

**ROYAL ACADEMY OF ARTS
LIMITED**

(A Company Limited by Guarantee)

Registered Charity No. 1125383
Registered Company No. 06298947

**REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 AUGUST 2013**

Royal Academy of Arts

Trustees' Report

For the Year Ended 31 August 2013

Registered Charity No. 1125383

Registered Company No. 06298947

PRESIDENT AND COUNCIL:

in the financial year and at the date of signing:

President

Christopher Le Brun PRA

Council

Phyllida Barlow RA (appointed 1 October 2013)
Tony Bevan RA (resigned 2 October 2012)
Stephen Chambers RA (appointed 1 October 2013)
Ann Christopher RA (appointed 1 October 2013)
John Coombe (resigned 2 October 2012)
Stephen Cox RA (elected 2 October 2012, resigned 2 July 2013)
Gus Cummins RA (resigned 2 October 2012)
Richard Deacon CBE RA (resigned 2 July 2013)
Spencer de Grey CBE RA (re-elected 2 October 2012)
Anne Desmet RA (appointed 1 October 2013)
Tracey Emin CBE RA (resigned 2 October 2012)
Professor Stephen Farthing RA (re-elected 2 October 2012)
Brendan Finucane QC (appointed 1 October 2013)
Mariella Frostrup
Piers Gough CBE RA (re-elected 1 October 2013)
Nigel Hall RA (resigned 2 October 2012)
Julian Heslop (appointed 2 October 2012)
Gary Hume RA (appointed 2 October 2012)
Eva Jiricna CBE RA (resigned 2 July 2013)
Allen Jones RA (resigned 2 October 2012)
Michael Landy RA (resigned 2 October 2012)
Jock MacFadyen RA (appointed 1 October 2013)
Professor Ian McKeever RA (appointed 1 October 2013)
Mali Morris RA (appointed 2 October 2012, resigned 2 July 2013)
Sir Alan Moses (resigned 2 July 2013)
Professor Humphrey Ocean RA (re-appointed 2 October 2012)
Hughie O'Donoghue RA (appointed 2 October 2012, resigned 2 July 2013)
Professor Chris Orr RA (appointed 2 October 2012)
Cornelia Parker RA (appointed 2 October 2012, re-elected 1 October 2013)
Alison Wilding RA (resigned 2 July 2013)

Officers

Christopher Le Brun	President
Eileen Cooper RA	Keeper
Professor Paul Huxley RA	Treasurer
Charles Saumarez Smith CBE	Secretary & Chief Executive

Company Secretary

Jonathon Cornaby

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Royal Academy Committees

at the date of signing:

Executive Committee

Charles Saumarez Smith CBE (Chairman)
Ian Blackburn
Eliza Bonham Carter
Jonathon Cornaby
Will Dallimore
Elizabeth Horne
Jane Marriott
Katherine Montague
Nicholas Savage
Kathleen Soriano

Finance Committee

Professor Paul Huxley RA (Chairman)
Adam Bennett
Jonathon Cornaby
Julian Heslop
Professor Chris Orr MBE RA
Charles Saumarez Smith CBE
Peter Williams

Audit Committee

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

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

Solicitors

Jones Day
21 Tudor Street
London EC4Y 0DJ

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
Phyllida Barlow RA
Stephen Chambers RA
Ann Christopher RA
Michael Craig-Martin CBE RA
Gary Hume RA
Christopher Lloyd CVO
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)
Anne Desmet RA
Alan Stanton RA
Treasurer *ex officio*
Secretary and Chief Executive *ex officio*

Royal Academy of Arts

Trustees' Report

For the Year Ended 31 August 2013

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 Obligation.
- 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.

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.

Royal Academy of Arts

Trustees' Report

For the Year Ended 31 August 2013

Governance and Management (continued)

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.

Disabled Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Academy continues and that appropriate training is arranged. It is the policy of the Academy that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee Consultation

The Academy places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Academy. This is achieved through formal and informal meetings including the regular 'Show and Tell' sessions, and the internal newsletter.

Current Year Objectives

To enable the Royal Academy to continue to meet its charitable objectives, in February 2013, the Academy devised a new Strategic Plan. The five-year plan builds towards our 250th anniversary in 2018 and its five principal objectives outline what we want to achieve by then:

1. To inspire and engage a wider public
2. To engage scholars and nurture the artists of the future
3. To establish spaces fit for a 21st-century Academy
4. To realise the full potential of our Members and staff
5. To fulfil our objectives and safeguard our future

ACTIVITIES, ACHIEVEMENTS AND IMPACT

Review of Activities

Looking back on 2012/13, we chart our progress against these five key objectives:

Public engagement: "To inspire and engage a wider public"

'One of the most astonishing sculpture exhibitions ever mounted' was how the *New York Review of Books* described the Royal Academy exhibition, *Bronze*. In 2012/13, our exhibitions attracted over one million visitors. *Bronze* (15 September – 9 December 2012) was the year's opening display and brought together 160 of the world's greatest bronzes.

Manet: Portraying Life (26 January – 14 April 2013) attracted over 340,000 visitors to see what was, according to the *Telegraph*, 'a revelation'. The retrospective, supported by BNY Mellon, was the first ever devoted to Manet's portraits.

North America took hold of the Sackler Wing in 2013. *George Bellows 1882–1925: Modern American Life* (16 March – 9 June 2013), supported by Edwards Wildman and the Terra Foundation, was the UK's first retrospective of works by the American realist painter. The Independent awarded the exhibition five stars.

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Trustees' Report

For the Year Ended 31 August 2013

Review of Activities (continued)

Mexico: A Revolution in Art, 1910–1940 (6 July – 29 September 2013) followed. It depicted the 30 years that followed the start of the Mexican revolution, a period of immense change marked by a surge of artistic creativity. In total the two shows attracted 145,000 visitors.

Alongside its international exhibitions, the RA is committed to putting more of its own large collection on public display. A series of exhibitions in 2012/13 did just that. *Constable, Gainsborough Turner and the Making of Landscape* drew 87,000 visitors to what *The Times* called a 'spectacular show of natural beauty'. Displays on Sydney Lee RA and Sir Hugh Casson PRA drew on the collection to showcase the myriad talents of two former Academicians, singling out Lee's prints for reconsideration and paying homage to Casson's skills as an architect, designer, watercolourist and impresario.

Architecture is another major feature of the RA's public programme. The hugely successful *Richard Rogers RA: Inside Out* (18 July – 13 October 2013) had, by the end of August, attracted 50,000 visitors to its dynamic display of models, photographs, notebooks and drawings.

Diversifying our audience is essential if we are to offer meaningful access to the wider public. In January 2013, the RA announced that all children under the age of 12 would have free admission to our exhibitions. Audio description, touch tours, private views for wheelchair users, interactive talks using British Sign Language or lip-speaking – all create opportunities where anyone with special needs is not excluded from London's cultural life, but welcomed into it. With support from JTI, the RA organised workshops and tours for service users from Crisis and Leonard Cheshire Disability. Working with young homeless people, we ran art workshops with the Broadway Centre in Shepherd's Bush, supported by BNY Mellon. Our programme *InMind*, in conjunction with the Alzheimer's Society, has created sessions at the RA for older people with special needs and those with dementia.

Academic engagement: "To engage scholars and nurture the artists of the future"

Held in March 2013, *Premiums* showcased the work of second-year RA Schools students midway through their course. Burlington Gardens provided the highly effective setting for these contemporary works that included painting, sculpture, video and installation. In June, the *Royal Academy Schools Show* featured work by the year's 17 graduating artists. Displays ranged from wigs made of goat's hair to a full-size cactus of cast resin. Many of the artists have already begun to exhibit elsewhere.

Alumni of the RA Schools gained many honours, ensuring its international reputation for excellence. In the UK, Sarah Pickstone won the £25,000 John Moores Painting Prize, while Lynette Yiadom-Boakye won the Future Generation Art Prize, an international juried prize of \$100,000 which was officially announced at the opening of the Venice Biennale. One of her works has been included in the recent rehanging of Tate Britain and she has been shortlisted for the 2013 Turner Prize.

Spaces: "To establish spaces fit for a 21st century Academy"

The past year saw several milestones in our progress toward completing the Burlington Project by 2018, the RA's 250th anniversary. Our first exhibitions in Burlington Gardens began in October 2012 with *RA Now*, a display of works by today's Royal Academicians. It was followed by *Rebirth*, an immersive exhibition of installations and drawings by Mariko Mori, timed to coincide with the winter solstice. Several were created especially for the RA display. The new RA Studio Shop opened, as did a popular new café, 42°Raw. The Pace Gallery launched a London showroom in the west wing of Burlington Gardens. The arrival of Pace London has strengthened the presence of contemporary art in Mayfair, complementing existing galleries in the area and drawing attention to the RA's own long-term plans for Burlington Gardens. In 2012 the Heritage Lottery Fund awarded the RA development funding of £458,000 as part of its first-stage success towards gaining a IIIJ² grant of £12.7 million. Following extensive research, the round-two application has been both submitted to IIIJ² for consideration and approved.

A £6.5 million project to redesign the Keeper's House has been led by award-winning architects Long & Kentish. At its topping out ceremony in April 2012 – reported in the national and architectural press – Stephen Fry, Grayson Perry RA and the present Keeper Eileen Cooper RA were among those who laid a symbolic brick to mark the building's new direction. The Keeper's House more than doubles the existing space for the RA Friends. Opening in September 2013, the Keeper's House will allow the RA to offer more to Academicians, Patrons, Friends and the general public through increased social spaces, extended opening hours and a busy public programme of talks, debates, workshops and exhibitions.

Over the entire RA site, a variety of improvements maintained the historic building and kept it fit for the future. A pop-up café in the Architecture Room stood in to serve Friends during the refurbishment of the Casson Room. A £2.8 million project has seen the complete replacement of 20-year-old air conditioning in the Sackler Wing Galleries and other behind-the-scenes upgrades included £1.6 million works around Galleries 7 and 8.

People: "To realise the full potential of our Members and staff"

RA Now (11 October – 11 November 2012), supported by JTI, showcased the work of the present Royal Academicians alongside Honorary Royal Academicians. The exhibition – the first in the RA's new space for art and architecture in Burlington Gardens – was a fascinating snapshot of the RA today: paintings, works on paper, sculpture, photographs,

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For the Year Ended 31 August 2013

Review of Activities (continued)

architectural drawings and models. Overall the project raised over £1.8 million through art sales, donations, sponsorship, tickets and catalogue sales.

The Academicians' presence extends across the globe. Drawing on this acclaim, in September 2012 the RA launched a new exhibition venture on the world stage. With the advisory team from Fortune Cookie Projects, *Encounter: The Royal Academy in Asia* brought together works by 23 Academicians with leading artists from 11 Asian countries. The exhibition launched in Singapore then moved to Doha, where it was transformed with works by artists from Qatar, UAE, Lebanon, Palestine, Iran, Egypt and Turkey, running till March 2013.

The RA was also on the move nationally. From March to September 2013 the grounds of Hatfield House welcomed 90,000 visitors to *Here, There and Somewhere In Between: The Royal Academy at Hatfield House* (30 March – 29 September 2013). It was the first time the RA collaborated to present an exhibition of Academicians' sculpture outside the Academy.

The support of Patrons and Friends is essential to an organisation that receives no revenue from the government. The RA has nearly 400 Patrons who contribute just under £1million annually. In November 2012, we launched a Young Patrons scheme to widen the involvement of younger people in the RA and inspire their long-term commitment. The Friends of the RA are its backbone, with over 94,000 registered members. Together they bring in £10 million annually. A campaign in 2012 to woo back more than 5000 lapsed members was particularly effective. Fronted by comedian Stephen Fry, it attracted a significant take-up.

Staff development is an essential part of keeping the RA vibrant and forward-looking. Quarterly induction sessions introduce new staff to departmental representatives and the Chief Executive so newcomers can better understand the ethos of the RA and how their own work fits into the organisation as a whole. Training programmes such as Inspiring Managers have proved such a success that a new programme, Inspiring Employees, will be launched in Autumn 2013.

Team-building is supported by a variety of voluntary staff activities. The RA Running Club do their best every Friday lunchtime. The newly inaugurated staff choir performed in Devonshire Square and the RA's Annenberg Courtyard and also featured on BBC news alongside choirs from Channel 4, Debenhams and AON Benfield. Staff can additionally participate in free life drawing classes in the RA Schools' Life Drawing Room.

Finances: "To fulfil our objectives and safeguard our future"

The RA's success in 2012/13 drew from a number of financial streams. Patrons and Friends supported us through their membership. The Academicians donated works to be auctioned as part of *RA Now*. The capital campaign to redevelop Burlington Gardens is advancing steadily.

The RA also received generous support for its programming. In 2012/13 individual projects attracted £4.7 million, including the highest level of corporate sponsorship income for ten years.

The RA relaunched its Corporate Membership Scheme in 2012/13. The simplified structure rewards long-term membership and promotes the advantages of new spaces in Burlington Gardens and the Keeper's House. Benefits can include exhibition entry for staff, private views, corporate breakfasts, evening entertaining, as well as social investment in education and community workshops. RA Corporate Membership had an excellent retention rate of 84% last year and generated over £1 million.

The RA Trust is a registered charity that serves public benefit by providing funds for the support of the RA. It supports all areas of our work, including the collection, exhibitions, RA Schools and education programme. At 31 August 2013, the reserves of the RA Trust stood at £29.7 million. The Trust fosters international ties to generate support for the organisation worldwide. The past year saw developments in Hong Kong, including contributions to Art Basel HK as well as local educational events.

A direct mail campaign, supported by new marketing materials, increased the number of legacy pledges to the RA by 20%. Gross legacy income in 2012/13 was just over £780,000, the fourth largest annual legacy income in thirty years.

Over 4,750 guests attended RA openings in 2012/13. The events team managed 100 receptions, dinners and other events as part of the RA's annual programme. Major events throughout the year included the London Philharmonic Orchestra playing in the RA courtyard; the Annual Dinner, and the Summer Exhibition Preview Party, where a fluorescent carpet welcomed guests who spent over £730,000 on art purchases. Corporate events also brought in significant funds. The *Manet* exhibition sold all the available slots for corporate entertaining. Overall the RA exceeded its projected income from corporate hire of its spaces for the fifth year running.

RA Enterprises is the commercial hub of the RA. In 2012/13 sales of £7 million, including catering, ticketing and retail, generated a profit of £2.2 million.

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Review of Activities (continued)

RA Publications is one of the world's leading publishers of books on the visual arts. The RA continued its run of notable publications. Outstanding were the exhibition catalogues for *Manet*, which sold nearly 20,000 copies, and *Bronze* which sold nearly 15,000 copies worldwide. *Bronze* earned RA Publications the Association of Cultural Enterprises Award 2013.

Impact and Public Benefit

Although our current objectives and the activities to meet those objectives make a considerable impact in meeting our charitable objects, a more formal impact assessment approach is under consideration with a view to setting indicators and benchmarks by which the Academy can more effectively measure the impact that it is making.

Meanwhile, 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.

FINANCIAL REVIEW

Financial Result for the year

The statutory accounts for the current year show net incoming resources of £1,997,207 (2012 - £8,103,098) for core activities, being those ongoing activities directly associated with delivering the charitable objectives, and net incoming resources of £5,673,381 (2012- £4,141,887) 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 gain on the pension scheme totalling £50,000, (2012 - loss of £3,423,000), resulting in a surplus of £7,720,588 (2012 - £8,821,985).

Reserves

At 31 August 2013, total unrestricted reserves stood at £25.9 million. Of this, £22.2 million relates to unrestricted fixed assets, including £4.6 million of funds that have been designated to the Burlington Project. Therefore, free reserves stand at £3.7 million after deducting the pension scheme liability.

The policy of the Academy is to maintain sufficient level of free reserves to enable operating activities to be maintained, taking account of potential risks and contingencies that may arise from time to time. A formal policy on reserves was originally agreed at the meeting of Council on 4 October 2011 which states:

The trustees have set a reserves policy which requires:

- Reserves be maintained at a level which ensures that the RA's core activities could continue during a period of unforeseen difficulty and that current and future commitments can be honoured.
- A proportion of reserves be maintained in a readily realisable form.

The policy is reviewed annually by Council.

Having reviewed the reserves of the Academy, an appropriate level of free reserves, would be £4.5 million, this being sufficient to cover three months operating costs including salaries. This covers the period of a normal exhibition and allows the Academy to continue running in the circumstances that an exhibition is cancelled without an alternative being viable.

The free reserves calculated above at £3.7 million are therefore in line with the Council's desired reserves level of £4.5million, which is considered to be sufficient to provide funding for 3 months' operational costs.

FUTURE PLANS

Looking forward to 2013/14 and beyond, the specific goals set out in our Strategic Plan across each of the five principal objectives are (with current year comparatives where available) to:

Public engagement: "To inspire and engage a wider public"

- Achieve more than 1.2 million visits p.a. by 2018 (1.1 million visitors in 2013)
- Achieve 85% visitor satisfaction by 2015; 90% by 2018

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Trustees' Report

For the Year Ended 31 August 2013

Future Plans (continued)

- Launch a new debate and lecture programme in the new Burlington Gardens auditorium in 2016
- Increase membership income by 20% by 2018
- Have 3 million unique web visitors by 2015; 5 million by 2018 (2.1 million unique web visitors in 2013)

Academic engagement: "To engage scholars and nurture the artists of the future"

- Organise a Collections touring exhibition by 2014
- Increase Library users by 5% p.a. by 2018
- Devise and embed a new vision for RA Schools by 2014
- Recruit 50% of each year's graduates into the alumni scheme from 2014

Spaces: "To establish spaces fit for a 21st century Academy"

- Launch Keeper's House in September 2013 (completed at the date of signing)
- Commence Burlington Gardens & Link construction in Spring 2015
- Complete Entrance Hall and Link in Autumn 2016

People: "To realise the full potential of our Members and staff"

- Ensure every Royal Academician visits the Academy at least once a year
- Achieve 1,000 paying members for the Academician's Room on the first floor of the Keeper's House
- Introduce a staff survey and commit to prompt analysis and positive change
- Ensure all staff have an annual appraisal, including a personal development discussion
- Improve absence management

Finances: "To fulfil our objectives and safeguard our future"

- Ensure Burlington Project capital campaign is fully funded and completed by 2018
- Ensure revenue fundraising reaches £16 million by 2018
- Maintain cost inflation below CPI; revenue inflation to exceed cost inflation
- Increase RA Enterprises net profit per visitor by 5% p.a. from 2014
- Increase RA Enterprises net profit from e-commerce, licensing and publishing by 10% p.a. by 2015; 7% p.a. by 2018

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 formally 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 Risk Register also provides the basis for an ongoing programme of Internal Audit reviews, the finding of which are reported to the quarterly Audit Committee meetings.

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 consideration to provide mitigation.

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).

Company 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:

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Trustees' Report

For the Year Ended 31 August 2013

Statement of Trustees' Responsibilities (continued)

- 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 trustees at the time the trustees' 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

Date: 7 January 2014

Independent Auditor's 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 2013 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 chapter 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 2013 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.

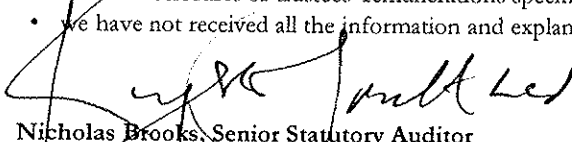
Opinion on other matters prescribed by the Companies Act 2006

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: 10/11/14

Devonshire House
60 Goswell Road
London EC1M 7AD

Royal Academy of Arts
Consolidated Statement of Financial Activities
For the year ended 31 August 2013

		Ongoing Activities		Burlington Project			
	Note	Unrestricted Funds	Restricted Funds	Unrestricted Funds	Restricted Funds	Total	Total
		2013	2013	2013	2013	2013	2012
		£	£		£	£	£
Incoming Resources							
<i>Incoming resources from generated funds</i>							
<i>Voluntary income</i>							
General donations from Royal Academy Trust		-	200,460	-	-	200,460	192,010
Other donations from Royal Academy Trust:							
Burlington Project		-	-	-	660,275	660,275	951,726
Cataloguing Project		-	96,762	-	-	96,762	67,894
Donations from Friends of the Royal Academy		7,692,046	-	1,135,320	-	8,827,366	8,774,464
Other donations		1,092,119	1,363,058	650,435	3,743,434	6,849,046	5,094,764
Grant Income			67,374		226,653	294,027	-
<i>Activities for generating funds</i>							
Income from trading subsidiaries	2	8,952,358	-	-	-	8,952,358	12,893,182
Rent, insurance and other receipts		3,339,288	-	245,000	-	3,584,288	2,895,737
<i>Investment income</i>							
Bank interest		33,868	-	12,264	-	46,132	29,564
Dividends		454	-	-	-	454	422
<i>Incoming resources from charitable activities</i>							
Exhibitions		6,096,479	-	-	-	6,096,479	7,798,867
Schools		191,437	-	-	-	191,437	226,305
Library		24,289	-	-	-	24,289	26,299
Education		458,483	-	-	-	458,483	486,175
Total Incoming Resources		27,880,821	1,727,654	2,043,019	4,630,362	36,281,856	39,437,409
Resources Expended							
<i>Cost of generating funds</i>							
Fundraising and publicity	4	(6,264,316)	-	-	-	(6,264,316)	(4,931,511)
Fundraising trading	2	(5,731,376)	-	-	-	(5,731,376)	(7,041,237)
Charitable activities	5	(13,008,500)	(1,727,654)	-	-	(14,736,154)	(13,168,753)
Governance	6	(879,422)	-	-	-	(879,422)	(1,050,923)
Donation to Royal Academy Trust		-	-	-	(1,000,000)	(1,000,000)	(1,000,000)
Total Resources Expended	7	(25,883,614)	(1,727,654)	-	(1,000,000)	(28,611,268)	(27,192,424)
Net Incoming Resources for the year before other recognised gains and losses and transfers between funds		1,997,207	-	2,043,019	3,630,362	7,670,588	12,244,985
Transfer between Funds	18	981,215	-	1,074,996	(2,056,211)	-	-
Net Incoming Resources for the year before other recognised gains and losses		2,978,422	-	3,118,015	1,574,151	7,670,588	12,244,985
Actuarial gains/(losses) on defined benefit pension scheme		50,000	-	-	-	50,000	(3,423,000)
Net movement in funds		3,028,422	-	3,118,015	1,574,151	7,720,588	8,821,985
Fund balances brought forward at 1st September		18,340,065	-	1,443,308	5,916,206	25,699,579	16,877,594
Fund balances carried forward at 31 August		21,368,487	-	4,561,323	7,490,357	33,420,167	25,699,579

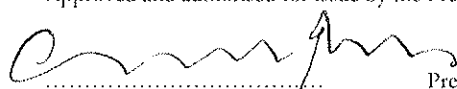
All gains and losses arising in the year are included in the Statement of Financial Activities and derive from continuing activities.

Royal Academy of Arts
Balance Sheet as at 31 August 2013

	Note	Group 2013	2012	Royal Academy 2013	2012
		£	£	£	£
Fixed Assets					
6 Burlington Gardens	12c	14,470,064	14,470,064	14,470,064	14,470,064
Other tangible fixed assets	12a, b	15,181,320	6,616,815	15,085,558	6,605,621
Investments	13	-	-	108	108
		<u>29,651,384</u>	<u>21,086,879</u>	<u>29,555,730</u>	<u>21,075,793</u>
Current Assets					
Stock		316,500	311,048	-	-
Debtors and prepayments	14	2,689,038	2,696,805	2,726,460	2,354,638
Cash at bank and in hand		8,825,847	10,831,264	8,736,649	10,693,769
		<u>11,831,385</u>	<u>13,839,117</u>	<u>11,463,109</u>	<u>13,048,407</u>
Creditors: Amounts falling due within one year	15	<u>(5,143,823)</u>	<u>(4,920,976)</u>	<u>(4,686,693)</u>	<u>(4,125,980)</u>
Net Current Assets		<u>6,687,562</u>	<u>8,918,141</u>	<u>6,776,416</u>	<u>8,922,427</u>
		36,338,946	30,005,020	36,332,146	29,998,220
Creditors: Amounts falling due after more than one year	16	<u>(2,400,779)</u>	<u>(2,592,441)</u>	<u>(2,400,779)</u>	<u>(2,592,441)</u>
Total Net Assets before pension deficit		33,938,167	27,412,579	33,931,367	27,405,779
Defined benefit pension scheme funding deficit	21	<u>(518,000)</u>	<u>(1,713,000)</u>	<u>(518,000)</u>	<u>(1,713,000)</u>
Total Net Assets after pension deficit		<u>33,420,167</u>	<u>25,699,579</u>	<u>33,413,367</u>	<u>25,692,779</u>
Represented by:					
Restricted funds					
Burlington Project	17	<u>7,490,357</u>	<u>5,916,206</u>	<u>7,490,357</u>	<u>5,916,206</u>
Unrestricted funds:					
General funds		21,886,487	20,053,065	21,879,687	20,046,265
Pension Reserve		(518,000)	(1,713,000)	(518,000)	(1,713,000)
Burlington Project		4,561,323	1,443,308	4,561,323	1,443,308
		<u>25,929,810</u>	<u>19,783,373</u>	<u>25,923,010</u>	<u>19,776,573</u>
	17	<u>33,420,167</u>	<u>25,699,579</u>	<u>33,413,367</u>	<u>25,692,779</u>

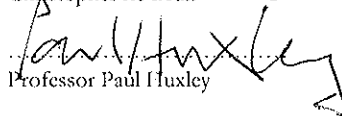
Approved and authorised for issue by the President and Council of the Royal Academy of Arts on.....

7 January 2014.



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 2013

	Notes	2013 £	2012 £
Net Cash Inflow from Operating Activities	20(a)	<u>7,604,860</u>	<u>12,230,332</u>
Returns on Investments and Servicing of Finance			
Interest paid		(31,818)	(40,395)
Interest received		<u>46,132</u>	<u>29,564</u>
Net Cash Inflow / (Outflow) from Returns on Investment and Servicing of Finance		<u>14,314</u>	<u>(10,831)</u>
Capital Expenditure and Financial Instruments			
Payments to acquire tangible fixed assets	12	<u>(9,432,929)</u>	<u>(3,325,237)</u>
Net Cash Outflow from Capital Expenditure		<u>(9,432,929)</u>	<u>(3,325,237)</u>
Financing			
Bank loans		<u>(191,662)</u>	<u>(228,744)</u>
Cash (decrease)/increase in the Year	20(b)	<u><u>(2,005,417)</u></u>	<u><u>8,665,520</u></u>

**Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2013**

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, and the Companies Act 2006.

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 2013. 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.

The Royal Academy has taken the exemptions available under s.408 of the Companies' Act 2006 to not produce an unconsolidated SOFA.

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.

The Academy applies a £10,000 threshold to capitalisation of Heritage Assets at cost or value, where value is reasonably attainable. Items are not depreciated as the assets are deemed to have indeterminable lives.

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.

Finance leases

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

Any interest element of the rental obligations is charged to the SOFA over the period of the lease

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 2013 (Continued)

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.

Grants

For performance related grants, income entitlement is considered to be conditional upon the meeting of conditions imposed by the grant. Income is therefore recognised in the SORP to the extent that the Academy has demonstrably met any grant conditions imposed, a reasonable estimate of which is expenditure incurred to date.

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 of the Pension Scheme 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 2013 (Continued)

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 2013 £	R.A. Enterprises Limited 2013 £	2012 £	RA Arts Limited 2013 £	2012 £	Burlington House Limited 2013 £	2012 £
Turnover	8,952,358	7,271,186	10,842,920	1,293,712	1,596,420	387,460	453,842
Cost of sales	(3,168,818)	(2,910,205)	(3,907,588)	(17,460)	(13,950)	(241,153)	(264,380)
Administrative expenses	(2,562,558)	(2,215,607)	(2,506,549)	(275,691)	(266,338)	(71,260)	(82,432)
Total expenses	<u>(5,731,376)</u>	<u>(5,125,812)</u>	<u>(6,414,137)</u>	<u>(293,151)</u>	<u>(280,288)</u>	<u>(312,413)</u>	<u>(346,812)</u>
Net result	3,220,982	2,145,374	4,428,783	1,000,561	1,316,132	75,047	107,030
Gift aid donation	<u>(3,220,982)</u>	<u>(2,145,374)</u>	<u>(4,428,783)</u>	<u>(1,000,561)</u>	<u>(1,316,132)</u>	<u>(75,047)</u>	<u>(107,030)</u>

Balance Sheet

Fixed Assets	95,767	95,767	11,199	-	-	-	-
Current Assets							
Stock	316,500	316,500	311,048	-	-	-	-
Debtors	907,805	685,604	622,242	197,009	353,329	25,192	80,000
Bank	89,201	36,948	86,507	27,253	25,990	25,000	25,000
	<u>1,313,506</u>	<u>1,039,052</u>	<u>1,019,797</u>	<u>224,262</u>	<u>379,319</u>	<u>50,192</u>	<u>105,000</u>
Current Liabilities							
Creditors: Amounts falling due within one year	<u>(1,409,165)</u>	<u>(1,134,815)</u>	<u>(1,030,992)</u>	<u>(224,258)</u>	<u>(379,315)</u>	<u>(50,092)</u>	<u>(104,900)</u>
	<u>(1,409,165)</u>	<u>(1,134,815)</u>	<u>(1,030,992)</u>	<u>(224,258)</u>	<u>(379,315)</u>	<u>(50,092)</u>	<u>(104,900)</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	108	4	4	4	4	100	100
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 2013 (Continued)

3 Support costs	Finance	IT	Personnel	Facilities	2013 Total
	£	£	£	£	£
Exhibitions	601,753	283,605	157,155	1,357,078	2,399,591
Schools	133,723	63,023	34,924	301,574	533,244
Library	211,728	99,787	55,295	477,491	844,301
Education	167,153	78,779	43,654	376,966	666,552
Fundraising	479,173	225,833	125,142	1,080,636	1,910,784
Governance costs	66,861	31,512	17,462	150,786	266,621
2013 Total	<u>1,660,391</u>	<u>782,539</u>	<u>433,632</u>	<u>3,744,531</u>	<u>6,621,093</u>
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>

4 Fundraising and publicity	2013	2012
	£	£
Direct costs	4,353,532	3,585,541
Support costs (note 3)	<u>1,910,784</u>	<u>1,345,970</u>
	<u>6,264,316</u>	<u>4,931,511</u>

Direct costs increased in 2013 as a result of several initiatives targeted to increase funds raised and market 6 Burlington Gardens. Of note are the costs associated with a one off capital campaign (RA Now - raising £1.3m) of £315,000, and £128,000 spend on marketing exhibitions for the first time in 6 Burlington Gardens, Richard Rodgers RA: Inside Out, Mariko Mori: Rebirth & RA Now).

5 Charitable activities	Direct costs	Support costs	2013 Total	2012 Total
	£	£	£	£
Exhibitions	7,660,508	2,399,591	10,060,099	8,408,560
Schools	991,994	533,244	1,525,238	1,464,800
Library	727,504	844,301	1,571,805	1,563,634
Intellectual Property expenditure	104,762	-	104,762	180,166
Education	807,698	666,552	1,474,250	1,551,593
	<u>10,292,466</u>	<u>4,443,688</u>	<u>14,736,154</u>	<u>13,168,753</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	2013 Total	2012 Total
	£	£
Audit Fees - internal & external	94,761	93,813
Council, Committees & Members	41,517	37,503
Legal & Professional	29,160	109,438
Management and Governance support	447,363	487,830
Support costs (note 3)	<u>266,621</u>	<u>324,889</u>
	<u>879,422</u>	<u>1,053,473</u>

Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2013 (Continued)

7 Resources expended	2013	2012
This is stated after charging:	£	£
Depreciation	868,424	418,113
Auditors' remuneration:		
External Auditors		
Audit services	52,987	49,889
Other audit services	4,079	6,774
Internal Auditors	37,695	37,150
Interest Paid	<u>31,818</u>	<u>40,395</u>

8 Officers' and Council Members' Remuneration	2013	2012
	£	£
Officers' remuneration, excluding pension contributions, is as follows:		
President	60,000	60,000
Keeper	50,000	49,333
Secretary	173,895	170,930
Treasurer	<u>25,000</u>	<u>25,000</u>
	<u>308,895</u>	<u>305,263</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. 2 Trustees received reimbursed expenditure of:

	2013	2012
	£	£
Travel	22,619	5,615
Other	<u>4,301</u>	<u>4,547</u>
	<u>26,920</u>	<u>10,162</u>

9 Staff Costs

	Group		Royal Academy	
	2013	2012	2013	2012
	£	£	£	£
Salaries and wages	9,241,316	8,777,488	7,654,565	7,203,096
Social security costs	880,265	887,550	737,223	729,220
Pension contributions - normal	594,086	603,751	513,444	523,767
Pension contributions - additional	804,202	753,009	804,202	753,009
Pension Fund Adjustment - FRS 17	<u>(1,145,000)</u>	<u>(1,204,000)</u>	<u>(1,145,000)</u>	<u>(1,204,000)</u>
	<u>10,374,869</u>	<u>9,817,798</u>	<u>8,564,434</u>	<u>8,005,092</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 2013 (Continued)

9 Staff Costs (Continued)

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

Band:	2013 No.	2012 No.
£60,000 to £69,999	4	3
£80,000 to £89,999	1	1
£90,000 to £99,999	3	4
£100,000 to £109,999	1	4
£110,000 to £119,999	1	2
Over £159,999	1	1

Pension contributions for the above employees were £105,412 (2012 - £133,730).

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

	2013 No.	2012 No.
Charitable activities	100	106
Fundraising	43	43
Trading Activities	40	40
Governance	6	6
Support	67	66
	<u>256</u>	<u>261</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 2013 (Continued)

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 exclusively, 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 includes 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 two academicians including Stephen Cox RA and Sean Scully RA. A number of purchases were made including a set of 12 aquatints from the series 'Twelve Views in South Wales', published 1775 by Paul Sandby, RA and a drawing by John Flaxman RA of 'The Braschi Venus, 1811' for £4,000. No disposals were made this year.

The acquisitions and disposals policy is available for review on the Royal Academy's website www.royalacademy.org.uk.

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 2013 (Continued)

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 2012	3,758,447	3,821,333	2,558,362	10,138,142
Additions	167,681	5,328,416	3,936,832	9,432,929
Reclassification	-	(744,342)	744,342	-
	<u>3,926,128</u>	<u>8,405,407</u>	<u>7,239,536</u>	<u>19,571,071</u>
At 31 August 2013				
Depreciation				
At 31 August 2012	1,717,774	-	1,803,553	3,521,327
Provided during the year	160,249	-	708,175	868,424
	<u>1,878,023</u>	<u>-</u>	<u>2,511,728</u>	<u>4,389,751</u>
At 31 August 2013				
Net Book Value				
At 31 August 2013	<u>2,048,105</u>	<u>8,405,407</u>	<u>4,727,808</u>	<u>15,181,320</u>
At 31 August 2012	<u>2,040,673</u>	<u>3,821,333</u>	<u>754,809</u>	<u>6,616,815</u>

Included above are assets held under finance leases or hire purchase contracts with a net book value at 31 August 2013 of £44,498 and depreciation charged for the year of £22,249.

Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2013 (Continued)

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 2012	3,496,042	3,821,334	21,944	1,820,974	9,160,293
Additions	167,681	5,271,389	-	3,894,769	9,333,839
Reclassification	-	(744,342)	-	744,342	-
Disposals	-	-	-	-	-
At 31 August 2013	3,663,723	8,348,381	21,944	6,460,085	18,494,132
Depreciation					
At 31 August 2012	1,455,370	-	21,944	1,077,359	2,554,673
Provided during the year	160,249	-	-	693,653	853,902
At 31 August 2013	1,615,619	-	21,944	1,771,012	3,408,575
Net Book Value					
At 31 August 2013	2,048,104	8,348,381	-	4,689,073	15,085,558
At 31 August 2012	2,040,672	3,821,334	-	743,616	6,605,621

(c) 6 Burlington Gardens (Freehold property)

	Group 2013	Group 2012	Royal Academy 2013	Royal Academy 2012
	£	£	£	£
Balance as at 31 August 2012 and 31 August 2013	14,470,064	14,470,064	14,470,064	14,470,064
Depreciation				
At 31 August 2012	-	-	-	-
Disposals	-	-	-	-
Provided during the year	-	-	-	-
At 31 August 2013	-	-	-	-
Net Book Value	14,470,064	14,470,064	14,470,064	14,470,064

In the opinion of the Trustees, the current open market value of the Academy's interest in 6 Burlington Gardens exceeds the book value of the asset by approximately £18m. The Academy would have no liability to taxation if the asset was sold at open market value.

13 Investments in Subsidiaries

	2013	2012
	£	£
Investments at cost	108	108

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 2013 (Continued)

14 Debtors and Prepayments

	Group	Group	Royal	Royal
	2013	2012	Academy	Academy
	£	£	2013	2012
			£	£
Royal Academy Trust	-	103,593	-	103,593
Royal Academy related entities	-	-	760,849	711,592
Friends of the Royal Academy	-	-	-	-
Prepayments and deferred expenditure	506,836	827,137	364,473	655,828
Trade debtors	1,039,671	1,084,428	580,631	342,682
Taxation and social security	368,937	230,435	368,937	230,435
Staff loans	47,712	39,047	47,712	39,047
Sundry debtors	725,882	412,165	603,858	271,461
	<u>2,689,038</u>	<u>2,696,805</u>	<u>2,726,460</u>	<u>2,354,638</u>

15 Creditors: Amounts falling due within one year

	Group	Group	Royal	Royal
	2013	2012	Academy	Academy
	£	£	2013	2012
			£	£
Bank loan	228,744	228,744	228,744	228,744
Hire purchase	22,248	-	22,248	-
Friends of the Royal Academy	20,027	151,904	169,683	62,501
Royal Academy Trust	250,792	50,393	212,233	-
Royal Academy related entities	-	-	24,842	-
Deferred income (i)	1,226,845	850,793	1,123,449	805,198
Trade creditors	1,288,464	1,736,921	1,050,142	1,414,620
Taxation and social security	327,784	376,265	242,595	235,403
Accruals	1,681,192	1,449,907	1,543,464	1,331,813
Pension contributions payable	21,942	-	21,942	-
Sundry creditors	75,785	76,049	47,351	47,701
	<u>5,143,823</u>	<u>4,920,976</u>	<u>4,686,693</u>	<u>4,125,980</u>

- (i) Deferred income in 2013 includes ticket sales and sponsorship income for exhibitions in the next financial year, including Keifer, Australia, Sensing Spaces and Outreach Programme, and is analysed as follows:

	Brought Forward	Amount Added	Amount Released	Carried Forward
	£	£	£	£
Deferred income	<u>850,793</u>	<u>1,226,845</u>	<u>(850,793)</u>	<u>1,226,845</u>

Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2013 (Continued)

16 Creditors: Amounts falling due after more than one year

	Group 2013 £	Group 2012 £	Royal Academy 2013 £	Royal Academy 2012 £
Hire Purchase	37,083	-	37,083	-
Bank loan	2,363,696	2,592,441	2,363,696	2,592,441
	<u>2,400,779</u>	<u>2,592,441</u>	<u>2,400,779</u>	<u>2,592,441</u>

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

Bank loan repayable by instalments	<u>1,448,716</u>	<u>1,677,461</u>	<u>1,448,716</u>	<u>1,677,461</u>
	<u>1,448,716</u>	<u>1,677,461</u>	<u>1,448,716</u>	<u>1,677,461</u>

The bank loan was taken out in 2009 and is repayable in installments by 2024, interest of £31,818 is charged per annum.

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	5,233,876	3,439,079	20,978,429	-	29,651,384
Current assets	2,280,314	1,476,193	8,074,878	-	11,831,385
Current liabilities	(23,833)	(353,949)	(4,766,041)	-	(5,143,823)
Long term liabilities	-	-	(2,400,779)	-	(2,400,779)
Pension liabilities	-	-	-	(518,000)	(518,000)
	<u>7,490,357</u>	<u>4,561,323</u>	<u>21,886,487</u>	<u>(518,000)</u>	<u>33,420,167</u>
<i>(b) Royal Academy</i>					
Tangible assets	5,233,876	3,439,079	20,882,775	-	29,555,730
Current assets	2,280,314	1,476,193	7,706,602	-	11,463,109
Current liabilities	(23,833)	(353,949)	(4,308,911)	-	(4,686,693)
Long term liabilities	-	-	(2,400,779)	-	(2,400,779)
Pension liabilities	-	-	-	(518,000)	(518,000)
	<u>7,490,357</u>	<u>4,561,323</u>	<u>21,879,687</u>	<u>(518,000)</u>	<u>33,413,367</u>

Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2013 (Continued)

18 Analysis of Funds

(a) Group

	Opening Funds £	Transfers £	Incoming Resources £	Resources Expended £	Revaluation £	Closing Funds £
Restricted funds:						
Other funds	-	-	1,727,654	(1,727,654)	-	-
Burlington Project	5,916,206	(2,056,211)	4,630,362	(1,000,000)	-	7,490,357
Total Restricted funds	<u>5,916,206</u>	<u>(2,056,211)</u>	<u>6,358,016</u>	<u>(2,727,654)</u>	<u>-</u>	<u>7,490,357</u>
Unrestricted funds:						
Burlington Project	1,443,308	1,074,996	2,043,019	-	-	4,561,323
General Funds	20,053,065	(163,785)	27,880,821	(25,883,614)	-	21,886,487
Pension Reserve	- 1,713,000	1,145,000	-	-	50,000	- 518,000
Total Unrestricted funds	<u>19,783,373</u>	<u>2,056,211</u>	<u>29,923,840</u>	<u>(25,883,614)</u>	<u>50,000</u>	<u>25,929,810</u>
Total funds	<u>25,699,579</u>	<u>-</u>	<u>36,281,856</u>	<u>(28,611,268)</u>	<u>50,000</u>	<u>33,420,167</u>

(b) Academy

	Opening Funds £	Transfers £	Incoming Resources £	Resources Expended £	Revaluation £	Closing Funds £
Restricted funds:						
Other funds	-	-	1,727,654	(1,727,654)	-	-
Burlington Project	5,916,206	(2,056,211)	4,630,362	(1,000,000)	-	7,490,357
Total Restricted funds	<u>5,916,206</u>	<u>(2,056,211)</u>	<u>6,358,016</u>	<u>(2,727,654)</u>	<u>-</u>	<u>7,490,357</u>
Unrestricted funds						
Burlington Project	1,443,308	1,074,996	2,043,019	-	-	4,561,323
General Funds	20,046,265	(163,785)	27,880,821	(25,883,614)	-	21,879,687
Pension Reserve	- 1,713,000	1,145,000	-	-	50,000	(518,000)
Total Unrestricted funds	<u>19,776,573</u>	<u>2,056,211</u>	<u>29,923,840</u>	<u>(25,883,614)</u>	<u>50,000</u>	<u>25,923,010</u>
Total funds	<u>25,692,779</u>	<u>-</u>	<u>36,281,856</u>	<u>(28,611,268)</u>	<u>50,000</u>	<u>33,413,367</u>

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.

Transfer between Funds

Transfers between funds represent the Royal Academy Trust donation to the Sackler Phase 1 Project which was completed in the financial year and the restriction being satisfied, and the Friends of the Royal Academy contribution to the Burlington Project £1,074,996 which was incorrectly shown as restricted income in 2012.

Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2013 (Continued)

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

	2013 £	2012 £
Amount of Funds Brought Forward	<u>2,865,600</u>	<u>2,898,205</u>
Incoming Resources		
Investment income	19,613	8,048
Outgoing Resources		
Expenditure for the year	<u>(65,811)</u>	<u>(91,152)</u>
Net Outgoings for the Year	<u>(46,198)</u>	<u>(83,104)</u>
	2,819,402	2,815,101
Net adjustment of investments to market value	<u>181,376</u>	<u>50,499</u>
Amount of Funds Carried Forward	<u><u>3,000,778</u></u>	<u><u>2,865,600</u></u>
Represented By:		
Investments	2,992,344	2,884,309
Cash	26,642	21,002
Creditors	<u>(18,208)</u>	<u>(39,711)</u>
	<u><u>3,000,778</u></u>	<u><u>2,865,600</u></u>

Royal Academy of Arts
Notes to the Financial Statements
For the year ended 31 August 2013 (Continued)

20 Notes to the Consolidated Statement of Cash Flows	2013	2012	
	£	£	
<i>(a) Reconciliation of net change in resources to net cash inflow from operating activities:</i>			
Net incoming resources	7,670,588	12,244,985	
Depreciation and loss on asset disposal	868,424	418,113	
Current pension service costs	427,000	362,000	
Pension contributions paid	(1,269,000)	(1,239,000)	
Return on pension scheme	(303,000)	(327,000)	
(Increase)/decrease in stock	(5,452)	(103,777)	
(Increase)/Decrease in debtors	7,767	585,342	
Increase/(decrease) in creditors	222,847	278,838	
Interest paid	31,818	40,395	
Interest received	(46,132)	(29,564)	
Net cash inflow from operating activities	<u>7,604,860</u>	<u>12,230,332</u>	
	2013	2012	
	£	£	
<i>(b) Reconciliation of net cash flow to movement in funds</i>			
(Decrease)/ Increase in cash in the year	(2,005,417)	8,665,520	
Cash outflow from decrease in financing	-	-	
Movement in net funds in the year	(2,005,417)	8,665,520	
Net funds at 1 September	<u>10,831,264</u>	<u>2,165,744</u>	
Net funds at 31 August	<u>8,825,847</u>	<u>10,831,264</u>	
<i>(c) Analysis of changes in net funds</i>			
	2012	Cash Flow	2013
	£	£	£
Cash at bank	10,831,264	(2,005,417)	8,825,847

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 2013 (Continued)

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:

	2013	2012	2011
Price inflation (RPI)	3.40%	2.70%	3.40%
Price inflation (CPI)	2.60%	1.90%	2.60%
Pay increases	3.90%	3.20%	3.90%
Pension increases – pre 6 April 1997	2.50%	2.20%	2.50%
Pension increases – post 6 April 1997	3.20%	2.70%	3.20%
Pension increases – post 30 September 2006	2.20%	1.90%	2.20%
Increases of preserved pensions	2.60%	2.60%	2.60%
Discount rate	4.60%	4.40%	5.70%

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</i>	<i>Value at</i>	<i>Expected rate of return</i>	<i>Value at</i>	<i>Expected rate of return</i>	<i>Value at</i>
	<i>31 August</i>	<i>31 August</i>	<i>31 August</i>	<i>31 August</i>	<i>31 August</i>	<i>31 August</i>
	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2012</i>	<i>2011</i>	<i>2011</i>
		£		£		£
Equities	7.70%	18,681,000	7.00%	15,339,000	7.80%	14,607,000
Government bonds	3.70%	1,723,000	3.00%	1,963,000	4.10%	1,062,000
Index-linked						
government bonds	3.45%	281,000	2.75%	404,000	3.85%	250,000
Non-government bonds	4.60%	3,687,000	4.40%	3,766,000	5.70%	2,933,000
Other	0.50%	1,930,000	3.00%	858,000	4.10%	1,054,000
Total market value of scheme assets		26,302,000		22,330,000		19,906,000
Present value of scheme liabilities		(26,820,000)		(24,043,000)		(19,400,000)
Net pension (liability) /asset		(518,000)		(1,713,000)		506,000

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 2013 (Continued)

21 Pension Costs (Continued)

Analysis of amount charged to operating profit

	2013	2012	2011
	£	£	£
Current service cost	(427,000)	(362,000)	(434,000)
Total operating charge	<u>(427,000)</u>	<u>(362,000)</u>	<u>(434,000)</u>

Analysis of amount debited to other finance expenditure

	2013	2012	2011
	£	£	£
Expected return on pension scheme assets	1,361,000	1,428,000	1,298,000
Interest on pension scheme liabilities	<u>(1,058,000)</u>	<u>(1,101,000)</u>	<u>(1,067,000)</u>
Net return	<u>303,000</u>	<u>327,000</u>	<u>231,000</u>

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

	2013	2012
	£	£
Actual return less expected return on pension scheme assets	1,726,000	264,000
Experience gains and losses arising on the scheme liabilities	(148,000)	(600,000)
Changes in assumptions underlying the present value of the scheme liabilities	<u>(1,528,000)</u>	<u>(3,087,000)</u>
Actuarial gain/(loss) recognised in the STRGL	<u>50,000</u>	<u>(3,423,000)</u>
Percentage of present value of scheme liabilities at year end	(0.19%)	14.24%

Movement in deficit during the year

	2013	2012
	£	£
(Deficit)/Surplus in scheme at beginning of the year	(1,713,000)	506,000
Current service cost	(427,000)	(362,000)
Contributions	1,269,000	1,239,000
Other finance expenditure	303,000	327,000
Actuarial Surplus /(Deficit)	<u>50,000</u>	<u>(3,423,000)</u>
Deficit in scheme at end of year	<u>(518,000)</u>	<u>(1,713,000)</u>

Percentage of present value of scheme liabilities at year end

History of Experience Gains and Losses

	2013	2012	2011
Difference between the actual and expected return on scheme assets	1,726,000	264,000	(181,000)
Value of plan assets	26,302,000	22,330,000	19,906,000
Percentage of scheme assets	6.56%	1.18%	0.91%
Experienced (losses)/gains on scheme liabilities	(3,687,000)	(3,687,000)	3,520,000
Present value of scheme liabilities	(26,820,000)	(24,043,000)	(19,400,000)
Percentage of the present value of scheme liabilities	13.75%	-15.34%	-18.14%
Actuarial gains/(losses) recognised in STRGL	50,000	(3,423,000)	3,339,000
Present value of scheme liabilities	(26,820,000)	(24,043,000)	(19,400,000)
Percentage of the present value of scheme liabilities	0.19%	-14.24%	-17.21%

Royal Academy of Arts
Notes to the Financial Statements

For the year ended 31 August 2013 (Continued)

22 Contracted Capital Expenditure

Burlington Project

	Total Project Cost £	Invoiced £	Contracted for £
Keeper's House	6,774,192	5,768,605	331,160
Weston Room Plant Upgrade	920,000	11,579	-
6 Burlington Gardens Phase 1(3)	<u>36,000,000</u>	<u>1,781,300</u>	<u>294,848</u>
	<u>43,694,192</u>	<u>7,561,484</u>	<u>626,008</u>

At 31 August 2013, the aggregate value of construction projects which the Royal Academy of Arts has in prospect totalled £43,694,192, of which £7,561,664 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 2013 therefore, the Royal Academy had £626,008 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 2013.

24 Financial commitments

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

	Land & Buildings £	Others £	2013 Total £	Land & Buildings £	Others £	2012 Total £
Under one year	-	4,817	4,817	-	4,794	4,794
Two to five years	-	74,090	74,090	-	58,909	58,909
	<u>-</u>	<u>78,907</u>	<u>78,907</u>	<u>-</u>	<u>63,703</u>	<u>63,703</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 2013, all transactions with related parties are considered within the scope of normal transactions.

The company has taken advantage of the exemption available in IFRS 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 2013 (Continued)

25 Related Party Transactions (Continued)

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

	Income	Expenditure	Year End Balance
	£	£	£
Royal Academy Trust	1,474,509	(1,000,000)	212,234
Friends of Royal Academy	9,109,517	-	(169,683)

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 net of the reimbursement of salary and other expenses recharged.

26 Post Balance Sheet Items

Keeper House: The Keepers House project was completed and opened to the public in September 2013 at a cost of £6.8 million.

HLF Grant: Following the year end the Royal Academy received confirmation, it has been successful in its application for Round 2 Heritage Grant of £12.7 million from the Heritage Lottery Fund (HLF). This will restore and transform Burlington Gardens and help share the RA's history with a wider 21st century audience. As part of Sir David Chipperfield RA's Masterplan, Burlington Gardens will by 2018 provide a world-class visitor experience, uniting our two buildings, creating a 2.5 acre site in the heart of London that allows the RA to share its Collections; provide dedicated exhibition spaces for Academicians and students; and accommodate well over 1 million visitors a year. It will be completed by 2018, our 250th anniversary, offering the perfect occasion to celebrate our past, present and future with the public.

