Fixtures, Fittings and Equipment	Total
	£	£		£	£
Cost					
At 31 August 2011	3,387,056	904,033	21,944	1,527,553	5,840,585
Additions	108,986	2,917,301	-	293,421	3,319,708
	<u>3,496,042</u>	<u>3,821,334</u>	<u>21,944</u>	<u>1,820,974</u>	<u>9,160,293</u>
Depreciation					
At 31 August 2011	1,288,571	-	21,944	885,376	2,195,891
Provided during the year	166,799	-	-	191,983	358,782
	<u>1,455,370</u>	<u>-</u>	<u>21,944</u>	<u>1,077,359</u>	<u>2,554,673</u>
Net Book Value					
At 31 August 2012	<u>2,040,672</u>	<u>3,821,334</u>	<u>-</u>	<u>743,615</u>	<u>6,605,621</u>
At 31 August 2011	<u>2,098,485</u>	<u>904,033</u>	<u>-</u>	<u>642,177</u>	<u>3,644,694</u>

(c) 6 Burlington Gardens (Freehold property)

	Group 2012	Group 2011	Royal Academy 2012	Royal Academy 2011
	£	£	£	£
Cost				
Balance as at 31 August 2011 and 31 August 2012	<u>14,470,064</u>	<u>14,470,064</u>	<u>14,470,064</u>	<u>14,470,064</u>
Depreciation				
At 31 August 2011	-	-	-	-
Disposals	-	-	-	-
Provided during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 August 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Book Value	<u>14,470,064</u>	<u>14,470,064</u>	<u>14,470,064</u>	<u>14,470,064</u>

Following a review, no impairment has been identified.

13 Investments in Subsidiaries

	2012	2011
	£	£
Investments at cost	<u>108</u>	<u>108</u>

The Royal Academy of Arts beneficially owns all of the called up share capital of RA (Arts) Limited, RA Enterprises Limited and Burlington House Limited, each of which is registered in England and Wales.

Royal Academy of Arts

Notes to the Financial Statements

For the year ended 31 August 2012

14 Debtors and Prepayments

	Group 2012 £	Group 2011 £	Royal Academy 2012 £	Royal Academy 2011 £
Royal Academy Trust	103,593	206,145	103,593	206,145
Royal Academy related entities	-	-	711,592	836,822
Friends of the Royal Academy	-	186,693	-	-
Prepayments and deferred expenditure	827,137	949,446	655,828	713,897
Trade debtors	1,084,428	1,341,432	342,682	677,159
Taxation and social security	230,435	52,579	230,435	52,579
Staff loans	39,047	42,535	39,047	42,535
Sundry debtors	412,165	503,317	271,461	325,899
	<u>2,696,805</u>	<u>3,282,147</u>	<u>2,354,638</u>	<u>2,855,036</u>

15 Creditors: Amounts falling due within one year

	Group 2012 £	Group 2011 £	Royal Academy 2012 £	Royal Academy 2011 £
Bank loan	228,744	228,744	228,744	228,744
Friends of the Royal Academy	151,904	281,651	62,501	281,651
Royal Academy Trust	50,393	69,039	-	-
Royal Academy related entities	-	-	-	948
Deferred income (i)	850,793	1,755,870	805,198	1,547,013
Trade creditors	1,736,921	1,485,931	1,414,620	1,139,974
Taxation and social security	376,265	410,265	235,403	231,143
Accruals	1,449,907	389,890	1,331,813	362,795
Sundry creditors	76,049	20,748	47,701	10,500
	<u>4,920,976</u>	<u>4,642,138</u>	<u>4,125,980</u>	<u>3,802,768</u>

- (i) Deferred income in 2012 includes ticket sales and sponsorship income for exhibitions in the next financial year, including Bronze, RA Now, Bellows and Outreach Programme, and is analysed as follows:

	Brought Forward £	Amount Added £	Amount Released £	Carried Forward £
Deferred income	<u>1,755,870</u>	<u>1,809,870</u>	<u>(2,714,947)</u>	<u>850,793</u>

Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2012

16 Creditors: Amounts falling due after more than one year

	Group 2012 £	Group 2011 £	Royal Academy 2012 £	Royal Academy 2011 £
Bank loan	2,592,441	2,821,185	2,592,441	2,821,185
	<u>2,592,441</u>	<u>2,821,185</u>	<u>2,592,441</u>	<u>2,821,185</u>

Creditors include amounts not wholly repayable within 5 years as follows:

Bank loan repayable by instalments	1,677,461	1,906,205	1,677,461	1,906,205
	<u>1,677,461</u>	<u>1,906,205</u>	<u>1,677,461</u>	<u>1,906,205</u>

17 Analysis of Net Assets by fund

	Restricted: Burlington Project £	Unrestricted: Burlington Project £	Unrestricted: General Fund £	Unrestricted: Pension Reserve £	Total £
<i>(a) Group</i>					
Tangible assets	-	-	21,086,879	-	21,086,879
Current assets	5,916,206	1,443,308	6,479,603	-	13,839,117
Current liabilities	-	-	(4,920,976)	-	(4,920,976)
Long term liabilities	-	-	(2,592,441)	-	(2,592,441)
Pension liabilities	-	-	-	(1,713,000)	(1,713,000)
	<u>5,916,206</u>	<u>1,443,308</u>	<u>20,053,065</u>	<u>(1,713,000)</u>	<u>25,699,579</u>
<i>(b) Royal Academy</i>					
Tangible assets	-	-	21,075,793	-	21,075,793
Current assets	5,916,206	1,443,308	5,688,893	-	13,048,407
Current liabilities	-	-	(4,125,980)	-	(4,125,980)
Long term liabilities	-	-	(2,592,441)	-	(2,592,441)
Pension liabilities	-	-	-	(1,713,000)	(1,713,000)
	<u>5,916,206</u>	<u>1,443,308</u>	<u>20,046,265</u>	<u>(1,713,000)</u>	<u>25,692,779</u>

Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2012

18 Analysis of Funds

(a) Group

	Opening Funds £	Transfers £	Incoming Resources £	Resources Expended £	Revaluation £	Closings Funds £
Restricted funds:						
Other funds	-	-	1,174,268	(1,174,268)	-	-
Burlington Project	2,147,813	-	4,768,393	(1,000,000)	-	5,916,206
Total Restricted funds	2,147,813	-	5,942,661	(2,174,268)	-	5,916,206
Unrestricted funds:						
Burlington Project	1,069,814	-	373,494	-	-	1,443,308
General Funds	13,153,967	(1,204,000)	33,121,254	(25,018,156)	-	20,053,065
Pension Reserve	506,000	1,204,000	-	-	(3,423,000)	(1,713,000)
Total Unrestricted funds	14,729,781	-	33,494,748	(25,018,156)	(3,423,000)	19,783,373
Total funds	16,877,594	-	39,437,409	(27,192,424)	(3,423,000)	25,699,579

(b) Academy

	Opening Funds £	Transfers £	Incoming Resources £	Resources Expended £	Revaluation £	Closings Funds £
Restricted funds:						
Other funds	-	-	1,174,268	(1,174,268)	-	-
Burlington Project	2,147,813	-	4,768,393	(1,000,000)	-	5,916,206
Total Restricted funds	2,147,813	-	5,942,661	(2,174,268)	-	5,916,206
Unrestricted funds						
Burlington Project	1,069,814	-	373,494	-	-	1,443,308
General Funds	13,147,167	(1,204,000)	33,121,254	(25,018,156)	-	20,046,265
Pension Reserve	506,000	1,204,000	-	-	(3,423,000)	(1,713,000)
Total Unrestricted funds	14,722,981	-	33,494,748	(25,018,156)	(3,423,000)	19,776,573
Total funds	16,870,794	-	39,437,409	(27,192,424)	(3,423,000)	25,692,779

Restricted funds represents the development of Burlington Project. The restricted funds will be transferred to unrestricted funds on completion of each phase of the Project. Currently this is represented as assets in the course of construction in Note 12 and will be transferred to building improvements on the completion of each phase.

Royal Academy of Arts

Notes to the Financial Statements

For the year ended 31 August 2012

19 Administered funds

The Royal Academy has six funds which have not been consolidated within the financial statements of the Royal Academy, on the basis that while the Academy is administering the funds, it is not the ultimate beneficiary. However, as the funds are administered by the Academy, they have been disclosed separately below for information within the consolidated financial statements.

These funds consist of the following:

Frampton Fund
 Agnes Ethel MacKay Fund
 Jack Goldhill Sculpture Fund
 Charles Wollaston Award Fund
 Pitchforth Scholarship Fund
 Sir John Reeves Ellerman Fund

	2012	2011
	£	£
Amount of Funds Brought Forward	<u>2,898,205</u>	<u>2,765,421</u>
Incoming Resources		
Investment income	8,048	13,860
Outgoing Resources		
Expenditure for the year	<u>(91,152)</u>	<u>(76,827)</u>
Net Outgoings for the Year	<u>(83,104)</u>	<u>(62,967)</u>
	2,815,101	2,702,454
Net adjustment of investments to market value	<u>50,499</u>	<u>195,751</u>
Amount of Funds Carried Forward	<u><u>2,865,600</u></u>	<u><u>2,898,205</u></u>
Represented By:		
Investments	2,884,309	2,973,508
Cash	21,002	169,499
Creditors	<u>(39,711)</u>	<u>(244,802)</u>
	<u><u>2,865,600</u></u>	<u><u>2,898,205</u></u>

Royal Academy of Arts

Notes to the Financial Statements

For the year ended 31 August 2012

20 Notes to the Consolidated Statement of Cash Flows

2012

2011

£

£

(a) Reconciliation of net change in resources to net cash inflow from operating activities:

Net incoming resources	12,244,985	2,848,810
Depreciation and loss on asset disposal	418,113	408,718
Current pension service costs	362,000	434,000
Pension contributions paid	(1,239,000)	(765,000)
Return on pension scheme	(327,000)	(231,000)
(Increase)/decrease in stock	(103,777)	39,935
Decrease/(Increase) in debtors	585,342	(107,483)
Increase/(decrease) in creditors	278,838	(1,832,749)
Interest paid	40,395	40,533
Interest received	(29,564)	(15,653)
	<u>12,230,332</u>	<u>820,111</u>
Net cash inflow from operating activities		

2012

2011

£

£

(b) Reconciliation of net cash flow to movement in funds

Increase/(decrease) in cash in the year	8,665,520	(1,421,962)
Cash outflow from decrease in financing	-	-
	<u>8,665,520</u>	<u>(1,421,962)</u>
Movement in net funds in the year		
Net funds at 1 September	<u>2,165,744</u>	<u>3,587,706</u>
Net funds at 31 August	<u>10,831,264</u>	<u>2,165,744</u>

(c) Analysis of changes in net funds

	2011	Cash Flow	2012
	£	£	£
Cash at bank	<u>2,165,744</u>	<u>8,665,520</u>	<u>10,831,264</u>

21 Pension Costs

In order to comply with the requirements of FRS 17, the Royal Academy has incorporated the pension scheme asset into the statement of financial activities in the balance sheet.

The Royal Academy, together with its subsidiary undertakings, participates in a funded defined benefits pension scheme, operated by the Royal Academy of Arts Pension Scheme, providing benefits based on final pensionable pay. The assets of the scheme are held independently from those of the Royal Academy.

Contributions to the scheme are made in accordance with the recommendations of an independent professionally qualified actuary based upon triennial valuations. The contributions are calculated using actuarial valuation methods.

Royal Academy of Arts

Notes to the Financial Statements

For the year ended 31 August 2012

21 Pension Costs (Continued)

The most recent actuarial valuation of the scheme was carried out at 31 August 2010. The actuarial method adopted for the valuation was the "Projected Unit" method. Assets were valued at the market valuation at the valuation date and liabilities were valued using financial assumptions derived from gilt yields at the valuation date.

In accordance with actuarial recommendations the employer contribution rate for 2011 was at least 15.4% and employee contribution rate was 6% of basic salaries.

The scheme actuary, appointed by the Trustees under section 47 of the Pensions Act, was Punter Southall Limited and Stuart Southall.

Financial assumptions used to calculate scheme liabilities under FRS 17 were:

The main assumptions used by the actuary are:

	2012	2011	2010
Price inflation (RPI)	2.70%	3.40%	3.15%
Price inflation (CPI)	1.90%	2.60%	NA
Pay increases	3.20%	3.90%	3.65%
Pension increases – pre 6 April 1997	2.20%	2.50%	2.40%
Pension increases – post 6 April 1997	2.70%	3.20%	3.00%
Pension increases – post 30 September 2006	1.90%	2.20%	2.10%
Increases of preserved pensions	2.60%	2.60%	3.15%
Discount rate	4.40%	5.70%	4.90%

Valuation is based on the projected unit method.

The assets within the scheme and the expected rate of return were:

	<i>Expected rate of return 31 August 2012</i>	<i>Value at 31 August 2012</i>	<i>Expected rate of return 31 August 2011</i>	<i>Value at 31 August 2011</i>	<i>Expected rate of return 31 August 2010</i>	<i>Value at 31 August 2010</i>
		£		£		£
Equities	7.00%	15,339,000	7.80%	14,607,000	7.80%	14,117,000
Government bonds	3.00%	1,963,000	4.10%	1,062,000	3.70%	843,000
Index-linked government bonds	2.75%	404,000	3.85%	250,000	3.50%	231,000
Non-government bonds	4.40%	3,766,000	5.70%	2,933,000	4.80%	2,340,000
Other	3.00%	858,000	4.10%	1,054,000	3.70%	793,000
Total market value of scheme assets		22,330,000		19,906,000		18,324,000
Present value of scheme liabilities		(24,043,000)		(19,400,000)		(21,719,000)
Net pension (liability) / asset		(1,713,000)		506,000		(3,395,000)

No allowance has been made for any deferred taxation on the net pension asset as the Academy has no charge to UK corporation tax.

Royal Academy of Arts

Notes to the Financial Statements

For the year ended 31 August 2012

21 Pension Costs (Continued)

Analysis of amount charged to operating profit

	2012	2011	2010
	£	£	£
Current service cost	(362,000)	(434,000)	(457,000)
Total operating charge	<u>(362,000)</u>	<u>(434,000)</u>	<u>(457,000)</u>

Analysis of amount debited to other finance expenditure

	2012	2011	2010
	£	£	£
Expected return on pension scheme assets	1,428,000	1,298,000	1,114,000
Interest on pension scheme liabilities	<u>(1,101,000)</u>	<u>(1,067,000)</u>	<u>(1,098,000)</u>
Net return	<u>327,000</u>	<u>231,000</u>	<u>16,000</u>

Analysis of amount recognised in statement of total recognised gains and losses (STRGL)

	2012	2011
	£	£
Actual return less expected return on pension scheme assets	264,000	(181,000)
Experience gains and losses arising on the scheme liabilities	(3,687,000)	3,520,000
Changes in assumptions underlying the present value of the scheme liabilities	<u>-</u>	<u>-</u>
Actuarial (loss)/gain recognised in the STRGL	<u>(3,423,000)</u>	<u>3,339,000</u>
Percentage of present value of scheme liabilities at year end	14.24%	(17.21%)

Movement in deficit during the year

	2012	2011
	£	£
Surplus/(Deficit) in scheme at beginning of the year	506,000	(3,395,000)
Current service cost	(362,000)	(434,000)
Contributions	1,239,000	765,000
Other finance expenditure	327,000	231,000
Actuarial (Deficit)/Surplus	<u>(3,423,000)</u>	<u>3,339,000</u>
(Deficit)/Surplus in scheme at end of year	<u>(1,713,000)</u>	<u>506,000</u>

Percentage of present value of scheme liabilities at year end

History of Experience Gains and Losses

	2012	2011	2010
Difference between the actual and expected return on scheme assets	264,000	(181,000)	837,000
Value of plan assets	22,330,000	19,906,000	18,324,000
Percentage of scheme assets	1.18%	-0.91%	-4.57%
Experienced gains/(losses) on scheme liabilities	(3,687,000)	3,520,000	358,000
Present value of scheme liabilities	(24,043,000)	(19,400,000)	(21,719,000)
Percentage of the present value of scheme liabilities	15.34%	18.14%	-1.65%
Actuarial gains/(losses) recognised in STRGL	(3,423,000)	3,339,000	1,193,000
Present value of scheme liabilities	(24,043,000)	(19,400,000)	(21,719,000)
Percentage of the present value of scheme liabilities	-14.24%	17.21%	-5.49%

Royal Academy of Arts

Notes to the Financial Statements

For the year ended 31 August 2012

22 Contracted Capital Expenditure

Burlington Project

	2012
	Total Project Cost
	Invoiced
	Outstanding Contract Sum
	£
Keeper's House	6,499,935
Sackler Gallery Plant Upgrade	2,799,000
Galleries 7 & 8 Plant Upgrade	1,575,000
	<u>10,873,935</u>
	<u>2,502,539</u>
	<u>8,371,396</u>

At 31 August 2012, the aggregate value of construction projects to which the Royal Academy of Arts has contracted totalled to £10,873,935, of which £2,502,539 has been invoiced for as at the year end and included in Note 12 Fixed Assets as 'Assets in course of construction'. At 31 August 2012 therefore, the Royal Academy had £8,371,396 contracted to capital expenditure.

Commitments relating to consultancy fees for initial planning of possible future capital projects are excluded from this total on the basis that the projects have not yet received formal authority to proceed.

23 Contingent Liabilities

The Royal Academy of Arts and its subsidiaries had no contingent liabilities as at 31 August 2012.

24 Financial commitments

At 31 August annual commitments under operating leases were as follows:

	Land & Buildings	Others	2012 Total	Land & Buildings	Others	2011 Total
	£	£	£	£	£	£
Under one year	-	4,794	4,794	-	-	-
Two to five years	-	58,909	58,909	-	65,316	65,316
	<u>-</u>	<u>63,703</u>	<u>63,703</u>	<u>-</u>	<u>65,316</u>	<u>65,316</u>

25 Related Party Transactions

Those in positions of authority within the Royal Academy of Arts group of companies, including Trustees, Council members and Directors, use facilities of the Academy and its subsidiaries on the same terms as other Academicians, Friends, Patrons or other external customers. This includes access to exhibitions, purchases from the shops, summer exhibition, and auctions, and also the use of catering facilities. For the year ended 31 August 2012, all transactions with related parties are considered within the scope of normal transactions.

The company has taken advantage of the exemption available in FRS 8 "Related Party Disclosures" whereby it has not disclosed transactions with any wholly owned subsidiary undertaking.

Royal Academy of Arts

Notes to the Financial Statements

For the year ended 31 August 2012

25 Related Party Transactions (Continued)

During the year the company carried out the following transactions with its other related

	Income	Expenditure	Year End Balance
	£	£	£
Royal Academy Trust	1,211,630	(1,108,037)	103,593
Friends of Royal Academy	9,260,929	(9,323,430)	(62,501)

Income from the Royal Academy Trust consists of donations made to Royal Academy of Arts to support various campaigns and the capital works projects undertaken. Expenditure with the Royal Academy Trust is mainly the transfer of funds to be held in investments, designated for the Royal Academy of Arts.

Income from Friends of the Royal Academy comprises Gift Aid donations and the reimbursement of salary recharges.

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