

# THE ROYAL ACADEMY OF ARTS

(A Company Limited by Guarantee)

Registered Charity No. 1125383  
Registered Company No. 06298947

## REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED

31 AUGUST 2011

WEDNESDAY



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# **Royal Academy of Arts Trustees' Report For the Year Ended 31 August 2011**

**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 PRA (resigned 8 December 2011)

Christopher Le Brun PRA (elected 8 December 2011)

### **Council**

Professor Norman Ackroyd CBE RA (resigned 5 July 2011)

Tony Bevan RA (appointed 20 September 2011)

John Coombe (appointed 1 June 2007, reappointed 16 March 2010)

Eileen Cooper RA (resigned 5 July 2011)

Gus Cummins RA (elected 16 March 2010)

Richard Deacon CBE RA (appointed 20 September 2011)

Spencer de Grey CBE RA (elected 16 March 2010)

Tracey Emin RA (appointed 21 September 2010)

Professor Stephen Farthing RA (appointed 21 September 2010)

Marcella Frostrup (appointed 8 December 2009)

Nigel Hall RA (appointed 20 September 2011)

Antony Gormley OBE RA (resigned 5 July 2011)

Piers Gough CBE RA (appointed 20 September 2011)

Eva Jiricna CBE RA (appointed 20 September 2011)

Allen Jones RA (appointed 21 September 2010)

Michael Landy RA (appointed 20 September 2011)

David Mach RA (resigned 5 July 2011)

Mick Moon RA (resigned 5 July 2011)

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

Humphrey Ocean RA (appointed 20 September 2011)

Fiona Rae RA (resigned 5 July 2011)

Professor Michael Sandle (resigned 5 July 2011)

Alan Stanton (resigned 5 July 2011)

Alison Wilding RA (appointed 20 September 2011)

### **Officers**

Sir Nicholas Grimshaw CBE PRA President (resigned 8 December 2011)

Christopher Le Brun PRA President (elected 8 December 2011)

Maureen 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 2011

#### Royal Academy Committees at the date of signing

##### Executive Committee

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

##### Finance Committee

Professor Paul Huxley RA (Chairman)  
Lord Aldington  
Dominic Anghlen  
John Coombe  
Julian Heslop  
Professor Chris Orr MBE RA  
Charles Saumarez Smith CBE  
Richard S Sharp  
Peter Williams

##### Audit Committee

John Coombe (Chairman)  
Professor Norman Ackroyd CBE RA  
Tony Bevan RA  
Steve Caine  
Julian Heslop  
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  
Drummonds Branch  
49 Charing Cross  
London SW1A 2DX

##### Registered Office

Burlington House  
Piccadilly  
London W1J 0BD

Registered Charity Number  
1125383

Registered Company Number  
06298947

##### Exhibitions Committee

Anthony Green RA (Chairman)  
Professor Dawn Ades OBE FBA  
Stephen Chambers RA  
Professor Sir Peter Cook RA  
Professor Stephen Farthing RA  
Allen Jones RA  
Christopher Lloyd CVO  
John Maune RA  
Professor Ian McKeever RA  
Mick Moon RA  
Eric Parry RA  
Alison Wilding RA  
Richard Wilson RA  
President *ex officio*  
Keeper *ex officio*  
Treasurer *ex officio*  
Secretary and Chief Executive *ex officio*

##### Remuneration Committee

Richard S Sharp (Chairman) (resigned 21 November 2011)  
Philip Marsden (Chairman) (appointed 21 November 2011)  
Stephen Chambers RA  
Tess Jaray RA  
Treasurer *ex officio*  
Secretary and Chief Executive *ex officio*

##### Solicitors

Jones Day Gouldens  
21 Tudor Street  
London EC4Y 0DJ

# **Royal Academy of Arts**

## **Trustees' Report**

### **For the Year Ended 31 August 2011**

#### **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;
- required to sign the Roll of Obligations,
- invited to attend an induction meeting and meet with members of the Executive Committee

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

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.

# Royal Academy of Arts

## Trustees' Report

### For the Year Ended 31 August 2011

#### **Governance and Management (continued)**

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.

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.

# Royal Academy of Arts

## Trustees' Report

### For the Year Ended 31 August 2011

#### Charitable Objectives and Activities (continued)

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
- to 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

In the second category we aim to

- 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.

In addition to the objectives referred to in 'A Plan for the Future' we are also striving to fulfil the Master Plan redevelopment of Burlington House and 6 Burlington Gardens

These activities are ongoing and we plan to continue to work towards their achievement. The activities undertaken towards these objectives during the year were

#### Schools

The year under review has been another significant and successful one for the Royal Academy Schools. Having received 578 applications from all parts of the world, 71 of the strongest candidates were called for interview. From these 17 truly excellent and talented young artists were chosen.

Current students can celebrate significant achievements. Archie Franks, in the second year, has been awarded the Richard Ford Award to visit and draw in the Prado this summer; Katherine Kirbach, in the third year, received the Dover Street Arts Club award for the best painting; and Nicholas Hatfull received the Dover Arts Charitable Trust award for the most remarkable print. Adham Faramawy, a first-year student, claimed the coveted Red Mansion Award to visit Beijing.

# Royal Academy of Arts

## Trustees' Report

### For the Year Ended 31 August 2011

#### Schools (continued)

The Schools students have participated in exchange programmes with the Dusseldorf Academy, Geidai, University of the Arts, Tokyo, and the Art Student League of New York.

During the year former students and current students have been exhibiting internationally as far afield as Toronto, Los Angeles, New York and Seoul.

Most final-year students sold their work from the Final Year Show, which was received with admiration, enthusiasm and critical acclaim by visitors. Prominent collectors from all over the world, including Charles Saatchi and Dame Jillian Sackler DBE, acquired art works. Sales from the Schools Summer Show stood at £49,700 and from the Premiums exhibition at £23,000.

The Schools' fifth Annual Dinner and Auction, with the guest of honour Grayson Perry, a recently elected Royal Academician, took place at the St Pancras Renaissance Hotel, the newly renovated Victorian Gothic hotel. The event hosted over 300 guests and raised around £0.3m for the Schools and for the student Endowment Fund.

The public programme, sponsored by the David Lean Foundation, organised three lectures in the year, given by distinguished contributors including Amanda Beech, Iain Hamilton Grant, Timothy Morton, Padraig Timoney and Martin Westwood.

In October 2011 Maurice Cockrill RA stood down as Keeper and handed over to Eileen Cooper RA, previously Head of Printmaking in the Schools, who was elected by the General Assembly in May 2011.

#### Exhibitions

A new strand of exhibition programming was launched in September 2010 with the object of exploring the more experimental and less familiar work of Academicians and, in doing so, to highlight the Academy's unique position as an institution with contemporary artists at its heart.

*Artists' Laboratory 01 Ian McKeever RA* (Large and Small Weston Rooms, 8 September – 24 October 2010) explored the relationship between McKeever's celebrated abstract paintings and his less familiar photographic work.

*Artists' Laboratory 02 Stephen Farthing RA – The Back Story* (Large and Small Weston Rooms, 10 November – 19 December 2010) was the second in the series. Mixing writing, painting and drawing in varying proportions, Farthing took aspects of the history of painting and the stories behind works as his subject matter, intending to improve our understanding of how words and images can work together.

*Treasures from Budapest: European Masterpieces from Leonardo to Schiele* (Main Galleries, 25 September – 12 December 2010) showcased the breadth and richness of one of the finest Central European art collections, examining the exchanges of influence between Hungarian and Northern European painters, sculptors and carvers.

Some 229 works from the early Renaissance to the twentieth century were displayed thematically with groupings of religious works, mythological subjects, portraiture, still-lives and landscape painting. Highlights included works by Leonardo da Vinci, Raphael, El Greco, Rubens, Giuseppe di Ribera, Claude Monet, Egon Schiele, Paul Gauguin and Pablo Picasso, many of which had not previously been shown in the UK.

The exhibition, drawn primarily from the collections of the Museum of Fine Arts, Budapest, with additional key loans from the Hungarian National Gallery, such as the spectacular St Andrew Altarpiece that graced the Wohl Central Hall, attracted 127,794 visitors.

The exhibition was supported by OTP Bank and The Times was media partner.

*Pioneering Painters The Glasgow Boys 1880–1900* (The Sackler Wing of Galleries, 30 October 2010 – 23 January 2011) celebrated the achievement of the looseknit group of young painters known as the 'Glasgow Boys', whose work was some of the most revolutionary in the final decades of the nineteenth century in Britain.

Pursuing natural subject-matter with a strong, clean and fresh palette and working out of doors, directly in front of the motif, they sought to liberate art from the staid, dark-toned narrative paintings that were being produced in Glasgow and Edinburgh at the time. Featuring 83 oil paintings, watercolours and pastels from 42 public and private collections, the exhibition traced the development of key artists in the group as they absorbed foreign influences and went on to develop a symbolist style with an emphasis on pattern and design. The exhibition was organised by Glasgow Museums in association with the Royal Academy of Arts supported

# Royal Academy of Arts

## Trustees' Report

### For the Year Ended 31 August 2011

#### Exhibitions (continued)

by JTI and Glasgow Museums, the exhibition drew 108,875 visitors over twelve weeks, a daily average attendance of 1,312.

*GSK Contemporary – Aware: Art, Fashion and Identity* (2 December 2010 – 30 January 2011), the third and final season of contemporary art at 6 Burlington Gardens, considered how contemporary artists and designers use clothing to communicate and reveal elements of identity.

The exhibition contained work by 30 international contemporary practitioners, including Marina Abramovic, Andreas Gursky, Yoko Ono, Alexander McQueen and Grayson Perry. Also on show were newly commissioned pieces by Yinka Shonibare MBE and Hussein Chalayan.

The exhibition was attended by 21,934 visitors. The London College of Fashion were exhibition partners and Harper's Bazaar was the exhibition's media partner.

*Modern British Sculpture* (Main Galleries, 22 January – 7 May 2011) was the first major exhibition in London to examine British sculpture for thirty years. Galleries juxtaposed key works in an examination of particular concerns – representation versus abstraction or horizontal versus vertical – and also considered the evolving nature of sculptural displays by arranging the works chronologically, thereby revealing the major dilemmas and challenges facing sculptors from 1877 to 2000.

Three works were specially reconstructed for the exhibition: an Exhibit by Victor Pasmore and Richard Hamilton; a replica of Lutyens's Cenotaph, and the building that houses Kurt Schwitters's Merzbau at Elterwater, Cumbria, which was displayed in the Annenberg Courtyard.

Including 133 works borrowed from 58 lenders, the exhibition, which attracted 103,026 visitors, was supported by American Express, The Henry Moore Foundation, Art Mentor Foundation, Lucerne, Sotheby's and Blain Southern.

*Watteau: The Drawings* (The Sackler Wing of Galleries, 12 March – 5 June 2011) was the first major UK retrospective dedicated to this aspect of the artist's work. With 89 works from 46 lenders, the exhibition was organised chronologically and examined Watteau's development and mastery of a technique that lay at the heart of his creative process. He kept his prized drawings in bound volumes and referred to them when composing his paintings. The drawings selected demonstrated the full range of Watteau's subject matter: from fêtes galantes (a genre he invented) and theatre pieces, to portraits and shop interiors. They also emphasised Watteau's mastery of the trois crayons technique, the subtle manipulation and expert balancing of red, black and white chalks for which he is best known.

The exhibition drew 64,692 visitors over twelve weeks, with a daily average attendance of 823, and was presented with the support of JTI and Region Holdings.

*The 243rd Summer Exhibition* (Main Galleries, 7 June – 15 August 2011) was co-ordinated by Christopher Le Brun RA, with significant contributions from Michael Craig-Martin RA and Piers Gough CBE RA. Unusually, it started in the Wohl Central Hall, and continued in Gallery 3, where a contemporary salon hang featured a mix of open-submission works as well as pieces by Academicians and Honorary Academicians. This created a dense and rich visual experience with works hung from dado rail to picture rail. Chris Orr RA was responsible for the print spaces in Galleries 1 and 2, the largest space devoted to printmaking for some years. The Large Weston Room, hung by Professor Stephen Farthing RA, featured work by the Honorary Academicians Anselm Kiefer, Ed Ruscha and Mimmo Paladino, alongside a number of works by Academicians and invited artists. The Small Weston Room and Gallery 7 were hung by Olywn Bowey RA, and both contained mainly figurative work. John Wragg RA and Professor Michael Sandle RA hung Galleries 4 and 8 respectively with a concentration on sculpture. Tess Jaray RA created a contemplative space in Gallery 5, given mainly to abstract work. In addition to Gallery 3, which he arranged with Tony Bevan RA, Christopher Le Brun RA filled Gallery 9 with large work. Professor Maunce Cockrill RA, outgoing Keeper of the RA Schools, was responsible for Gallery 10, with its strong emphasis on student work. Michael Craig-Martin's hang in the Lecture Room included one significant work by a number of invited Academicians, many recently elected. He was also responsible for the photography hang in the Wohl Central Hall.

Coloring Book by Jeff Koons Hon RA occupied the centre of the Annenberg Courtyard and a sculpture by James Butler RA relating to the Second World War was situated in the Annenberg Courtyard close to the Academy's war memorial.

The year marked the Summer Exhibition's fifth successive collaboration with the BBC's Culture Show. Sales were the second best on record with the value of work sold reaching £3,256,534.

The exhibition was sponsored for the sixth successive year by Insight Investment.



# Royal Academy of Arts

## Trustees' Report

### For the Year Ended 31 August 2011

#### Exhibitions (continued)

*Eyewitness: Hungarian Photography in the Twentieth Century* (The Sackler Wing of Galleries, 30 June – 2 October 2011.) presented the works of Brassai, Robert Capa, André Kertész, László Moholy-Nagy and Martin Munkácsi. Each left their homeland to make their names in Europe and America, profoundly influencing the course of modern photojournalism, documentary and art and fashion photography internationally. This exhibition brought these five photographers together for the first time in the UK and presented them alongside forty other photographers who remained in Hungary.

Some 226 photographs dating from 1914 to 1989 explored stylistic developments and reflected historical events, examining the achievements of world renowned photographers within the context of the rich photographic tradition of Hungary itself. Material was drawn from 14 lenders, primarily the Hungarian Museum of Photography, Kecskemét, with additional key works from the National Museum, Budapest, UK institutions and private lenders.

Over 64,000 visitors attended the exhibition which was supported by JTI, Hungarofest, the Government of the Republic of Hungary, the Balassi Institute, the Hungarian Cultural Centre in London and Otp Bank.

#### Academic Affairs (Architecture, Collections, Library and Archive, and Learning)

Collaboration between the three departments – the Architecture Programme, Collections, Library and Archive; and Learning contributed to the success of the Academy's participation in the London Architecture Festival 2011 and the Open House weekend, the planning and delivery of the new Saturday Socials, and the joint public programmes mounted by the Learning Department, the Architecture Programme and the RA Schools.

External collaborations have expanded and consolidated those established last year, particularly with Bradford, Warwick and Notre Dame Universities, the Courtauld Institute, the London College of Fashion, University College London and the Paul Mellon Centre for Studies in British Art. The Learning Department is developing its own network of collaborations, including Kids Company and Portugal Prints.

#### Architecture

The Architecture Programme engages practitioners and the public in debate through lectures, forums and exhibitions. The signature lecture series 'Critics' Choice: London's Most Important Building', now in its second year, saw nominations from distinguished cultural figures from outside the profession, including Mike Leigh, Antony Gormley OBE RA, Monica Ali and Will Self. A capacity audience attended the Annual Architecture Lecture, delivered in its twentieth year by Thom Mayne of the American practice Morphosis and accompanied by a show of his new work in the Architecture Space.

To stimulate discussion about architecture Will Alsop OBE RA was invited to create a site-specific work in the Architecture Space focusing on how people behave in public parks. The same space hosted an exhibition on landscape as a cultural construct, a subject that also formed the basis of lectures by Peter Rich from South Africa and Matthias Klotz from Chile and two RA Forums. Two distinguished Japanese architects, Tadao Ando Hon RA and Kazuyo Sejima, also participated in the year's programme.

In a series of events entitled Future Memory, the RA Forum, nexus of cross-disciplinary debate at the Academy, looked at the character, uses and implications of memory for architecture and visual culture. The Architecture Programme is generously funded by the Drue Heinz Endowment for Architecture, with additional support from the Siezen Foundation.

#### Collections, Library and Archive

The Academy is delighted to have been awarded national Designation status to the Academy's collection of works of art in July 2011 by the Museums, Library and Archive Council. The collections are now recognised as being of national and international importance. The culmination of the Cataloguing Project, which saw a decade of huge progress in conservation, cataloguing and digitisation, and improved care, public accessibility and interpretation. Designation lays the foundations for our contribution to the development of the idea of an 'academy of the twenty-first century'. The Cataloguing Project enabled an exhibition of significant architectural Diploma Works, not seen in public since the closure of the Diploma Galleries in 1939.

In a move to exploit the wealth of material within the collections for the benefit of the RA Schools, two scholars' seminars entitled 'Educating the Artist' were held, generously funded by the Paul Mellon Centre for Studies in British Art. External funds also made possible a much-needed upgrade of the air conditioning in the Library and Print Room and the provision of enhanced reader services. Public access has been further developed through four Tennant Gallery exhibitions which attracted 58,708 visitors.

Docent and Behind-the-Scenes tours have given over 3,600 supporters and members of the public an enhanced understanding of the distinct character of the Academy and its collections.

# Royal Academy of Arts

## Trustees' Report

### For the Year Ended 31 August 2011

#### Learning

The Learning Department offered a wide-ranging and ambitious programme of lectures and workshops, tours and visits, publications and events to adult audiences, families, teachers, students, Access audiences and RA Friends in the year. Its success can be measured in the fact that over 16,000 students and teachers participated in tours and workshops, over 10,000 members of the public attended 110 events (including excursions for RA Friends), 63 events and lectures and 161 public gallery talks, and 700 students submitted work to the A-level Summer Exhibition Online

Particular areas of development have included the RA Access programme, which provided 73 Access and community events for an audience of 1,330; fourteen family events, which attracted 470 children and adults, and podcasts of lectures, which appealed to a further audience of 12,500

RA Outreach provided 110 primary- and secondary-school workshops for 3,000 students throughout the UK. The department also produced seventeen publications available in print and as downloads from the Academy's website

New activities launched in the year included a series of salons inspired by *GSK Contemporary – AWARE Art, Fashion and Identity*; a musical soirée, practical workshops on street photography; an overnight excursion for

RA Friends to Stratford-upon-Avon to view the newly reopened Royal Shakespeare Theatre; and six cReAte workshops for KS2 and KS3 teachers, focusing on drawing and creativity. Several established programmes saw new developments. Our relationship with Kids Company was strengthened by a jointly presented exhibition of clothes designed for their Bare Threads Clothing line, in conjunction with *AWARE Art, Fashion and Identity*.

The attRAct programme for A-level students was reconfigured, with more events running throughout the school year. Drop-in family workshops were offered on Sunday mornings. The adult Access programme introduced 'In Mind at the RA' for people with dementia and Alzheimer's, their carers and family members, multi-sensory workshops for students with profound and multiple learning difficulties, and a Friday Night Late art club for people with additional support needs and their friends.

#### FINANCIAL REVIEW, ACHIEVEMENTS AND PERFORMANCE

##### Financial Review

The statutory accounts for the current year show net unrestricted incoming resources of £1,179,577 (2010 - £4,946,839), the drop in income deriving almost exclusively from a reduction in paid visitor numbers to exhibitions and the decision to treat a proportion of income from Friends as being designated to the capital campaign. Unrestricted incoming resources comprise those ongoing activities directly associated with delivering the charitable objectives, with additional net incoming resources of £1,669,233 (2010 - £1,548,394) received 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 £3,339,000, (2010 - £1,193,000) and a pension valuation adjustment of £562,000 (2010 - £854,000), resulting in a surplus of £6,187,810 (2010 - £7,688,231)

##### 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

# Royal Academy of Arts

## Trustees' Report

### For the Year Ended 31 August 2011

#### Reserves

At August 2011, unrestricted charitable funds stood at £14.2million but after deducting funds held as fixed assets at book value charitable funds showed a deficit of £4.0million

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 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 will be 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.

These reserves would also provide a cushion against the sensitivity of incoming resources to the economic climate and allow for the ongoing requirement for investment associated with maintaining the historic buildings and replacing plant and equipment

The Academy is striving to increase the level of reserves by retaining donations given to the Royal Academy and by generating annual surpluses. To this end, Council requires each annual budget to show a surplus

The Royal Academy Trust, an independent charity established under a Trust Deed dated 11 February 1981 specifically to provide funds for the support of the Academy, held funds of £24.6million (£9.6million restricted) at 31 August 2011 in Trust for the Royal Academy of Arts

These funds, which include those that the Royal Academy of Arts has donated to the Royal Academy Trust are held by the Royal Academy Trust until they are required for specific projects of the Royal Academy of Arts and are invested by the Royal Academy Trust to provide future funding, at the discretion of the Trustees of the RA Trust, for the charitable objects of the Royal Academy of Arts. They are treated as assets of the Royal Academy Trust and are held for the maintenance, development, advancement and preservation of the Royal Academy of Arts.

Whilst the free reserves remain below the desired level the Academy aims to maintain sufficient cash reserves to support operational requirements and retains an overdraft facility to provide a cushion against short term cash requirements exceeding operational cash reserves.

Note 20 to the accounts provides an explanation of the pension adjustment and the trustees believe that this funding calculation, which can vary considerably according to the economic climate and the assumptions made at each year end, has no material effect on short term cashflow, or in the longer term as the Academy has agreed a recovery plan with the Trustees of the Pension Fund which is expected to eliminate the deficit within seven years.

In addition to these funds the Academy holds assets that are not included in the balance sheet but that could, in extremis, be sold to fund the continuance of the charitable objects

#### 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 reviewed by the Audit Committee on an annual basis. Each risk is given a ranking score, based on impact and likelihood. These scores dictate which risks are given the highest priority in terms of management focus and mitigating actions

# Royal Academy of Arts

## Trustees' Report

### For the Year Ended 31 August 2011

#### Risk Management (continued)

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

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

#### Audit information

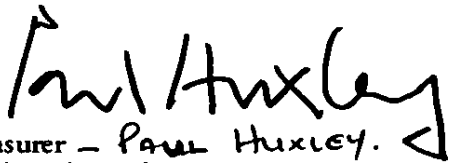
So far as each of the directors at the time the directors' report is approved is aware


- 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 – Paul Huxley.   
Royal Academy of Arts  
Burlington House  
Piccadilly  
London W1J 0BD

## **Royal Academy of Arts**

### **Statement of Trustees' Responsibilities**

The trustees 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 in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of the income and expenditure of the charity for that period. In preparing these financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently;
- make judgments 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 charity and enable them to ensure that the financial statements comply with the Charities Act 1993. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **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 2011 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.

We have been appointed auditor under the Companies Act 2006 and Section 43 of the Charities Act 1993 and report in accordance with those Acts. 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.

In addition, we report to you if, in our opinion, the charitable company has not kept adequate accounting records, if the charitable company's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of trustees' remuneration specified by law are not made.

We read the Trustees' Annual Report and consider the implication for our report if we become aware of any apparent misstatements within it.

## **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,

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 August 2011 and of the group's incoming/outgoing 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 and the Charities Act 1993.

# Independent Auditors' Report to the Trustees of Royal Academy of Arts (Continued)

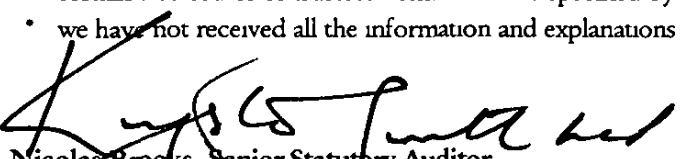
## Opinion on other matters prescribed by the Companies Act 2006

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 and the Charities Act 1993 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.



Nicolas Brooks, Senior Statutory Auditor  
for and on behalf of Kingston Smith LLP, Statutory Auditor  
Kingston Smith LLP is eligible to act as an auditor in terms of  
section 1212 of the Companies Act 2006

Date:

Devonshire House  
60 Goswell Road  
London EC1M 7AD

**Royal Academy of Arts**  
**Consolidated Statement of Financial Activities**  
**For the year ended 31 August 2011**

		Unrestricted	Restricted	Burlington Project		Total	Restated
	Note	Funds	Funds	Unrestricted	Restricted	2011	Total
		2011	2011	Funds	Funds	2011	2010
		£	£	2011	2011	£	£
<b>Incoming Resources</b>							
<i>Incoming resources from generated funds</i>							
<i>Voluntary income</i>							
General donations from Royal Academy Trust		493,671	104,172	-	-	597,843	543,829
Other donations from Royal Academy Trust.							
Burlington Project		-	-	-	-	-	414,065
Cataloguing Project		-	111,534	-	-	111,534	15,745
Donations from Friends of the Royal Academy		6,806,094	-	972,661	-	7,778,755	7,692,790
Other donations		866,581	659,746	36,250	1,900,852	3,463,429	3,247,836
<i>Activities for generating funds</i>							
Income from trading subsidiaries	2	7,201,291	-	-	-	7,201,291	9,350,343
Rent, insurance and other receipts		1,629,160	-	-	75,000	1,704,160	1,652,676
<i>Investment income</i>							
Bank interest		15,653	-	-	-	15,653	3,658
Dividends		427	-	-	-	427	340
<i>Incoming resources from charitable activities</i>							
Exhibitions		5,244,884	-	-	-	5,244,884	8,499,037
Schools		142,778	147,925	-	-	290,703	147,915
Library		20,220	-	-	-	20,220	30,859
Education		231,181	-	-	-	231,181	253,705
<b>Total Incoming Resources</b>		<b>22,651,940</b>	<b>1,023,377</b>	<b>1,008,911</b>	<b>1,975,852</b>	<b>26,660,080</b>	<b>31,852,798</b>
<b>Resources Expended</b>							
<i>Cost of generating funds</i>							
Fundraising and publicity	4	(4,536,219)	-	-	-	(4,536,219)	(4,490,267)
Fundraising trading	2	(4,802,648)	-	-	-	(4,802,648)	(5,500,833)
Charitable activities	5	(11,237,401)	(1,023,377)	-	(65,530)	(12,326,308)	(13,609,354)
Governance	6	(896,095)	-	-	-	(896,095)	(754,156)
Donation to Royal Academy Trust		-	-	-	(1,250,000)	(1,250,000)	(1,002,957)
<b>Total Resources Expended</b>	7	<b>(21,472,363)</b>	<b>(1,023,377)</b>	<b>-</b>	<b>(1,315,530)</b>	<b>(23,811,270)</b>	<b>(25,357,567)</b>
<b>Net Incoming/(Outgoing) Resources for the Year before other recognised gains and losses and transfers between funds</b>		<b>1,179,577</b>	<b>-</b>	<b>1,008,911</b>	<b>660,322</b>	<b>2,848,810</b>	<b>6,495,231</b>
<i>Actuarial gains/(losses) on defined benefit pension scheme</i>							
		<b>3,339,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,339,000</b>	<b>1,193,000</b>
<b>Net movement in funds</b>		<b>4,518,577</b>	<b>-</b>	<b>1,008,911</b>	<b>660,322</b>	<b>6,187,810</b>	<b>7,688,231</b>
Fund balances brought forward at 1st September	17	9,141,390	-	60,903	1,487,491	10,689,784	3,001,553
<b>Fund balances carried forward at 31 August</b>		<b>13,659,967</b>	<b>-</b>	<b>1,069,814</b>	<b>2,147,813</b>	<b>16,877,594</b>	<b>10,689,784</b>

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 2011

	Note	Group 2011 £	2010 Restated £	Royal Academy 2011 £	2010 Restated £
<b>Fixed Assets</b>					
6 Burlington Gardens	12c	14,470,064	14,470,064	14,470,064	14,470,064
Other tangible fixed assets	12a, b	3,709,691	2,129,961	3,644,694	2,007,144
Investments	13	-	-	108	108
		<u>18,179,755</u>	<u>16,600,025</u>	<u>18,114,866</u>	<u>16,477,316</u>
<b>Current Assets</b>					
Stock		207,271	247,206	-	-
Debtors and prepayments	14	3,282,147	3,174,664	2,855,036	2,479,363
Cash at bank and in hand		2,165,744	3,587,706	2,018,845	3,488,270
		<u>5,655,162</u>	<u>7,009,576</u>	<u>4,873,881</u>	<u>5,967,633</u>
<b>Creditors: Amounts falling due within one year</b>	15	<u>(4,642,138)</u>	<u>(6,474,887)</u>	<u>(3,802,768)</u>	<u>(5,317,035)</u>
<b>Net Current Assets/(Liabilities)</b>		<u>1,013,024</u>	<u>534,689</u>	<u>1,071,113</u>	<u>650,598</u>
		<u>19,192,779</u>	<u>17,134,714</u>	<u>19,185,979</u>	<u>17,127,914</u>
<b>Creditors: Amounts falling due after more than one year</b>	16	<u>(2,821,185)</u>	<u>(3,049,930)</u>	<u>(2,821,185)</u>	<u>(3,049,930)</u>
<b>Total Net Assets before pension surplus</b>		<u>16,371,594</u>	<u>14,084,784</u>	<u>16,364,794</u>	<u>14,077,984</u>
<b>Defined benefit pension scheme funding surplus/(deficit)</b>	22	<u>506,000</u>	<u>(3,395,000)</u>	<u>506,000</u>	<u>(3,395,000)</u>
<b>Total Net Assets after pension surplus</b>	18	<u><u>16,877,594</u></u>	<u><u>10,689,784</u></u>	<u><u>16,870,794</u></u>	<u><u>10,682,984</u></u>
<b>Represented by</b>					
<b>Restricted funds</b>					
Burlington Project	19	<u>2,147,813</u>	<u>1,487,491</u>	<u>2,147,813</u>	<u>1,487,491</u>
<b>Unrestricted funds:</b>					
General funds		13,153,967	12,536,390	13,147,167	12,529,590
Pension Reserve		506,000	(3,395,000)	506,000	(3,395,000)
Burlington Project		1,069,814	60,903	1,069,814	60,903
		<u>14,729,781</u>	<u>9,202,293</u>	<u>14,722,981</u>	<u>9,195,493</u>
	19	<u><u>16,877,594</u></u>	<u><u>10,689,784</u></u>	<u><u>16,870,794</u></u>	<u><u>10,682,984</u></u>

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

10.1.12

 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 2011**

	Notes	2011 £	2010 £
<b>Net Cash Inflow from Operating Activities</b>	21(a)	<u>820,111</u>	<u>4,082,073</u>
<b>Returns on Investments and Servicing of Finance</b>			
Interest paid		(40,533)	(42,233)
Interest received		<u>15,653</u>	<u>3,658</u>
<b>Net Cash Inflow from Returns on Investment and Servicing of Finance</b>		<u>(24,880)</u>	<u>(38,575)</u>
<b>Capital Expenditure and Financial Instruments</b>			
Payments to acquire tangible fixed assets	12	<u>(1,988,449)</u>	<u>(921,472)</u>
<b>Net Cash(Outflow) from Capital Expenditure</b>		<u>(1,988,449)</u>	<u>(921,472)</u>
<b>Financing</b>			
Bank loans		<u>(228,745)</u>	<u>(247,807)</u>
<b>Cash increased/(decrease) in the Year</b>	21(b)	<u><u>(1,421,962)</u></u>	<u><u>2,874,219</u></u>

# Royal Academy of Arts

## Notes to the Financial Statements

### For the year ended 31 August 2011

#### 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 1993

##### *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 2011. 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 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 2011

#### 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 on a cash received basis.

##### *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 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 2011

#### 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 Ltd, 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 2011 £	R.A. Enterprises Limited		RA Arts Limited		Burlington House Limited	
		2011 £	2010 £	2011 £	2010 £	2011 £	2010 £
Turnover	7,201,291	5,072,086	7,605,859	1,201,406	1,201,123	927,799	543,361
Cost of sales	(2,585,494)	(2,079,194)	(3,144,079)	(16,071)	(22,024)	(490,229)	(285,538)
Administrative expenses	(2,217,154)	(1,744,948)	(1,933,379)	(83,579)	(94,968)	(388,627)	(20,843)
Total expenses	(4,802,648)	(3,824,142)	(5,077,458)	(99,650)	(116,992)	(878,856)	(306,381)
Net result	2,398,643	1,247,944	2,528,401	1,101,756	1,084,131	48,943	236,980
Gift aid donation	(2,398,643)	(1,247,944)	(2,528,401)	(1,101,756)	(1,084,131)	(48,943)	(236,980)

#### Balance Sheet

Fixed Assets	65,001	65,001	122,818	-	-	-	-
Current Assets							
Stock	207,270	207,270	247,206	-	-	-	-
Debtors	1,330,428	938,731	1,072,622	329,099	182,636	62,598	4,590
Bank	146,902	92,202	52,236	28,480	21,753	26,220	25,449
	1,684,600	1,238,203	1,372,064	357,579	204,389	88,818	30,039
Current Liabilities							
Creditors: Amounts falling due within one year	(1,749,493)	(1,303,200)	(1,494,878)	(357,575)	(204,385)	(88,718)	(29,939)
	(1,749,493)	(1,303,200)	(1,494,878)	(357,575)	(204,385)	(88,718)	(29,939)
Total Assets less Total Liabilities	108	4	4	4	4	100	100
Capital and Reserves							
Called up share capital	108	4	4	4	4	100	100
Equity shareholders' funds	108	4	4	4	4	100	100

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 2011**

**3 Support costs**

	Finance	IT	Personnel	Facilities	2011 Total
	£	£	£	£	£
Exhibitions	624,753	308,017	185,059	1,428,766	2,546,595
Schools	116,479	57,427	34,502	266,380	474,788
Library	190,603	93,972	56,458	435,895	776,928
Education	158,835	78,310	47,049	363,246	647,440
Fundraising	307,082	151,399	90,960	702,275	1,251,716
Governance costs	74,123	36,545	21,956	169,515	302,139
2011 Total	<u>1,471,875</u>	<u>725,670</u>	<u>435,983</u>	<u>3,366,076</u>	<u>5,999,606</u>
2010 Total	<u>1,025,456</u>	<u>506,589</u>	<u>754,607</u>	<u>4,200,627</u>	<u>6,487,279</u>

**4 Fundraising and publicity**

	2011 £	2010 £
Direct costs	3,284,503	3,194,988
Support costs(note 3)	<u>1,251,716</u>	<u>1,295,279</u>
	<u>4,536,219</u>	<u>4,490,267</u>

**5 Charitable activities**

	Direct costs £	Support costs £	2011 Total £	2010 Total £
Exhibitions	5,296,071	2,546,595	7,842,666	9,290,844
Schools	901,799	474,788	1,376,587	1,362,349
Library	683,690	776,928	1,460,618	1,396,443
Property expenditure	176,862	-	176,862	198,150
Education	756,605	647,440	1,404,045	1,345,940
Burlington project	65,530	-	65,530	15,628
	<u>7,880,557</u>	<u>4,445,751</u> (note 3)	<u>12,326,308</u>	<u>13,609,354</u>

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**

	2011 Total £	2010 Total £
Direct costs	593,956	476,597
Support costs (note 3)	<u>302,139</u>	<u>277,559</u>
	<u>896,095</u>	<u>754,156</u>

# Royal Academy of Arts

## Notes to the Financial Statements

### For the year ended 31 August 2011

<b>7 Resources expended</b>	<b>2011</b>	<b>2010</b>
This is stated after charging:	£	£
Depreciation	408,718	362,910
Auditors' remuneration:		
External Auditors		
Audit services	53,222	49,697
Prior year under provision of audit services	-	16,825
Internal Auditors	28,900	59,492
Interest Paid	<u>40,533</u>	<u>42,233</u>

<b>8 Officers' and Council Members' Remuneration</b>	<b>2011</b>	<b>2010</b>
	£	£
Officers' remuneration, excluding pension contributions, is as follows		
President	61,800	60,000
Keeper	43,260	42,000
Secretary	160,680	156,000
Treasurer	<u>25,750</u>	<u>25,000</u>
	<u>291,490</u>	<u>283,000</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

	<b>2011</b>	<b>2010</b>
	£	£
Travel	-	3,004
Other	<u>-</u>	<u>-</u>
	<u>-</u>	<u>3,004</u>

#### 9 Staff Costs

	<b>Group</b>		<b>Royal Academy</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	£	£	£	£
Salaries and wages	8,268,720	8,024,439	7,000,418	6,684,165
Social security costs	826,362	792,880	697,895	663,065
Pension contributions - normal	465,531	471,384	408,656	403,898
Pension contributions - additional	378,991	879,213	378,991	879,213
Pension Fund Adjustment - FRS 17	<u>(562,000)</u>	<u>(854,000)</u>	<u>(562,000)</u>	<u>(854,000)</u>
	<u>9,377,604</u>	<u>9,313,916</u>	<u>7,923,960</u>	<u>7,776,341</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 2011

#### 9 Staff Costs (Continued)

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

Band	2011 No.	2010 No.
£60,000 to £69,999	2	1
£70,000 to £79,999	-	-
£80,000 to £89,999	-	3
£90,000 to £99,999	3	1
£100,000 to £159,999	3	3
Over £159,999	1	-

Pension contributions for the above employees were £109,070 (2010 - £96,541).

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

	2011 No.	2010 No.
Charitable activities	102	102
Fundraising	43	43
Trading Activities	38	38
Governance	7	6
Support	66	66
	<u>256</u>	<u>255</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 may also from time to time included in exhibitions both at the Royal Academy as

##### 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 Art, 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 2011

#### 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](http://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 or total loss of an object.

In the last financial year, one Diploma Work (architectural model in disrepair) was exchanged. A total of £ nil was spent on additions to the Collections in the financial year (2010 £21,691). A number of works of art were donated to the Collection including Diploma Works by Alan Stanton RA, Zaha Hadid RA, Tess Jaray RA, and Mali Morris RA, a portrait of Joan Rhodes by Laura Knight RA, 62 sketchbooks by Nicholas Grimshaw PRA and screen prints by Paul Huxley RA.

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

# Royal Academy of Arts

## Notes to the Financial Statements

### For the year ended 31 August 2011

#### 11 Heritage Assets (continued)

##### 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.

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 Council's stringent requirement for this award, an extensive list of procedures, policies and templates for acquisitions, loans, 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 £
<b>Cost</b>				
At 31 August 2010 (restated)	2,485,415	398,596	1,940,446	4,824,457
Additions	901,484	505,436	581,528	1,988,448
Reclassification	262,562	(262,562)	-	-
Reclassification to 6 Burlington Gardens	-	-	-	-
Disposals	-	-	-	-
At 31 August 2011	<u>3,649,461</u>	<u>641,470</u>	<u>2,521,974</u>	<u>6,812,905</u>
<b>Depreciation</b>				
At 31 August 2010	1,387,842	-	1,306,654	2,694,496
Disposals	-	-	-	-
Provided during the year	163,133	-	245,585	408,718
At 31 August 2011	<u>1,550,975</u>	<u>-</u>	<u>1,552,239</u>	<u>3,103,214</u>
<b>Net Book Value</b>				
At 31 August 2011	<u>2,098,486</u>	<u>641,470</u>	<u>969,735</u>	<u>3,709,691</u>
At 31 August 2010 (restated)	<u>1,097,573</u>	<u>398,596</u>	<u>633,792</u>	<u>2,129,961</u>

# Royal Academy of Arts

## Notes to the Financial Statements

### For the year ended 31 August 2011

#### 12 Tangible Fixed Assets (Continued)

<i>(b) Royal Academy</i>	Building Improvements £	Assets in course of construction £	Motor Vehicles	Fixtures, Fittings and Equipment £	Total £
<b>Cost</b>					
At 31 August 2010 (restated)	2,223,010	398,596	21,944	1,208,127	3,851,677
Additions	1,164,046	505,436	-	319,426	1,988,908
Reclassification: Building Improvements	262,562	(262,562)	-	-	-
Disposals	-	-	-	-	-
At 31 August 2011	3,649,618	641,471	21,944	1,527,553	5,840,585
<b>Depreciation</b>					
At 31 August 2010	1,125,438	-	21,944	697,151	1,844,533
Disposals	-	-	-	-	-
Provided during the year	163,133	-	-	188,225	351,358
At 31 August 2011	1,288,571	-	21,944	885,376	2,195,891
<b>Net Book Value</b>					
At 31 August 2011	2,361,047	641,471	-	642,177	3,644,694
At 31 August 2010	1,097,572	398,596	-	510,976	2,007,144

#### *(c) 6 Burlington Gardens (Freehold property)*

	Group 2011 £	Group 2010 £	Royal Academy 2011 £	Royal Academy 2010 £
<b>Cost</b>				
Opening Balance	14,470,064	14,232,399	14,470,064	14,232,399
Additions	-	237,665	-	237,665
6 Burlington Gardens	14,470,064	14,470,064	14,470,064	14,470,064
<b>Depreciation</b>				
At 31 August 2010	-	-	-	-
Disposals	-	-	-	-
Provided during the year	-	-	-	-
At 31 August 2011	-	-	-	-
<b>Net Book Value</b>	14,470,064	14,470,064	14,470,064	14,470,064

Following a review, no impairment has been identified

#### 13 Investments in Subsidiaries

	2011 £	2010 £
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 2011**

**14 Debtors and Prepayments**

	Group	Group	Royal	Royal
	2011	2010	Academy	Academy
	£	£	£	£
Royal Academy Trust	206,145	-	206,145	-
Royal Academy related entities	-	-	836,822	555,537
Friends of the Royal Academy	186,693	441,457	-	124,950
Prepayments and deferred expenditure	949,446	869,704	713,897	706,975
Trade debtors	1,341,432	1,237,820	677,159	668,399
Taxation and social security	52,579	-	52,579	-
Staff loans	42,535	49,579	42,535	49,579
Sundry debtors	503,317	576,104	325,899	373,923
	<u>3,282,147</u>	<u>3,174,664</u>	<u>2,855,036</u>	<u>2,479,363</u>

**15 Creditors: Amounts falling due within one year**

	Group	Group	Royal	Royal
	2011	2010	Academy	Academy
	£	£	£	£
Bank loan	228,744	228,744	228,744	228,744
Friends of the Royal Academy	281,651	-	281,651	-
Royal Academy Trust	69,039	52,887	-	50,562
Royal Academy related entities	-	-	948	-
Deferred income (i)	1,755,870	3,425,662	1,547,013	3,088,278
Trade creditors	1,485,931	1,333,874	1,139,974	991,745
Taxation and social security	410,265	410,981	231,143	290,618
Accruals	389,890	695,463	362,795	600,747
Sundry creditors	20,748	327,276	10,500	66,341
	<u>4,642,138</u>	<u>6,474,887</u>	<u>3,802,768</u>	<u>5,317,035</u>

- (i) Deferred income in 2011 includes advance rental income of £590K for 6 Burlington Gardens, and ticket sales and sponsorship income for exhibitions in the next financial year, including Degas, Building the Revolution, David Hockney, Zoffony, Clark and Outreach Programme, and is analysed as follows

	Brought Forward	Amount Added	Amount Released	Carried Forward
	£	£	£	£
Deferred income	<u>3,425,662</u>	<u>1,809,870</u>	<u>(3,479,662)</u>	<u>1,755,870</u>

**16 Creditors: Amounts falling due after more than one year**

	Group	Group	Royal	Royal
	2011	2010	Academy	Academy
	£	£	£	£
Bank loan	<u>2,821,185</u>	<u>3,049,930</u>	<u>2,821,185</u>	<u>3,049,930</u>
	<u>2,821,185</u>	<u>3,049,930</u>	<u>2,821,185</u>	<u>3,049,930</u>

# Royal Academy of Arts

## Notes to the Financial Statements

### For the year ended 31 August 2011

#### 16 Creditors: Amounts falling due after more than one year (continued)

Creditors include amounts not wholly repayable within 5 years as follows

Bank loan repayable by instalments	1,906,205	2,134,950	1,906,205	2,134,950
	<u>1,906,205</u>	<u>2,134,950</u>	<u>1,906,205</u>	<u>2,134,950</u>

#### 17 Prior Year Adjustments

Building works expensed in 2010 have now been capitalised as assets in construction due to the certainty of Capital Project

	Restricted: Burlington Project £	Unrestricted: Burlington Project £	Unrestricted: General Fund £	Unrestricted: Pension Reserve £	Total £
<i>(a) Group</i>					
2010					
Funds as previously stated at 31 August 2010	1,088,895	60,903	12,536,390	(3,395,000)	10,291,188
Building works capitalised	<u>398,596</u>				<u>398,596</u>
Funds restated as at 31 August 2010	<u>1,487,491</u>	<u>60,903</u>	<u>12,536,390</u>	<u>(3,395,000)</u>	<u>10,689,784</u>
<i>(b) Royal Academy</i>					
2010					
Funds as previously stated at 31 August 2010	1,088,895	60,903	12,529,590	(3,395,000)	10,284,388
Building works capitalised	<u>398,596</u>				<u>398,596</u>
Funds restated as at 31 August 2010	<u>1,487,491</u>	<u>60,903</u>	<u>12,529,590</u>	<u>(3,395,000)</u>	<u>10,682,984</u>

#### 18 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	-	-	18,179,755	-	18,179,755
Current assets	2,147,813	1,069,814	2,437,535	-	5,655,162
Current liabilities	-	-	(4,642,138)	-	(4,642,138)
Long term liabilities	-	-	(2,821,185)	-	(2,821,185)
Pension liabilities	-	-	-	506,000	506,000
	<u>2,147,813</u>	<u>1,069,814</u>	<u>13,153,967</u>	<u>506,000</u>	<u>16,877,594</u>
<i>(b) Royal Academy</i>					
Tangible assets	-	-	18,114,866	-	18,114,866
Current assets	2,147,813	1,069,814	1,656,254	-	4,873,881
Current liabilities	-	-	(3,802,768)	-	(3,802,768)
Long term liabilities	-	-	(2,821,185)	-	(2,821,185)
Pension liabilities	-	-	-	506,000	506,000
	<u>2,147,813</u>	<u>1,069,814</u>	<u>13,147,168</u>	<u>506,000</u>	<u>16,870,794</u>

**Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2011**

**19 Analysis of Funds**

**(a) Group**

	Opening Funds £	Transfers £	Incoming Resources £	Resources Expended £	Revaluation £	Closings Funds £
Restricted funds:						
Other funds	-	-	1,023,377	(1,023,377)	-	-
Burlington Project	1,487,491	-	1,975,852	(1,315,530)	-	2,147,813
<b>Total Restricted funds</b>	<b>1,487,491</b>	<b>-</b>	<b>2,999,229</b>	<b>(2,338,907)</b>	<b>-</b>	<b>2,147,813</b>
Unrestricted funds:						
Burlington Project	60,903	-	1,008,911	-	-	1,069,814
General Funds	12,536,390	(562,000)	22,651,940	(21,472,363)	-	13,153,967
Pension Reserve	(3,395,000)	562,000	-	-	3,339,000	506,000
<b>Total Unrestricted funds</b>	<b>9,202,293</b>	<b>-</b>	<b>22,651,940</b>	<b>(21,472,363)</b>	<b>3,339,000</b>	<b>14,729,781</b>
<b>Total funds</b>	<b>10,689,784</b>	<b>-</b>	<b>25,651,169</b>	<b>(23,811,270)</b>	<b>3,339,000</b>	<b>16,877,594</b>

**(b) Academy**

	Opening Funds £	Transfers £	Incoming Resources £	Resources Expended £	Revaluation £	Closings Funds £
Restricted funds						
Other funds	-	-	1,023,377	(1,023,377)	-	-
Burlington Project	1,487,491	-	1,975,852	(1,315,530)	-	2,147,813
<b>Total Restricted funds</b>	<b>1,487,491</b>	<b>-</b>	<b>2,999,229</b>	<b>(2,338,907)</b>	<b>-</b>	<b>2,147,813</b>
Unrestricted funds						
Burlington Project	60,903	-	1,008,911	-	-	1,069,814
General Funds	12,529,590	(562,000)	22,651,940	(21,472,363)	-	13,147,167
Pension Reserve	(3,395,000)	562,000	-	-	3,339,000	506,000
<b>Total Unrestricted funds</b>	<b>9,195,493</b>	<b>-</b>	<b>22,651,940</b>	<b>(21,472,363)</b>	<b>3,339,000</b>	<b>14,722,981</b>
<b>Total funds</b>	<b>10,682,984</b>	<b>-</b>	<b>25,651,169</b>	<b>(23,811,270)</b>	<b>3,339,000</b>	<b>16,870,794</b>

# Royal Academy of Arts

## Notes to the Financial Statements

### For the year ended 31 August 2011

#### 20 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

For details regarding the funds refer to appendix 6.

	2011 £	2010 £
<b>Amount of Funds Brought Forward</b>	<u>2,765,421</u>	<u>2,642,375</u>
<b>Incoming Resources</b>		
Investment income	13,860	44,341
<b>Outgoing Resources</b>		
Expenditure for the year	<u>(76,827)</u>	<u>(85,925)</u>
<b>Net Outgoings for the Year</b>	<u>(62,967)</u>	<u>(41,584)</u>
	2,702,454	2,600,791
Net adjustment of investments to market value	<u>195,751</u>	<u>164,630</u>
<b>Amount of Funds Carried Forward</b>	<u><u>2,898,205</u></u>	<u><u>2,765,421</u></u>
<b>Represented By:</b>		
Investments	2,973,508	2,779,082
Cash	169,499	195,465
Creditors	<u>(244,802)</u>	<u>(209,126)</u>
	<u><u>2,898,205</u></u>	<u><u>2,765,421</u></u>

# Royal Academy of Arts

## Notes to the Financial Statements

### For the year ended 31 August 2011

#### 21 Notes to the Consolidated Statement of Cash Flows

	2011	2010
	£	£
<i>(a) Reconciliation of net change in resources to net cash inflow from operating activities</i>		
Net incoming resources	2,848,810	6,495,231
Depreciation and loss on asset disposal	408,718	362,910
Current pension service costs	434,000	457,000
Pension contributions paid	(765,000)	(1,295,000)
Return on pension scheme	(231,000)	(16,000)
Increase in stock	39,935	8,492
(Increase)/decrease in debtors	(107,483)	1,345,668
Decrease in creditors	(1,832,749)	(3,314,803)
Interest paid	40,533	42,233
Interest received	(15,653)	(3,658)
Net cash inflow from operating activities	<u>820,111</u>	<u>4,082,073</u>

	2011	2010
	£	£
<i>(b) Reconciliation of net cash flow to movement in funds</i>		
Increase/(decrease) in cash in the year	(1,421,962)	2,874,219
Cash outflow from decrease in financing	<u>-</u>	<u>-</u>
Movement in net funds in the year	(1,421,962)	2,874,219
Net funds at 1 September	<u>3,587,706</u>	<u>713,487</u>
Net funds at 31 August	<u>2,165,744</u>	<u>3,587,706</u>

#### *(c) Analysis of changes in net funds*

	2010	Cash Flow	2011
	£	£	£
Cash at bank	<u>3,587,706</u>	<u>(1,421,962)</u>	<u>2,165,744</u>

#### 22 Pension Costs

In order to comply with the requirements of FRS 17, the Royal Academy has incorporated the pension scheme assets 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 2011

#### 22 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.

Until their resignation on 3 September 2010, the actuarial advisers to the scheme were Hewitt Associates Limited and the scheme actuary, appointed by the Trustees under section 47 of the Pensions Act, was R J Whitlam FIA. Following the resignation of Hewitt Associates, the Pension Scheme Trustees appointed Punter Southall Limited as consulting actuaries from 3 September 2010 and Stuart Southall FIA was appointed as Scheme Actuary under section 47 of the Pensions Act, with effect from 25 October 2010.

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

The main assumptions used by the actuary are:

	2011	2010	2009
Price inflation (RPI)	3.40%	3.15%	3.35%
Price inflation (CPI)	2.60%	NA	NA
Pay increases	3.90%	3.65%	4.35%
Pension increases – pre 6 April 1997	2.50%	2.40%	2.50%
Pension increases – post 6 April 1997	3.20%	3.00%	3.20%
Pension increases – post 30 September 2006	2.20%	2.10%	2.20%
Increases of preserved pensions	2.60%	3.15%	3.35%
Discount rate	5.70%	4.90%	5.25%

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 2011</i>	<i>31 August 2011</i>	<i>31 August 2010</i>	<i>31 August 2010</i>	<i>31 August 2009</i>	<i>31 August 2009</i>
		£		£		£
Equities	7.80%	14,607,000	7.80%	14,117,000	7.80%	11,502,000
Property	6.80%	-	6.80%	-	6.80%	123,000
Government bonds	4.10%	1,062,000	3.70%	843,000	4.00%	1,163,000
Index-linked government bonds	3.85%	250,000	3.50%	231,000	3.75%	206,000
Non-government bonds	5.70%	2,933,000	4.80%	2,340,000	5.25%	1,716,000
Other	4.10%	1,054,000	3.70%	793,000	4.40%	687,000
Total market value of scheme assets		19,906,000		18,324,000		15,397,000
Present value of scheme liabilities		(19,400,000)		(21,719,000)		(20,839,000)
Net pension asset / (liability)		506,000		(3,395,000)		(5,442,000)

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 2011

#### 22 Pension Costs (Continued)

##### *Analysis of amount charged to operating profit*

	2011	2010	2009
	£	£	£
Current service cost	(434,000)	(457,000)	(341,000)
Total operating charge	<u>(434,000)</u>	<u>(457,000)</u>	<u>(341,000)</u>

##### *Analysis of amount debited to other finance expenditure*

	2011	2010	2009
	£	£	£
Expected return on pension scheme assets	1,298,000	1,114,000	1,143,000
Interest on pension scheme liabilities	<u>(1,067,000)</u>	<u>(1,098,000)</u>	<u>(1,087,000)</u>
Net return	<u>231,000</u>	<u>16,000</u>	<u>56,000</u>

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

	2011	2010
	£	£
Actual return less expected return on pension scheme assets	(181,000)	837,000
Experience gains and losses arising on the scheme liabilities	3,520,000	358,000
Changes in assumptions underlying the present value of the scheme liabilities	-	(2,000)
Actuarial gain recognised in the STRGL	<u>3,339,000</u>	<u>1,193,000</u>
Percentage of present value of scheme liabilities at year end	(17.21%)	(5.49%)

##### *Movement in deficit during the year*

	2011	2010
	£	£
Deficit in scheme at beginning of the year	(3,395,000)	(5,442,000)
Current service cost	(434,000)	(457,000)
Contributions	765,000	1,295,000
Other finance expenditure	231,000	16,000
Actuarial surplus	<u>3,339,000</u>	<u>1,193,000</u>
Surplus/(Deficit) in scheme at end of year	<u>506,000</u>	<u>(3,395,000)</u>

Percentage of present value of scheme liabilities at year end

##### **History of Experience Gains and Losses**

	2011	2010	2009
Difference between the actual and expected return on scheme assets	(181,000)	837,000	(1,857,000)
Value of plan assets	19,906,000	18,324,000	15,397,000
Percentage of scheme assets	-0.91%	4.57%	12.06%
Experience gains on scheme liabilities	3,520,000	358,000	62,000
Present value of scheme liabilities	19,400,000	(21,719,000)	(20,839,000)
Percentage of the present value of scheme liabilities	18.14%	1.65%	-0.30%
Actuarial gains/(losses) recognised in STRGL	3,339,000	1,193,000	(4,395,000)
Present value of scheme liabilities	(19,400,000)	(21,719,000)	(20,839,000)
Percentage of the present value of scheme liabilities	17.21%	5.49%	21.09%

# Royal Academy of Arts

## Notes to the Financial Statements

### For the year ended 31 August 2011

#### 23 Commitments

##### *Building work*

At 31 August 2011, the Royal Academy had £1,154,000 of commitments to capital expenditure.

#### 24 Contingent Liabilities

The Royal Academy of Arts and its subsidiaries had no contingent liabilities as at 31 August 2011.

#### 25 Financial commitments

At 31 August annual commitments under operating leases were as follows

	Land & Buildings £	Others £	2011 Total £	Land & Buildings £	Others £	2010 Total £
Under one year	-	-	-	35,000	-	35,000
Two to five years	-	65,316	65,316	-	113,172	113,172
Over five years	-	-	-	-	40,858	40,858
	-	65,316	65,316	35,000	154,030	189,030

#### 26 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 2011, all transactions with related parties are considered within the scope of normal transactions

During the year the charity carried out transactions with its other related entities which has resulted in movements in its intercompany balances as follows:

	£
Friends of the Royal academy	186,693
Royal Academy Trust	(16,152)

The movement in the Royal Academy Trust account is as a result of settlement of outstanding amounts due as at 31 August 2010, and the net movement of cash received by the Royal Academy Trust, designated for the Royal Academy of Arts.

The movement in the Friends of the Royal academy's account is the result of settlement of outstanding amounts due as at 31 August 2011 and amounts payable to the group resulting from current year transactions.