

# **THE ROYAL ACADEMY OF ARTS**

**(A Company Limited by Guarantee)**

**Registered Charity No. 1125383  
Registered Company No. 06298947**

## **REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 AUGUST 2016**



**The Royal Academy of Arts  
Trustees' Report  
For the year ended 31 August 2016**

**Registered Charity No. 1125383**

**Registered Company No. 06298947**

**PRESIDENT AND COUNCIL:**

In the financial year and at the date of signing:

**President**

Christopher Le Brun PRA

**Council**

Gordon Benson RA (appointed 4 October 2016)  
Tony Bevan RA (appointed 4 October 2016)  
Helen Boaden (appointed 1 November 2016)  
Stephen Chambers RA (resigned 6 October 2015)  
Ann Christopher RA (resigned 6 October 2015)  
Gus Cummins RA (appointed 4 October 2016)  
Anne Desmet RA  
Brendan Finucane QC  
Mariella Frostrup (resigned 6 October 2015)  
Piers Gough CBE RA  
Julian Heslop  
Suzanne Heywood (appointed 6 October 2015, resigned 4 October 2016)  
Timothy Hyman RA (resigned 6 October 2015)  
Neil Jeffries RA (appointed 4 October 2016)  
Chantal Joffe RA (appointed 4 October 2016)  
Jock McFadyen RA (resigned 4 October 2016)  
Professor Ian McKeever RA (resigned October 2015)  
Mike Nelson RA (appointed 6 October 2015, resigned 4 October 2016)  
Cornelia Parker RA (resigned 6 October 2015)  
Eric Parry RA (appointed 6 October 2015)  
Grayson Perry CBE RA (resigned 6 October 2015)  
Dr Barbara Rae CBE RA (resigned 4 October 2016)  
David Remfry RA (appointed 6 October 2015)  
Professor Ian Ritchie CBE RA (resigned 4 October 2016)  
Mick Rooney (appointed 6 October 2015, resigned 4 October 2016)  
Conrad Shawcross RA (appointed 6 October 2015, resigned 4 October 2016)  
Bob and Roberta Smith RA (Patrick Brill) (appointed 6 October 2015)  
Emma Stibbon RA  
William Woodrow RA

**Officers**

Christopher Le Brun PRA	President
Eileen Cooper OBE RA	Keeper
Professor Chris Orr RA	Treasurer
Charles Saumarez Smith CBE	Secretary and Chief Executive

**Company Secretary**

Jonathon Cornaby

**The Royal Academy of Arts**  
**Trustees' Report**  
**For the year ended 31 August 2016**

**Royal Academy Committees**

at the date of signing:

**Executive Committee**

Charles Saumarez Smith CBE (Chairman)  
Charlotte Appleyard  
Eliza Bonham Carter  
Jonathon Cornaby  
Will Dallimore  
Tim Marlow  
Katherine Montague

**Finance Committee**

Professor Chris Orr RA (Chairman)  
Adam Bennett  
Jonathon Cornaby (Secretary)  
Anne Desmet RA  
Julian Heslop  
Ben Joseph  
Charles Saumarez Smith CBE  
Peter Williams

**Audit Committee**

Julian Heslop (Chairman)  
Steve Caine  
Jonathon Cornaby (Secretary)  
Professor Ian Ritchie CBE RA  
Rebecca Salter RA  
Denise Wilson

**Professional Advisors:**

**Auditors**

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

**Bankers**

Lloyds Bank Plc  
4<sup>th</sup> Floor  
25 Gresham Street  
London EC2R 8LA

**Solicitors**

Jones Day  
21 Tudor Street  
London EC4Y 0DJ

**Registered Office**

Burlington House  
Piccadilly  
London W1J 0BD

**Registered Charity Number**

1125383

**Registered Company Number**

06298947

**Exhibitions Committee**

Professor Stephen Farthing RA (Chairman)  
Professor Josephine Dawn Ades CBE FBA  
Brian Catling RA  
Richard Deacon RA  
Professor David Ekserdjian  
Gary Hume RA  
Tim Marlow (Secretary)  
Cornelia Parker OBE RA  
Alan Stanton OBE RA  
Rebecca Warren RA  
Professor Richard Wilson RA  
President *ex officio*  
Keeper *ex officio*  
Treasurer *ex officio*  
Secretary and Chief Executive *ex officio*

**Remuneration Committee**

Philip Marsden (Chairman)  
John Collier  
Anne Desmet RA  
Alan Stanton OBE RA  
Katherine Montague (Secretary)  
Treasurer *ex officio*  
Secretary and Chief Executive *ex officio*

Withers LLP  
16 Old Bailey  
London W1J 0BD

**The Royal Academy of Arts  
Trustees' Report  
For the year ended 31 August 2016**

**CONSTITUTION AND CHARITABLE OBJECTIVES**

**Constitution**

The Royal Academy of Arts ("Royal Academy" or "RA" or "Academy") 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 commenced trading on 1 September 2009 following the transfer of the net assets and undertakings from the unincorporated Royal Academy, 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. However, the Royal Academy was awarded an HLF Grant of £12.7m during the year ended 31 August 2014 towards the Burlington Project (also now referred to as RA250).

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.

**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 Memorandum and Articles of Association of the Royal Academy, together with the Laws and the Administrative Instructions, which together form the governing documents of the RA and set out its structure, role and responsibilities;
- given copies of the annual reports and financial management reports;
- required to sign the Roll of Obligation; and
- invited to attend an induction meeting conducted by the RA's Legal Counsel and meet with members of the Executive Committee.

Council is aware of its requirement to provide training for trustees and there is an ongoing programme of trustee training.

The Royal Academy is a company limited by guarantee and a registered charity; as such, its trustees, who are also directors of the company, are the members of Council, full details of which are given on page 1.

The Secretary and Chief Executive has delegated authority for the day-to-day running of the Royal Academy and, together with the President, Keeper and Treasurer, is an Officer of the RA and attends Council meetings. The Chief Financial Officer and Artistic Director also attend Council meetings, but are not Officers or Royal Academicians.

**The Royal Academy of Arts**  
**Trustees' Report**  
**For the year ended 31 August 2016**

**Governance and management (continued)**

The Royal Academy has three wholly owned trading subsidiaries: R.A. Enterprises Limited, Burlington House Limited and RA (Arts) Limited. Although these are separate legal entities, they are regarded as part of the Royal 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 Royal Academy and implements policies and strategies in accordance with the Administrative Instructions issued by Council. The Secretary and Chief Executive reports to Council.

The Finance Committee, currently composed of Council Members, Academicians, Trustees of the Royal Academy Development Trust and senior members of staff and external advisors, makes recommendations to Council on the finances of the Royal 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 usually meets at least four times a year.

The Remuneration Committee consisting of Academicians, Trustees of the Royal Academy Development Trust and external specialist pay and benefits advisors makes recommendations to Council. The remit of the Remuneration Committee includes responsibility for the general remuneration policy of the Royal Academy; the stipend paid to Academician Officers; the remuneration of the Secretary and Chief Executive and members of the Executive ("Key Management Personnel"); pension arrangements for Royal Academy employees; and payments made by the Royal Academy to Academicians for their services. The Committee meets at least twice a year. The remuneration policy for Key Management Personnel is expected to follow the arrangements for other staff, except in the case of exceptional performance, based on appraisals and the written recommendation of the Secretary and Chief Executive, in which case it may be regarded as appropriate to either offer a one off, non-consolidated bonus, or to make an adjustment to their salary. The Secretary and Chief Executive will make his recommendations for Key Management Personnel to the Remuneration Committee based on their performance, together with affordability and relevant market and sector rates of pay according to independent benchmarking tools.

The Royal Academy Trust (now renamed the Royal Academy Development Trust), set up in 1981 to provide funds for the support of the Royal 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 Royal Academy, its resources have not been consolidated with those of the Royal 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. As with the Royal Academy Development Trust, it is not controlled by the Royal Academy and its resources have not been consolidated with those of the Royal Academy.

Another separate, independent organisation – Royal Academy America – based in New York, raises money for the Royal Academy. There is an annual joint meeting of the American and British trustees at which management briefs the trustees on developments and fundraising needs and initiatives. As with the Royal Academy Development Trust and Friends of the Royal Academy, it is not controlled by the Royal Academy and its resources have not been consolidated with those of the Royal Academy.

**Disabled employees**

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

**Employee consultation**

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

**Current year objectives**

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

**The Royal Academy of Arts**  
**Trustees' Report**  
**For the year ended 31 August 2016**

**Current year objectives (continued)**

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

**ACTIVITIES, ACHIEVEMENTS AND IMPACT**

**Review of activities**

Looking back on 2015/16, we chart our progress against these five key objectives:

**1. Public engagement: *"To inspire and engage a wider public"***

The Royal Academy's exhibitions, events and digital platforms encourage audiences to discover and develop their appreciation of art and architecture.

**Exhibitions**

2015/16 season was the most popular in more than a decade. In the main galleries, thought-provoking works by Chinese artist Ai Weiwei Hon RA addressed contemporary issues and events: surveillance, labour camps, the Sichuan earthquake of 2008. Ai Weiwei attracted the highest daily attendance for any paying exhibition in London in 2015. Media coverage was extensive. Over 370,000 people attended.

Painting the Modern Garden: Monet to Matisse explored how a wide range of painters responded to the garden as their subject matter. The centrepiece was Monet's monumental Agapanthus Triptych, reunited from three American museums specifically for the exhibition. Attendance was 418,000, the fourth highest for an RA exhibition in the past 40 years.

The Summer Exhibition, co-ordinated by Richard Wilson RA, included works by artistic duos such as Langlands & Bell, Jane and Louise Wilson and Gilbert & George. In the Royal Academy courtyard a moving Spyre by Ron Arad RA relayed camera footage inside the building. For the second year in a row, the Summer Exhibition attracted over 200,000 visitors. The final number of 229,000 was the second highest in more than 60 years. One third of visitors were under the age of 40.

In the Sackler Wing, Jean-Etienne Liotard explored paintings by the much-travelled 18th-century Swiss artist. In the Age of Giorgione drew on Titian and other Venetian contemporaries to define the Renaissance portraitist's style. A show by David Hockney RA presented, alongside one still-life, 82 colourful portraits, each painted according to a set process and time frame of 20 hours.

**Architecture programme**

Architectural displays included a study of the buildings of Caochangdi, the Chinese village where Ai Weiwei Hon RA built his studio and first architectural project in 1999. Mavericks: Breaking the Mould of British Architecture charted the course of British architecture through 12 maverick architects, from Robert Smythson in the 16th century to Zaha Hadid RA in the 21st.

Urban Jigsaw invited four practices to develop ideas for the use of brownfield sites in London. Drawings by British architect Sir Peter Cook RA featured in Floating Ideas. Special events included the annual Architecture Lecture by prize-winning Chinese architects Wang Shu and Lu Wenyu, and a debate on housing, heritage and urban development.

**Events and learning**

RA Lates, evenings that feature talks, music, food and spectacle alongside the exhibitions, proved increasingly popular. One quarter of audience members surveyed said it was their first visit to the Royal Academy.

Events to mark International Women's Day included a discussion on the position of women artists in today's art world. Hosted by Radio 4 broadcaster Kirsty Lang, the panel featured Royal Academicians Eileen Cooper, Cathie Pilkington and Tess Jaray.

Widening access to art and architecture drove a number of initiatives: audio-described tours for the blind; tours for wheelchair users; British Sign Language talks for the hearing impaired. Special workshops were devised for homeless adults; families living below the poverty line; and adults with mental health issues.

**The Royal Academy of Arts  
Trustees' Report  
For the year ended 31 August 2016**

**Review of activities (continued)**

Children and their families could try their hand at screen-printing, collage and working with clay. Programming linked to formal education saw 16,000 pupils visit the exhibition on Ai Weiwei Hon RA, and 2,000 A-level submissions, the highest number ever, to our Summer Exhibition Online for 16-18-year-olds. A conference on engaging children with Special Educational Needs attracted 75 teachers, advisors and educators. One delegate called it "a truly inspirational event".

After a trial year, the Royal Academy's courses and classes for adults were formally launched. The in-depth classes drew nearly 400 participants; with 98% surveyed saying they would attend another Royal Academy course in future. Subjects ranged from an introduction to art criticism to Japanese woodblock printing.

**Digital platforms**

The Royal Academy website attracted over six million visits in 2015/16, an increase of 67% over the previous year.

Accessed by more than 150,000 people on the Royal Academy website, Ai Weiwei 360 offered a virtual tour of the exhibition. Visits to the online version of the Summer Exhibition surpassed 130,000, an increase of 30% over the previous year. For the first time visitors could also purchase works through the website, generating gross online sales of £270,000. We gained an additional 203,989 followers across Twitter, Facebook and Instagram, taking our total social media following to over 700,000.

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

The RA Schools houses around 50 postgraduate artists working with other practitioners and thinkers to develop their work. New publications and access to the RA Collection, Library and Archive promote a wide and engaging critical discourse on art and architecture.

**RA Schools**

More than 800 students applied for 14 entrant places at the RA Schools, the highest number ever. The process was for the first time fully digital, a change to which both applicants and the panel responded favourably.

The academic programme organised talks, panels, workshops and studio visits by artists such as Ai Weiwei Hon RA and Luc Tuymans. Public events included the RA Schools Annual Lecture, which welcomed Danish-Icelandic artist Olafur Eliasson Hon RA. Two exhibitions of student work drew 12,000 visitors: second-year students showed in Premiums: Interim Projects in the Sackler Galleries while final-year artists exhibited in the RA Schools Show in June 2016.

More than 550 graduates now participate in the RA Schools alumni association. Financial support for the RA Schools included the Annual Dinner and Auction, which raised £300,000 through the sale of works donated by Royal Academicians and alumni.

**Publications**

The RA Magazine presented a range of views from Academicians and others on art, architecture and wider cultural debates. A feature on the threat to art education in schools was reprinted in TES (formerly the Times Educational Supplement). The RA supported the campaign to keep the arts as part of the English Baccalaureate curriculum. A letter published in the Telegraph was signed by the President of the RA, Christopher Le Brun, and 95 other cultural figures.

The exhibition catalogue for Ai Weiwei won the Association of Cultural Enterprises award for best new catalogue. Over 21,000 copies were sold. Several Royal Academicians were featured in new publications: Norman Ackroyd, Bill Jacklin, David Remfry, Chris Wilkinson and Anthony Wishaw.

**RA Collection**

New acquisitions included etchings by architect Ian Ritchie RA, and oil paintings by Alan Davie RA and Vanessa Jackson RA. The RA also acquired a unique copy of the RA Schools Laws of 1880, annotated by the Victorian painter Sir Lawrence Alma-Tadema RA.

Artist Edmund de Waal curated an exhibition in the Print Room and Library entitled "white". It included the porcelain watercolour palette that belonged to J.M.W. Turner RA. Over 10,000 people saw the show, many of whom were first-time visitors to the RA Library.

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

The RA is transforming its spaces to mark its 250th anniversary in 2018. A new bridge will connect Burlington House in Piccadilly to Burlington Gardens, and there will be new spaces for exhibitions, displays of the Collection, a learning centre and lecture theatre.

**The Royal Academy of Arts  
Trustees' Report  
For the year ended 31 August 2016**

**Review of activities (continued)**

**Redevelopment**

Work on the redevelopment made substantial progress. The clearing of Burlington Gardens saw floors and walls removed to take the building's interior back to its core structure. In Burlington House a new art-handling suite was completed.

Following the refurbishment of the Burlington Gardens facade, work began on creating openings for the new link bridge between the two buildings.

Widely reported in the media was a discovery made by staff when they uncovered the foundation charter – thought to be lost – of the Society of Artists of Great Britain granted by George III. It was from this society that artists such as Joshua Reynolds and Johann Zoffany broke away in 1768 to form the Royal Academy.

**Mayfair and beyond**

The RA has embraced the opportunity afforded by the redevelopment to reach out to local communities and to peer organisations in the UK and overseas. Pupils from several primary schools and Further Education colleges were invited to create a large-scale artwork during the redevelopment. Inspired by the RA Collection, the work lined a pedestrian tunnel along the scaffolding in Burlington Gardens. In March, an RA250 Forum saw museum professionals and academics from around the world gather to hear more about the RA's plans and to contribute comments and suggestions. It is hoped that the anniversary will foster future collaborations with institutions across the UK and worldwide.

The RA Family Album by Yinka Shonibare MBE RA drew on the many people, past and present, who have made the RA what it is today. The vast hoarding of black-and-white photographs and prints, combined with one of Shonibare's colourful textile designs, was widely covered in the media.

For a second year, the RA organised the Burlington Gardens Festival, a street party with food, drink, music and performances. The RA has also produced a free map encouraging visitors to explore the 140 galleries in the area.

**Academicians' Room**

In September 2015, the RA reopened the Academicians' Room in the Keeper's House. The redesigned space for artists and art lovers also featured a programme of talks. Speakers included Grayson Perry CBE RA discussing art and gender, and composer Nitin Sawhney.

**4. People: "To realise the full potential of our members and staff"**

The Academicians and staff work together to make the Royal Academy a rich, creative environment for practitioners and the public.

**Royal Academicians**

Three new Royal Academicians were elected in 2015/16: Sonia Boyce, Brian Catling and Vanessa Jackson. Olafur Eliasson, Jenny Holzer and the late Ellsworth Kelly were made Honorary Academicians. Roger Zogolovitch was elected to the newly created post of Honorary Surveyor.

The deaths were marked of Zaha Hadid DBE RA and Michael Manser CBE RA PPRIBA Hon FRAIC.

Displays of Royal Academicians' work included drawings by Chris Wilkinson RA and Ann Christopher RA, and a retrospective of works by Bill Jacklin RA. In the Keeper's House, the series Academicians in Focus featured Diane Armfield RA and Bernard Dunstan RA, and oil paintings of Switzerland by Ken Howard RA.

For the second commission in the series Terrace Wires, a partnership between the RA and HS1 Ltd, sculptor Ron Arad RA created Thought of Train of Thought, an 18-metre rotating blade suspended from the roof of St Pancras Station.

A UK touring exhibition sent drawings by Eileen Cooper RA to Swindon, before travelling to Harrogate.

In Hong Kong, Conrad Shawcross RA installed his sculpture The ADA Project in the Peninsula, the second of a three-year RA partnership with the hotel group.

**Royal Academy staff**

The majority of staff continued to work at Unilever House while the redevelopment works were underway.



**The Royal Academy of Arts**  
**Trustees' Report**  
**For the year ended 31 August 2016**

**Review of activities (continued)**

To support recruitment and retain experienced staff, the RA set up a new pension scheme and introduced a staff incentive scheme. An RA Recognition Scheme was set up to encourage staff to nominate colleagues who do outstanding work. An annual volunteering day allows staff time off to support the charity of their choice. The RA Ambassadors programme selected a number of operational initiatives proposed by staff to be trialled in the coming year.

Training and support for staff included an annual Wellness Week, mindfulness training, an Employee Assistance Programme and collaborations with the British School of Osteopathy, TriYoga and Nuffield Health.

**Volunteers**

About 200 volunteers assisted the RA's activities, learning programmes and collections management. With support from the Heritage Lottery Fund, volunteers helped to digitise the Collection, gave tours of the building and ran "handling sessions" for the public, to enable them to experience at first hand techniques such as fresco-painting and gilding.

RA staff can now allocate one paid day a year to volunteering, either within the RA or elsewhere.

**5. Finances: "To fulfil our objectives and safeguard our future"**

Generous support and dynamic commercial enterprises ensure the Royal Academy maintains a sound and sustainable future.

**Friends and Patrons**

Over 20,000 new members joined the RA Friends Scheme in 2015/16. The retention rate increased to 89%, and the number of Young Friends doubled. With 100,000 members, the Friends scheme enjoyed its highest enrolment ever. Time Out recognised the RA Friends as one of the top museum memberships.

In May 2016, the Duke of Edinburgh, after nearly four decades as royal patron of the RA Friends, handed the role to the Duchess of Cornwall.

The RA Patrons raised £1.3m to support the Royal Academy's work. Of 100 new Patrons, the biggest growth was within the Gold and Platinum levels of support, a 35% increase over the previous year. Fundraising events included the annual Summer Exhibition Preview Party, which raised a gross income of £3.1m. Legacies to the RA brought in £0.3m.

**Commercial enterprises**

With outstanding exhibition attendances in 2015/16, ticket sales and associated commercial enterprises flourished. RA Enterprises generated sales of £8.9m. Shop and mail order sales increased by 12% from £3.2m to £3.6m, with publications and website sales increasing by 44% from £3.2m to £4.6m. E-commerce sales rose by over 25% from £0.3m to £0.4m.

Merchandise associated with the art and ideas of Ai Weiwei Hon RA took three prizes at the 2016 Association of Cultural Enterprises best product awards.

Sales of art by Academicians continued to grow. RA Editions, sold to raise money for the RA Schools, generated £22,115.

The RA's courses and classes achieved a gross income of £0.1m.

**Fundraising**

Capital fundraising for the redevelopment of Burlington Gardens and unification of our site reached 96% of its target, with £48.2m raised and since the year end a further £1.5m has been raised taking us to 99% of target. The RA is extremely grateful to donors who have contributed to what is the largest fundraising campaign in the Royal Academy's history. In addition to support for the capital redevelopment, over £0.3m was raised towards a programme of heritage-related activities and the future display of Collection.

Exhibition support continued from JTI, BNY Mellon, the Terra Foundation for American Art, and Insight Investment. The RA welcomed four new exhibition sponsors: David Morris Diamonds, Pictet Wealth Management, Cazenove Capital Management and Maserati.

Arup sponsored an architecture prize for the Summer Exhibition. The Rothschild Foundation sponsored an annual lecture on art and architecture.

# **The Royal Academy of Arts**

## **Trustees' Report**

### **For the year ended 31 August 2016**

#### **Review of activities (continued)**

To widen access to the RA, support was received from Robin Hambro; for the Access programme for the disabled; the Lord Leonard and Lady Estelle Wolfson Foundation for children with Special Educational Needs; Will and Jeanne Callanan for the Family Studio; and Clive Humby, Edwina Dunn and the Sir Nicholas Bacon Trust for the attRAct programme for A-level art students.

#### **Investment**

The RA spent £3.4m during the year on the plant upgrade programme, principally on Galleries 10 and 11 in Burlington House. At the close of August 2016, 80% of our ambitious plant upgrade project was complete. Other long-term infrastructure investment included a new IT system to serve Friends more efficiently when they visit the RA. Named Joshua, after Sir Joshua Reynolds, the iPad-based tool allows staff throughout the building to look up Friends' details, sell memberships and scan Friends' membership cards for entry into exhibitions and events.

Generous support and dynamic commercial enterprises ensure the Royal Academy maintains a sound and sustainable future.

#### **IMPACT AND PUBLIC BENEFIT**

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

We have looked forwards to 2018, our 250th anniversary. Although we are all focused on a successful RA250 celebration, 2018 is not the end of the journey; it is the beginning of our next 250 years. The RA's complete strategy for the years beyond 2018 is being developed, but an initial articulation of the Executive's long-term goals follows below.

Like all charities the RA has a complex mix of goals, primarily to achieve our mission to provide a voice for art and artists but also recognising that we cannot do that without securing financial sustainability. Through our Medium Term Plan, we have explicitly articulated the goal of an average £3m net income from ongoing activities (before interest, tax, depreciation and amortisation) each year. We wish to achieve similar clarity for our mission goals as well as our financial goals.

The Executive has described our impact goals as follows:

- Ensuring that our expanding audiences have deep and enriching experiences with art at our London campus;
- Focusing always on artistic excellence, and helping the wider public engage with this;
- Reflecting the diversity of the art world in our programming and our people;
- Being a generous, collegiate part of the art ecosystem and contributing to the debate about arts and culture with our peers in the UK and beyond.

#### **Impact measures**

The RA has begun to track and measure a variety of impact measures (as distinguished from Key Performance Indicators, which are considered separately in the Strategic Report below). Where possible, we aim to measure the delivery of our mission / impact goals numerically, as well as qualitatively and anecdotally.

The current measures will evolve as we better understand which measures are most reliable and informative, and as we introduce new means of tracking and assessing the impact we have.

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

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

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

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

**The Royal Academy of Arts**  
**Trustees' Report**  
**For the year ended 31 August 2016**

**STRATEGIC REPORT**

**Business review**

A review of the Royal Academy's activities, achievements and impact has been included in the "Activities, Achievements and Impact" section of our report above. These refer to the five key strategic objectives in the "RA Strategic Plan 2013-2018" (relating to five key areas: Public, Academic, Spaces, People and Finances/Sustainability).

**Key performance indicators**

Since September 2014 we have been systematically tracking the following key performance indicators ("KPIs"). These have all been identified as key measures of our progress against our strategic objectives. We are currently establishing the baseline and tracking progress for each of these KPIs. Targets for overall audience figures and KPIs with direct financial impact (e.g., membership numbers) are embedded into our Medium Term Plan, which is updated annually. Targets for more qualitative measures (e.g., visitor experience, audience diversity) will be established once the baseline is understood. The full set of KPIs is reported and discussed at Executive level every four months.

**1. Public**

- Exhibition and campus visitors. Target 1.4m visits p.a. by 2018/19 (1.3 m in 2015/16)
- Digital visitors (website sessions, Facebook friends, Twitter followers)
- Visitor experience (rating of exhibition and of overall visit)
- Critical reception of exhibitions
- Audience for public learning and debate activities
- Secondary spend per visitor (retail spend and catering spend)

**2. Academic**

- Audience for Collections (physical displays, website visits, appointments)
- Royal Academy Schools applications (per place and from outside London/UK/Europe)

**3. Spaces**

- Completion of Masterplan fundraising
- Completion of Masterplan building works (on budget to schedule)

**4. People**

- Royal Academician engagement
- Staff engagement (engagement survey, appraisal completion, turnover)

**5. Finances/Sustainability**

- Overall income from Friends, Patrons, Corporate and Academicians' Room memberships targeted to increase by 20% by 2018
- Target sustainable net income from ongoing activities (before depreciation, amortisation and interest) of £3m per annum by 2018/19
- Completion of Technology Foundations project (single view of customer/single customer basket).

**FINANCIAL REVIEW**

**Financial result for the year**

The results for the current year show net income of £108,491 (2015: £955,727) for core activities, being those ongoing activities directly associated with delivering the charitable objectives, and net incoming resources of £21,025,911 (2015: £5,436,625) for the Burlington Project, being the refurbishment and redevelopment of the Royal Academy's buildings and estate. Net income of £108,491 for core activities includes £1,048,360 (2015: £143,259) of expenditure on temporary accommodation following relocation of staff during construction works for the Burlington Project. Excluding these temporary costs, core activities generated net income of £1,156,851 (2015: £1,098,986).

Total net movement in funds includes the recognition of the actuarial loss on the pension scheme totalling £3,431,000 (2015: £930,000) and net loss on investments of £49,576 (2015: net gain £127,510) resulting in a surplus of £17,703,402 (2015: £5,462,352).

**The Royal Academy of Arts**  
**Trustees' Report**  
**For the year ended 31 August 2016**

**Financial result for the year (continued)**

The ongoing activities surplus, excluding temporary accommodation costs, of £1,156,851 was significantly ahead of the annual budget target primarily due to the commercial success of the Ai Weiwei and Painting the Modern Garden exhibitions.

We continued to invest in digital strategy, including systems technology; enhancing the visitor experience; and improving the Friends membership scheme.

In July 2015, the majority of staff were moved off-site to accommodate the construction works. Off-site accommodation costs of about £1.1m were incurred in the year and a similar level of annual expenditure is expected until staff move back on site in late 2017. The £19.1m gallery plant upgrade programme is now substantially complete, albeit with an estimated further £3.8m expenditure which has been authorised or contracted for.

As reported last year, the Royal Academy put in place and drew down a £10.0m loan facility in December 2014. This facility, which is repayable in ten instalments of £1.0m each from 2034 until 2043 and has a fixed rate of interest of 4.21%, is to fund the ongoing gallery plant upgrade, costs which experience has shown us are difficult to fundraise for, and exceptional operating costs over the period to 2018. It will also provide the required working capital facilities to manage the RA250 construction programme.

Overall, the Royal Academy's finances surpassed their targets in 2015/16 and came in well ahead of forecast. The Royal Academy is well placed to achieve the targets set in its five-year Medium Term Plan. The current programme of investment in both building infrastructure and technology over the medium term is to ensure the Royal Academy is equipped not just to celebrate its 250th anniversary in 2018, but to meet its requirements in future.

**Reserves**

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

The trustees have set a reserves policy which requires:

- Reserves to be maintained at a level which ensures that the Royal Academy's core activities could continue during a period of unforeseen difficulty and that current and future commitments can be honoured.
- A proportion of reserves to be maintained in a readily realisable form.
- The policy is reviewed annually by Council.

Free reserves comprise that part of the total unrestricted funds that are freely available. Arising from the most recent review, the trustees have adopted a risk-based approach to determine an appropriate level of free reserves. The trustees consider it appropriate to have free reserves sufficient to cover a period of unforeseen difficulties and consider this to be a period of three months, being the normal duration of a main gallery exhibition, such that this would allow the Royal Academy to continue running in the circumstances that an exhibition is cancelled without an alternative being viable.

The trustees have also specifically considered the prospective financial impact of the key risks identified in the Royal Academy's Risk Register, including those pertaining to meeting the budget approved for the year ended 31 August 2017 and have further considered the Medium Term Plan of the Royal Academy underpinning the Strategic Plan and the long term loan funding now in place. The trustees have also considered expenditures that could be deferred or avoided to mitigate the detrimental impact of unforeseen difficulties.

Based on this detailed review and analysis, the trustees consider that an appropriate level of free reserves would be in the order of £2.5m to be held by way of operating contingency at all times to enable the Royal Academy to continue operating for a period of three months to cover both a fall in exhibition, trading and voluntary income and fixed operating costs (including salaries) and the prospective financial impact of other uninsured risks.

**Actual free reserves as at 31 August 2016**

As at 31 August 2016, total unrestricted and non-designated funds stood at £28.9m, including £39.0m of fixed assets. Free reserves, which exclude fixed assets, are therefore in deficit by £10.1m, after taking account of the pension scheme liability of £3.5m, and are £12.6m less than the desired level of £2.5m.

**The Royal Academy of Arts  
Trustees' Report  
For the year ended 31 August 2016**

**Actual free reserves as at 31 August 2016 (continued)**

The free reserves deficit of £10.1m is represented by net current assets of £5.1m less long term liabilities of £11.7m, of which £10.0m is repayable in ten equal instalments from 2035-2044; and the pension scheme liability of £3.5m.

The net current assets of £5.1m as at 31 August 2016 include £8.8m of cash at bank, and additionally the Royal Academy has access to a £3.0m overdraft facility. In view of the level of current liquid resources, the long term loan funding and short term facilities in place, which are all available for operational purposes, the trustees consider that the Royal Academy has both sufficient funding and liquidity for the foreseeable future.

As outlined above, the Royal Academy has in place a Strategic Plan to deliver the required level of surplus funds to achieve the target level of free reserves over the long term.

The trustees also take comfort from the fact that the Royal Academy Development Trust (formerly the Royal Academy Trust), an independent charity established under a Trust Deed dated 11 February 1981 specifically to provide support to the Royal Academy, held funds of £28.3m at 31 August 2016 in trust for the Royal Academy, of which £17.0m represents unrestricted funds including £12.9m that is both unrestricted and not designated. These amounts are held by the Royal Academy Development Trust until these are required by the Royal Academy for specific purposes and are invested by the Royal Academy Development Trust to provide future funding for the Royal Academy.

**FUTURE PLANS**

**Our priorities for the year to come**

The year ahead is focused on preparations for our 250th anniversary in 2018. Many areas of work connected to our anniversary have been underway for a number of years, but the following list of priorities gives focus as we enter a very important year for the RA.

**Getting ready for 2018: public facing**

- Masterplan Phase 1 completion
- 2018 programme and celebrations
- Products and pricing: tickets and membership

**Getting ready for 2018: behind the scenes**

- Operational readiness for the new campus
- Technology Foundations initiative (ticketing, explorer app)
- Staff move

**Looking beyond 2018**

- Staff development and succession planning
- Masterplan Phase 2: Collections and Schools (£16m)
- Capital improvement plan: looking after the new campus

A successful 2018 will mean that we:

- successfully occupy and animate 6 Burlington Gardens, as part of a newly combined campus;
- programme the new campus to showcase the breadth of the Royal Academy: emphasising our unique and independent artist-led approach, and revealing areas such as the Academicians, RA Schools, learning and debate, and architecture;
- engage an expanding audience who will visit us not only for RA250, but for many years to come.

With these goals we hope to build on recent momentum, as the RA shifts towards an expanded programme of art and architecture exhibitions and events, with the contemporary and international perspective of our London home. Our aspiration is that our programming and celebrations for the year will be outward and forward looking, celebrating excellence in art and architecture with a view not only to the past, but to the next 250 years.

**Principal risks and uncertainties and 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.

**The Royal Academy of Arts**  
**Trustees' Report**  
**For the year ended 31 August 2016**

**Principal risks and uncertainties and risk management (continued)**

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 Executive Committee member responsible and the actions taken to mitigate the risk.

The Risk Register is formulated by the Executive Committee and is formally reviewed by the Audit Committee on an annual basis. Each risk is given a ranking score, based on impact and likelihood. The highest scoring risks are reviewed by Council and are given the highest priority in terms of management focus and mitigating actions are put into place. The Risk Register also provides the basis for an ongoing programme of Internal Audit reviews, the findings of which are reported to the quarterly Audit Committee meetings.

The highest scoring risks include the risk of major building works disrupting the public programmes, the possibility of plant failure in the galleries, loss or damage to artworks, late changes to the exhibition programme resulting in additional costs and/or reduced revenues and a reduction in the Friends' donation to the Royal Academy arising from diminished Friends' membership revenue. A new risk to emerge is the impact of "Brexit" across a number of areas, including sponsorship and foreign exchange exposure, in particular with regard to exhibition costs.

These risks are all subject to immediate management consideration to provide mitigation. Mitigation steps include project governance and contingency planning in respect of major building works; completion of the plant upgrade programme, together with planned preventative maintenance; security and working practices in place, together with disaster recovery and business continuity planning and procedures; continued review and improvement to the Friends visitor experience and periodic Friends membership pricing reviews; and diversification and hedging strategies for sponsorship and foreign exchange risk respectively.

**The Royal Academy of Arts  
Trustees' Report  
For the year ended 31 August 2016**

**STATEMENT OF TRUSTEES' RESPONSIBILITIES**

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

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

- 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; and
- observe the methods and principles in the Charities SORP.

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

**AUDIT INFORMATION**

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

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

**AUDITORS**

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

**On behalf of the Council**



**Christopher Le Brun FRA  
President**



**Professor Chris Orr RA  
Treasurer**

**The Royal Academy of Arts  
Burlington House  
Piccadilly  
London W1J 0BD**

**Date:** 6<sup>th</sup> December

**2016**

## **Independent Auditors' Report to the Trustees of The Royal Academy of Arts**

We have audited the financial statements of The Royal Academy of Arts for the year ended 31 August 2016 which comprise the Group Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Group 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) including FRS 102 "The Financial Reporting Standard Applicable in the UK and Ireland".

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters which we are required to state to them in an auditors' report and for no other purpose. 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 opinions we have formed.

### **Respective responsibilities of trustees and auditors**

As explained more fully in the statement of trustees' responsibilities, set out on page 14, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the trustees' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 August 2016 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

### **Matters on which we are required to report by exception**

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

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

  
**Nicholas Brooks (Senior Statutory Auditor)**  
for and on behalf of Kingston Smith LLP

Devonshire House  
60 Goswell Road  
London EC1M 7AD

Date:

15/12/16



**The Royal Academy of Arts**  
**Consolidated Statement of Financial Activities**  
**For the year ended 31 August 2016**

		Ongoing activities		Burlington Project			
		Unrestricted	Restricted	Designated	Restricted		
		funds	funds	funds	funds	Total	Total
	Note	2016	2016	2016	2016	2016	2015
		£	£	£	£	£	£
Income from:							
* see note 4 for comparatives							
Donations and legacies							
General donations from RADT*		-	214,510	-	-	214,510	211,510
Other donations from RADT*:							
Burlington Project		-	-	-	12,820,171	12,820,171	-
Cataloguing project		-	35,498	-	-	35,498	-
Other projects		-	477,276	-	-	477,276	457,636
Donations from Friends of the RA		9,598,376	-	-	-	9,598,376	8,355,059
Other donations	5	2,404,933	1,071,363	1,802,114	4,187,250	9,465,660	10,552,316
Grant income	6	50,239	19,131	-	2,448,142	2,517,512	650,021
Charitable activities							
Exhibitions		8,074,203	-	-	-	8,074,203	5,330,311
Schools		41,403	-	-	-	41,403	62,976
Library		69,055	-	-	-	69,055	108,765
Education		370,160	-	-	-	370,160	500,129
Other trading activities							
Income from trading subsidiaries	7	11,383,072	-	-	-	11,383,072	9,449,950
Sponsorship, rent and other receipts		3,128,591	-	-	-	3,128,591	3,837,058
Investments							
Bank interest		50,727	-	135,515	-	186,242	110,132
Dividends		762	-	-	-	762	508
Total incoming resources		35,171,521	1,817,778	1,937,629	19,455,563	58,382,491	39,626,371
Expenditure on:							
Raising funds							
Fundraising and publicity	9	(8,448,176)	-	-	-	(8,448,176)	(7,132,793)
Fundraising trading	7	(6,419,618)	-	-	-	(6,419,618)	(5,212,053)
Charitable activities	10	(19,192,330)	(1,745,270)	-	-	(20,937,600)	(19,108,214)
Other							
Project management		-	-	(248,459)	-	(248,459)	(43,797)
Temporary accommodation		(1,048,360)	-	(69,246)	-	(1,117,606)	(425,380)
Donation to RADT*		-	(27,054)	-	-	(27,054)	(1,439,292)
Total expenditure		(35,108,484)	(1,772,324)	(317,705)	-	(37,198,513)	(33,361,529)
Net (losses) / gains on investments		-	-	(49,576)	-	(49,576)	127,510
Net income		63,037	45,454	1,570,348	19,455,563	21,134,402	6,392,352
Transfers between funds	25	4,740,353	-	(18,547)	(4,721,806)	-	-
Remeasurement of net defined benefit obligation	28	(3,431,000)	-	-	-	(3,431,000)	(930,000)
Net movement in funds		1,372,390	45,454	1,551,801	14,733,757	17,703,402	5,462,352
Total funds brought forward	34	27,556,633	65,084	2,580,750	12,615,716	42,818,183	37,355,831
Total funds carried forward		28,929,023	110,538	4,132,551	27,349,473	60,521,585	42,818,183

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

\* RADT denotes Royal Academy Development Trust


**The Royal Academy of Arts  
Balance Sheets as at 31 August 2016**

		<b>Group</b>		<b>Royal Academy</b>	
		<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>Note</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Fixed assets</b>					
Heritage assets	16	46,000	-	46,000	-
Intangible assets	17	138,714	372,568	117,593	317,063
6 Burlington Gardens	18.c	14,470,064	14,470,064	14,470,064	14,470,064
Other tangible fixed assets	18.a, b	42,852,837	24,926,033	42,843,081	24,908,425
Investments	19	35,657	1,783,151	35,765	1,783,259
<b>Total fixed assets</b>		<b>57,543,272</b>	<b>41,551,816</b>	<b>57,512,503</b>	<b>41,478,811</b>
<b>Current assets</b>					
Stock	20	1,140,575	1,749,850	33,548	33,548
Debtors	21	4,782,057	3,200,960	4,724,348	3,141,443
Cash and cash equivalents		20,959,483	16,370,948	20,864,565	16,240,445
<b>Total current assets</b>		<b>26,882,115</b>	<b>21,321,758</b>	<b>25,622,461</b>	<b>19,415,436</b>
Creditors - amounts falling due within one year	22	(8,681,479)	(7,716,612)	(7,397,856)	(5,744,085)
<b>Net current assets</b>		<b>18,200,636</b>	<b>13,605,146</b>	<b>18,224,605</b>	<b>13,671,351</b>
<b>Total assets less current liabilities</b>		<b>75,743,908</b>	<b>55,156,962</b>	<b>75,737,108</b>	<b>55,150,162</b>
Creditors - amounts falling due after more than one year	23	(11,700,323)	(11,910,779)	(11,700,323)	(11,910,779)
<b>Net assets excluding pension liability</b>		<b>64,043,585</b>	<b>43,246,183</b>	<b>64,036,785</b>	<b>43,239,383</b>
Defined benefit pension scheme liability	28	(3,522,000)	(428,000)	(3,522,000)	(428,000)
<b>Total net assets</b>		<b>60,521,585</b>	<b>42,818,183</b>	<b>60,514,785</b>	<b>42,811,383</b>
<b>The funds of the charity:</b>					
Restricted funds	25	27,460,011	12,680,800	27,460,011	12,680,800
Unrestricted funds:					
Burlington Project (designated)	25	4,132,551	2,580,750	4,132,551	2,580,750
General funds	25	32,451,023	27,984,633	32,444,223	27,977,833
Pension reserve	25	(3,522,000)	(428,000)	(3,522,000)	(428,000)
<b>Total unrestricted funds</b>		<b>33,061,574</b>	<b>30,137,383</b>	<b>33,054,774</b>	<b>30,130,583</b>
<b>Total charity funds</b>		<b>60,521,585</b>	<b>42,818,183</b>	<b>60,514,785</b>	<b>42,811,383</b>

Approved and authorised for issue by the President and Council of The Royal Academy of Arts on 6<sup>th</sup> December 2016

  
Christopher Le Brun PRA

President

  
Professor Chris Orr RA

Treasurer

Registered Company No. 06298947

**The Royal Academy of Arts  
Consolidated Cash Flow Statement  
For the year ended 31 August 2016**

	Note	2016 £	2015 £
<b>Net cash from operating activities</b>	27	<b><u>23,521,238</u></b>	<b><u>8,349,069</u></b>
<b>Cash flow from investing activities</b>			
Interest paid		(451,731)	(245,605)
Interest received		186,242	58,499
Payments to acquire tangible assets	18.a	(20,132,553)	(8,013,693)
Proceeds from sale of tangible assets		-	5,311
Payments to acquire fixed asset investments		-	(1,487)
Proceeds from investment disposals	19	<b><u>1,697,918</u></b>	<b><u>-</u></b>
<b>Net cash used in investing activities</b>		<b><u>(18,700,124)</u></b>	<b><u>(8,196,975)</u></b>
<b>Cash flow from financing activities</b>			
Unsecured loan advanced		-	10,000,000
Bank loans and hire purchase repayments		<b><u>(232,579)</u></b>	<b><u>(248,276)</u></b>
<b>Net cash used in financing activities</b>		<b><u>(232,579)</u></b>	<b><u>9,751,724</u></b>
Net increase in cash and cash equivalents	27	<b><u>4,588,535</u></b>	<b><u>9,903,818</u></b>
Cash and cash equivalents at the beginning of the year		<b><u>16,370,948</u></b>	<b><u>6,467,130</u></b>
<b>Cash and cash equivalent at the end of the year</b>		<b><u>20,959,483</u></b>	<b><u>16,370,948</u></b>
<b>Cash and cash equivalents consists of:</b>			
Cash at bank and in hand		<b><u>20,959,483</u></b>	<b><u>16,370,948</u></b>
Cash and cash equivalents		<b><u>20,959,483</u></b>	<b><u>16,370,948</u></b>

**The Royal Academy of Arts  
Notes to the Financial Statements  
For the year ended 31 August 2016**

**1 General information**

The Royal Academy of Arts ("Royal Academy") and its subsidiaries (together "the Group") continues to aspire to promote the arts of design and educate the public in the creation, appreciation and enjoyment of arts. The registered office is Burlington House, Piccadilly, London.

The Royal Academy is a company limited by guarantee and a registered charity and incorporated in England and Wales.

**2 Summary of significant accounting policies**

The financial statements have been prepared under the historical cost convention and in compliance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Charities Act 2011. Details of the transition to FRS 102 are disclosed in note 34.

The financial statements are prepared in sterling which is the functional currency of the Group. Monetary amounts in these financial statements are rounded to the nearest pound.

The Royal Academy is a Public Benefit Entity as defined by FRS 102.

**a. Basis of preparation**

The financial statements have been prepared on a going concern basis, under the historical cost convention.

The consolidated financial statements comprise the financial statements of the Royal Academy and its three trading subsidiaries: RA (Arts) Limited, Burlington House Limited and R.A. Enterprises Limited made up to 31 August 2016. The total income and expenditure of these entities is shown in the Statement of Financial Activities ("SOFA") and the detailed results are disclosed in note 7 of the financial statements. The statements are consolidated on a line by line basis.

The Royal Academy has taken advantage of the exemption in section 408 of the Companies Act 2006 from disclosing its individual SOFA. The Royal Academy only surplus (net movement in funds) was £3,141,572 (2015: deficit £7,130,604).

The principal accounting policies applied in the preparation of these financial statements are set out in the notes below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**b. Going concern**

The trustees consider that there are no material uncertainties about the Group's ability to continue as a going concern. There are no material uncertainties affecting the current year's financial statements.

**c. Funds structure**

Where there is a legal restriction on the purpose to which a fund may be put, the fund is classified as a restricted fund.

Restricted funds are those where the donor has provided for the donation to be spent in furtherance of a specified charitable purpose.

**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

**2 Summary of significant accounting policies (continued)**

**c. Funds structure (continued)**

Those funds which are not restricted income funds, are unrestricted income funds which are sub analysed between designated funds where Council have set aside amounts to be used for specific purposes or which reflect the non-binding wishes of donors and unrestricted funds which are used at the trustees' discretion in furtherance of the general objectives of the Royal Academy, including the general fund which represents the Group's reserves. The major funds held in each of these categories are disclosed in note 25.

Transfers between funds represents the funds transferred between restricted funds to the general unrestricted fund on completion of the project and the restriction being satisfied.

**d. Burlington House**

The Royal Academy holds a 999 year lease on Burlington House, of which almost 850 years remain, title to which is vested in the Secretary of State for the Department of Communities and Local Government. The rent of the property is nominal but it is the responsibility of the Royal 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 Royal 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, these are not recognised in the balance sheet except in the case of building improvements as detailed in the fixed assets and depreciation policy described below.

**e. Heritage assets**

The Royal Academy holds a collection of works of art, which consists of paintings, sculptures and prints, together with a library of books acquired by the Royal Academy by donation, bequest and from members on election to the Royal Academy ("Diploma Works").

The trustees do not consider that reliable cost or valuation information can be obtained for the vast majority of heritage assets held by the Royal Academy. In particular, the Diploma Works have an intrinsic value to the Royal Academy collection as an embodiment of the development of the Royal Academy as an institution. The manner in which they are given to the Royal Academy makes the valuation of these items very subjective, such that a reliable value cannot be arrived at. Furthermore, the cost of valuing the entire collection would be onerous compared with the benefit derived by users of the financial statements in assessing the Royal Academy's stewardship of these assets.

As such, the Royal Academy does not recognise these assets on its balance sheet other than acquisitions made since 1 April 2010 with a value of £10,000 or more. These are reported at cost where the asset is purchased or at the curator's best estimate of current value where the asset is donated. Such assets are not depreciated but are reviewed for impairment in the event of physical deterioration. Any impairment in the value of an asset is treated as charitable expenditure in the year in which it arises.

Expenditure which is required to preserve or prevent further deterioration of the collection is recognised in the SOFA when it is incurred.

**f. Foreign currency**

Investment transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are retranslated at the rate ruling at the balance sheet date.

**g. Intangible assets**

Computer software and website development costs are stated at cost less accumulated amortisation and impairment losses. They are amortised over their estimated useful life, of three years, on a straight line basis. Amortisation is charged to expenditure on raising funds in the SOFA.

**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

**2 Summary of significant accounting policies (continued)**

**h. Tangible assets**

Expenditure on building improvements, new machinery and equipment is capitalised as fixed assets and stated at cost less accumulated depreciation. The Royal 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	3 to 10 years
Plant and equipment	5 to 10 years
Motor vehicles	over 3 years

Short leasehold property improvements are 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 course of construction. Where assets are constructed as part of a project for which specific identifiable assets are brought into service before the overall project is completed, such assets will be transferred from assets in course of construction to building improvements or fixtures, fittings and equipment as appropriate and depreciated from the date they are placed in service.

**i. Operating leases**

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the SOFA on a straight line basis over the period of the lease.

Incentives received to enter into operating leases are credited to the SOFA to reduce the lease expense, on a straight line basis over the period of the lease.

**j. Finance leases**

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value, and are depreciated over their useful life. Any interest element of the rental obligations are charged to the SOFA over the period of the lease.

Incentives received to enter into a finance lease reduce the fair value of the asset.

The Group has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 and continues to credit such lease incentives to the SOFA over the period to the first review date on which the rent is adjusted to market rates.

**k. Stock**

Stock principally consists of shop and mail order products and is valued at the lower of cost and net realisable value. In the case of artworks provided by an artist these items are recognised in the financial statements at their anticipated sales price, less anticipated cost of sales and any subsequent impairment.

**l. Income**

Income, which is stated net of VAT where applicable, and intra-group transactions, consists of box office takings, sponsorship, donations and grants.

Income received for an activity taking place in a subsequent period is deferred to that period in accordance with FRS 102.

**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

**2 Summary of significant accounting policies (continued)**

**i. Income (continued)**

**i. 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, including sponsorship income, 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.

**ii. Donated services**

Where an artist has donated their services, for example, in the creation of artworks or artworks themselves, to be sold alongside an exhibition, the donated services or artworks are recognised in the financial statements in accordance with the policy for exhibitions income disclosed above.

**iii. Patrons**

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

**iv. Grants**

For performance related grants, income entitlement is considered to be conditional upon the meeting of conditions imposed by the grant. Income is therefore recognised in the financial statements to the extent that the Royal Academy has demonstrably met any grant conditions imposed.

**v. Donations**

Donations are accounted for when they are received. If specifically in connection with a future event, they are deferred.

**vi. Trading subsidiary income**

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of discounts and VAT.

Revenue is recognised at the point of sale for goods and when services have been delivered. Subscriptions are accounted for in the period in which membership commences.

**m. Legacies**

Legacies are accounted for as incoming resources either upon receipt or where the receipt of the legacy is probable.

Receipt is probable when:

- Confirmation has been received from the representatives of the estate(s) that probate has been granted; and
- The executors have established there are sufficient assets in the estate to pay the legacy; and
- All conditions attached to the legacy have been fulfilled or are within the charity's control.

Measurement is based on the value listed in the will for pecuniary gifts, provided the estate has sufficient funds, and on the estate accounts for residuary gifts.

**n. Expenditure**

Expenditure is accounted for on an accruals basis.

Costs of generating funds consist of costs of trading subsidiaries, fundraising and publicity expenditure. These 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 Royal Academy.

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

**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

**2 Summary of significant accounting policies (continued)**

**n. Expenditure (continued)**

Support costs are the costs of departments which are shared by the various activities of the Royal Academy; Finance, Human Resources, Information Technology, Facilities and governance costs. These costs are allocated to activities on a basis that is appropriate to the nature of the expenditure and have therefore been allocated over headcount.

**o. Employee benefits**

The Royal Academy provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

**i. Short term benefits**

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

**ii. Defined benefit pension plan**

The Royal Academy contributes to a defined benefit pension scheme for eligible staff. Rates are set by the scheme actuary and advised to the Royal Academy by the scheme administrator. The scheme is being accounted for under Section 28 of FRS 102, with the annually calculated surplus or deficit on the funding of the scheme shown in the financial statements as an unrestricted fund, which is added to or deducted from unrestricted funds in the balance sheet. The trustees of the pension scheme believe that the scheme currently meets the minimum funding requirements. The assets of the scheme are held completely independently from the Royal Academy and the scheme is closed to new entrants.

The liability and expense related to the defined benefit scheme are allocated entirely to the unrestricted ongoing activities of the Group.

**iii. Defined contribution pension plans**

The Royal Academy operates two defined contribution plans for its employees. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet.

**iv. Annual bonus plan**

The Group operates an annual bonus scheme for permanent and fixed term contract employees. An expense is recognised in the SOFA when the Group has a constructive obligation to make payments under the plan as a result of past performance and a reliable estimate of the obligation can be made.

**v. Termination payments**

Termination benefits are payable when employment is terminated by the Royal Academy before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Royal Academy recognises termination benefits when it is demonstrably committed to either (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy.

**p. 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.



**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

**2 Summary of significant accounting policies (continued)**

**q. Investments**

Listed investments are stated at market value at the year end. The market value of securities is based on the middle market quotation on the relevant stock exchange and investments that are held in units are stated at the average of the unit bid and offer prices. Unlisted investments are stated at cost as no market value is available. The SOFA includes any realised or unrealised gain or loss during the year. Investment income, including the related tax credit, and interest on bank and short-term deposits are accounted for on a receivable basis.

**r. Financial instruments**

Financial instruments are recognised in the Royal Academy's balance sheet when it becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Royal Academy after deducting all of its liabilities.

**i. Basic financial assets**

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost less any impairment.

**ii. Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the SOFA.

Trade debtors and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "debtors". Debtors are measured at amortised cost less any impairment.

**iii. Impairment of financial assets**

Financial assets, other than those held at fair value through the SOFA, are assessed for indicators of impairment at each reporting end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. The impairment loss is recognised in the SOFA.

**iv. Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

**v. Basic financial liabilities**

Basic financial liabilities, including trade and other payables and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost.

**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

**2 Summary of significant accounting policies (continued)**

**r. Financial instruments (continued)**

**vi. Other financial liabilities**

Derivatives, including forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the SOFA in finance costs or finance income as appropriate. Hedge accounting is not currently applied.

**3 Critical accounting judgments and estimation uncertainty**

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**a. Useful economic lives of tangible and intangible assets**

The annual depreciation and amortisation charge for fixed assets is sensitive to changes in the estimated useful economic lives of the assets. The useful economic lives are re-assessed annually. These are amended where necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See notes 17 and 18 for the carrying value of assets and note 2.g and 2.h for the useful economic lives.

**b. Impairment of debtors**

The Royal Academy makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

**4 Prior year comparatives by type of fund**

The SOFA provides prior year comparatives in total; this note provides prior period comparatives for each of the types of funds.

	Ongoing activities		Burlington Project		
	Unrestricted	Restricted	Designated	Restricted	Total
	funds	funds	funds	funds	
	2015	2015	2015	2015	2015
	£	£	£	£	£
<b>Income from:</b>					
Donations and legacies					
General donations from RADT*	-	211,510	-	-	211,510
Other donations from RADT*:					
Burlington Project	-	-	-	-	-
Cataloguing project	-	-	-	-	-
Other projects	-	457,636	-	-	457,636
Donations from Friends of the Royal Academy	8,355,059	-	-	-	8,355,059
Other donations	2,932,907	1,143,322	438,174	6,037,913	10,552,316
Grant income	22,085	123,518	-	504,418	650,021
Charitable activities					
Exhibitions	5,330,311	-	-	-	5,330,311
Schools	62,976	-	-	-	62,976
Library	108,765	-	-	-	108,765
Education	500,129	-	-	-	500,129
Other trading activities					
Income from trading subsidiaries	9,449,950	-	-	-	9,449,950
Sponsorship, rent and other receipts	3,837,058	-	-	-	3,837,058
Investments					
Bank interest	55,604	-	54,528	-	110,132
Dividends	508	-	-	-	508
<b>Total incoming resources</b>	<b>30,655,352</b>	<b>1,935,986</b>	<b>492,702</b>	<b>6,542,331</b>	<b>39,626,371</b>
<b>Expenditure on:</b>					
Raising funds					
Fundraising and publicity	(7,132,793)	-	-	-	(7,132,793)
Fundraising trading	(5,212,053)	-	-	-	(5,212,053)
Charitable activities	(17,172,228)	(1,935,986)	-	-	(19,108,214)
Other					
Project management	-	-	(43,797)	-	(43,797)
Temporary accommodation	(143,259)	-	(282,121)	-	(425,380)
Donation to RADT*	-	(39,292)	-	(1,400,000)	(1,439,292)
<b>Total expenditure</b>	<b>(29,660,333)</b>	<b>(1,975,278)</b>	<b>(325,918)</b>	<b>(1,400,000)</b>	<b>(33,361,529)</b>
Net gains on investments	-	-	127,510	-	127,510
<b>Net income / (expenditure)</b>	<b>995,019</b>	<b>(39,292)</b>	<b>294,294</b>	<b>5,142,331</b>	<b>6,392,352</b>
Transfers between funds	919,553	-	(313,317)	(606,236)	-
Remeasurement of net defined benefit liability	(930,000)	-	-	-	(930,000)
<b>Net movement in funds</b>	<b>984,572</b>	<b>(39,292)</b>	<b>(19,023)</b>	<b>4,536,095</b>	<b>5,462,352</b>
Total funds brought forward	26,572,061	104,376	2,599,773	8,079,621	37,355,831
<b>Total funds carried forward</b>	<b>27,556,633</b>	<b>65,084</b>	<b>2,580,750</b>	<b>12,615,716</b>	<b>42,818,183</b>

\* RADT denotes Royal Academy Development Trust

**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

<b>5 Income from other donations</b>	<b>Unrestricted funds £</b>	<b>Restricted funds £</b>	<b>Total 2016 £</b>	<b>Total 2015 £</b>
Exhibitions	154,735	370,560	<b>525,295</b>	607,768
Schools	110,941	340,601	<b>451,542</b>	474,626
Library	35,837	46,000	<b>81,837</b>	58,207
Education	121,575	113,670	<b>235,245</b>	175,153
General - plant upgrade	1,035,094	-	<b>1,035,094</b>	1,258,800
General - other	946,751	200,532	<b>1,147,283</b>	1,501,675
Burlington Project	1,802,114	4,187,250	<b>5,989,364</b>	6,476,087
<b>Total</b>	<b>4,207,047</b>	<b>5,258,613</b>	<b>9,465,660</b>	<b>10,552,316</b>
<b>6 Income from grant income</b>	<b>Unrestricted funds £</b>	<b>Restricted funds £</b>	<b>Total 2016 £</b>	<b>Total 2015 £</b>
Schools	-	-	-	14,225
Library	-	-	-	81,613
General - plant upgrade	50,239	-	<b>50,239</b>	-
General - other	-	19,131	<b>19,131</b>	49,765
Burlington Project	-	2,448,142	<b>2,448,142</b>	504,418
<b>Total</b>	<b>50,239</b>	<b>2,467,273</b>	<b>2,517,512</b>	<b>650,021</b>

**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

**7 Results from subsidiaries**

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

<b>Profit and Loss</b>	<b>Total 2016 £</b>	<b>R.A. Enterprises Ltd 2016 £</b>	<b>2015 £</b>	<b>RA Arts Ltd 2016 £</b>	<b>2015 £</b>	<b>Burlington House Ltd 2016 £</b>	<b>2015 £</b>
Turnover	11,383,072	8,916,800	7,013,801	1,865,547	1,832,446	600,725	603,703
Cost of sales	(3,554,912)	(3,156,433)	(2,450,501)	(63,477)	(50,329)	(335,002)	(304,145)
Administrative expenses	(2,864,706)	(2,460,021)	(1,914,127)	(316,421)	(386,362)	(88,264)	(106,589)
Total expenses	(6,419,618)	(5,616,454)	(4,364,628)	(379,898)	(436,691)	(423,266)	(410,734)
Net result	4,963,454	3,300,346	2,649,173	1,485,649	1,395,755	177,459	192,969
Gift Aid donation	(4,963,454)	(3,300,346)	(2,649,173)	(1,485,649)	(1,395,755)	(177,459)	(192,969)

No charge to taxation will arise as the Gift Aid donation will be paid within nine months of the end of the financial year.

**Balance Sheet**

**Fixed assets**

Intangible fixed assets	21,121	21,121	55,504	-	-	-	-
Tangible fixed assets	9,756	9,756	17,608	-	-	-	-
Total fixed assets	30,877	30,877	73,112	-	-	-	-

**Current assets**

Stock	837,027	837,027	551,302	-	-	-	-
Debtors	1,307,508	884,474	665,622	350,340	510,483	72,694	22,971
Cash and cash equivalents	114,901	64,629	79,312	25,242	26,199	25,030	25,000
Total current assets	2,259,436	1,786,130	1,296,236	375,582	536,682	97,724	47,971

**Current liabilities**

Creditors - amounts falling due within one year	(2,290,205)	(1,817,003)	(1,369,344)	(375,578)	(536,678)	(97,624)	(47,871)
---	-------------	-------------	-------------	-----------	-----------	----------	----------

**Net current assets / (liabilities)**

	(30,769)	(30,873)	(73,108)	4	4	100	100
<b>Total assets less total liabilities</b>	<b>108</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>100</b>	<b>100</b>

**Capital and reserves**

Called up share capital	108	4	4	4	4	100	100
Equity shareholders' funds	108	4	4	4	4	100	100

**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

<b>8 Support costs</b>	<b>Finance £</b>	<b>IT £</b>	<b>Personnel £</b>	<b>Facilities £</b>	<b>Governance £</b>	<b>Total £</b>
Exhibitions	1,170,442	611,903	228,585	1,301,640	286,912	<b>3,599,482</b>
Schools	256,034	133,854	50,003	284,734	62,762	<b>787,387</b>
Library	292,610	152,976	57,146	325,410	71,728	<b>899,870</b>
Education	329,187	172,098	64,289	366,086	80,694	<b>1,012,354</b>
Fundraising and publicity	1,079,001	564,098	210,727	1,199,950	264,497	<b>3,318,273</b>
<b>2016 total</b>	<b>3,127,274</b>	<b>1,634,929</b>	<b>610,750</b>	<b>3,477,820</b>	<b>766,593</b>	<b>9,617,366</b>
<b>2015 total</b>	<b>2,352,041</b>	<b>1,161,401</b>	<b>538,594</b>	<b>3,242,831</b>	<b>687,301</b>	<b>7,982,168</b>

The total lease expenditure incurred in the year was £1,155,202 (2015: £218,590). This includes £1,048,360 (2015: £143,259) in exceptional rent incurred due to staff relocation during the Masterplan.

The increase in support costs principally relates to higher staff costs (see note 14), increased interest payable and depreciation charges (see note 11) and professional fees incurred in connection with the closure to future accrual of the Royal Academy of Arts Pension Scheme (see note 28).

<b>9 Fundraising and publicity</b>	<b>2016 £</b>	<b>2015 £</b>
Direct fundraising costs	<b>2,398,870</b>	1,915,208
Direct publicity costs	<b>2,731,033</b>	2,709,378
Support costs (note 8)	<b>3,318,273</b>	2,508,207
<b>Total</b>	<b>8,448,176</b>	<b>7,132,793</b>

<b>10 Charitable activities</b>	<b>Direct costs £</b>	<b>Support costs £</b>	<b>2016 Total £</b>	<b>2015 Total £</b>
Exhibitions	10,888,350	3,599,482	<b>14,487,832</b>	12,807,300
Schools	1,282,441	787,387	<b>2,069,828</b>	1,864,831
Library	1,070,815	899,870	<b>1,970,685</b>	2,240,832
Intellectual property expenditure	18,454	-	<b>18,454</b>	1,484
Education	1,378,447	1,012,354	<b>2,390,801</b>	2,193,767
<b>Total</b>	<b>14,638,507</b>	<b>6,299,093</b>	<b>20,937,600</b>	<b>19,108,214</b>
	(note 8)			

Exhibitions 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 and box office.

<b>11 Total resources expended</b>	<b>2016 £</b>	<b>2015 £</b>
This is stated after charging:		
Amortisation	<b>233,854</b>	165,925
Depreciation	<b>2,152,021</b>	1,685,077
Auditors' remuneration:		
External auditors		
Audit services - group undertakings	<b>50,538</b>	43,960
Audit services - pension services	<b>9,500</b>	7,500
Other services	<b>20,098</b>	10,920
Internal auditors	<b>37,690</b>	30,075
Interest payable and similar charges	<b>451,731</b>	245,605

External auditors other services relate to tax compliance and other advice, including on the transition to FRS 102.

**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

**12 Role of volunteers**

Like all charities, the Royal Academy, uses a team of volunteers. In 2016 the Royal Academy engaged 145 (2015: 131) volunteers across both its Learning and Collections departments.

In accordance with the SORP, due to the absence of any reliable measurement basis, the contribution of these volunteers is not recognised in the financial statements.

**13 Officers' and Council members' remuneration**

	2016 £	2015 £
Officers' remuneration, excluding pension contributions, is as follows:		
President	70,000	60,000
Keeper	50,000	50,000
Secretary and Chief Executive	199,800	170,940
Treasurer	40,000	40,000
Total	<b>359,800</b>	<b>320,940</b>

Remuneration for officers is set by the Remuneration Committee.

Three officers received pension contributions totalling £69,080 (2015: £44,176).

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. Three (2015: four) trustees received reimbursed expenditure of:

	2016 £	2015 £
Travel	6,153	5,062
Other	9,586	5,703
Total	<b>15,739</b>	<b>10,765</b>

Trustee indemnity insurance costs for the year totalled £11,990 (2015: £11,660).

**14 Staff costs**

	Group		Royal Academy	
	2016 £	2015 £	2016 £	2015 £
Salaries and wages	12,606,718	10,605,301	10,827,080	9,177,121
Social security costs	1,259,928	1,005,469	1,099,086	881,176
Redundancy and termination payments	67,275	-	58,554	-
Pension contributions - defined contribution schemes	416,864	275,442	330,897	193,815
Pension service cost - defined benefit scheme	441,000	397,000	441,000	397,000
Total	<b>14,791,785</b>	<b>12,283,212</b>	<b>12,756,617</b>	<b>10,649,112</b>

Staff costs include payroll for temporary as well as permanent staff. The increase in staff costs relates to an increase in full-time equivalent employees, in particular in visitor experience, trading activities and IT (supporting the Technology Foundations initiative). The Group introduced a staff incentive scheme in 2016, whereby eligible staff can receive an annual bonus of up to 5% of salary based on the Group's performance, as well as a new defined contribution scheme in April 2016 giving eligible staff the opportunity to benefit from a higher employer contribution. These initiatives also contributed to the increase.

The key management personnel of the Royal Academy, and Group, comprise the Executive Committee, trustees and Officers. Total remuneration of key management personnel during the year was £1,090,752 (2015: £974,060). Pension contributions were £142,795 (2015: £109,236).

**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

**14 Staff costs (continued)**

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

Band:	2016 No.	2015 No.
£60,000 to £69,999	8	9
£70,000 to £79,999	2	3
£80,000 to £89,999	1	-
£90,000 to £99,999	1	1
£100,000 to £109,999	2	3
£110,000 to £119,999	2	-
£140,000 to £149,999	-	1
£170,000 to £179,999	1	2
£180,000 to £189,999	1	-
£190,000 to £199,999	1	-

Pension contributions for the above employees were £231,055 (2015: £153,053).

The average number of full-time equivalent permanent employees, including officers, during the year was:	2016 No.	2015 No.
Charitable activities	102	93
Fundraising and publicity	56	54
Trading activities	37	31
Governance	5	5
Support	78	69
<b>Total</b>	<b>278</b>	<b>252</b>

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

**15 Taxation**

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

**16 Heritage assets**

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

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

**Works of Art Collection**

The Works of Art Collection consists of works of art and other objects of historic, artistic or associational significance owned by the Royal Academy, namely: paintings, sculpture (including medals, dies, cameos, and intaglio gems); drawings; artists' 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 Burlington House. The Royal Academy holds around 950 paintings in its permanent collection and over 25,000 prints and drawings.



**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

**16 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 Collection is the Diploma Works. These are given by Academicians on election to the institution and are predominantly by British artists and architects. Other works of art were purchased, bequeathed or given to the Royal Academy and range from drawings to plaster casts and from photographs to paintings. There is also a collection of silver given to the Royal Academy by Academicians, which is of historical importance to the Royal Academy.

**The Royal Academy Library (Special Books Collection)**

The Library comprises the Historic Books Collection dating from the 16th century to approximately 1920, and the Special Illustrated Books Collection.

**The Royal Academy Archive**

The Archive holds papers and documents and copies of electronic correspondence relating to the institution's history as well as artists' letters and archives. The Archive also includes photographic prints, transparencies, glass slides and negatives, films and videotapes which relate to the history and activities of the institution. More information about the Royal 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 by the Director of Collections, in consultation with the relevant curator. If the acquisition is more than £5,000 in value, a case for accessioning must be made by the Director of Collections to the Collections and Library Committee. All acquisitions are reported annually to the Collections and Library Committee by the Director of Collections. The list is subsequently submitted to Council as part of an annual report and the Director of Collections attends Council to discuss any matters arising from the report.

Disposals will only take place in accordance with the Acquisitions and Disposal Policy. No disposals were made in the year.

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

In the financial year, Diploma Works were presented by two Academicians being Vanessa Jackson RA and Alan Davie RA.

**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

**16 Heritage assets (continued)**

Gifts made to the Royal Academy in the current financial year included two oil paintings by John Hoppner from the Hon. Mrs Joanna Price with a valuation over £10,000. These have been recognised in the balance sheet and will be reviewed annually for impairment. Other gifts this year included 12 etchings, hand written diaries and a ephemera by Richard Redgrave RA from Evelyn Redgrave.

The Acquisitions and Disposals Policy is available for review on the Royal Academy's website [www.royalacademy.org.uk](http://www.royalacademy.org.uk).

**Preservation**

The Royal Academy 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 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 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 discrete but interconnected databases, each fully conforming to their relevant professional standards, i.e. Spectrum for museum objects; AACR2 and 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, Library and Archive are designated as collections of national importance as awarded by the Arts Council in 2011. In order to meet the stringent requirements for this award, an extensive list of procedures and policies for the management of the collection, informed by nationally and internationally recognised standards, were approved by Council. These documents can be consulted in the Collections' Office.

**Analysis of heritage assets (Group and Royal Academy)**

**Works of art  
£**

Carrying amount at 1 September 2015

Additions

Carrying amount at 31 August 2016

46,000

46,000

**17 Intangible fixed assets**

Intangible assets include the Royal Academy's website development costs and R.A. Enterprises Epos system which were purchased from a third party for the company's specific requirements. The assets are carried at £138,714 (2015: £372,568) and have a remaining amortisation period of 1 year (2015: 2 years). There are no other individually material intangible assets.

**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

**17 Intangible fixed assets (continued)**

<b>a. Group</b>	<b>Software £</b>
<b>Cost</b>	
At 31 August 2015 and 31 August 2016	837,747
<b>Amortisation</b>	
At 31 August 2015	465,179
Charge for the year	233,854
At 31 August 2016	699,033
<b>Net book value</b>	
At 31 August 2016	138,714
At 31 August 2015	372,568
<b>b. Royal Academy</b>	<b>Software £</b>
<b>Cost</b>	
At 31 August 2015 and 31 August 2016	588,785
<b>Amortisation</b>	
At 31 August 2015	271,722
Charge for the year	199,470
At 31 August 2016	471,192
<b>Net book value</b>	
At 31 August 2016	117,593
At 31 August 2015	317,063

**18 Tangible fixed assets**

<b>a. Group</b>	<b>Building improvements £</b>	<b>Assets in course of construction £</b>	<b>Fixtures, fittings and equipment £</b>	<b>Total £</b>
<b>Cost</b>				
At 31 August 2015	11,141,533	9,234,840	11,711,587	32,087,960
Additions	191,109	19,299,952	641,492	20,132,553
Reclassifications	4,721,806	(6,387,413)	1,665,607	-
Disposals	(845,648)	-	(463,262)	(1,308,910)
At 31 August 2016	15,208,800	22,147,379	13,555,424	50,911,603
<b>Depreciation</b>				
At 31 August 2015	2,947,678	-	4,214,249	7,161,927
Disposals	(791,920)	-	(463,262)	(1,255,182)
Charge for the year	593,401	-	1,558,620	2,152,021
At 31 August 2016	2,749,159	-	5,309,607	8,058,766
<b>Net book value</b>				
At 31 August 2016	12,459,641	22,147,379	8,245,817	42,852,837
At 31 August 2015	8,193,855	9,234,840	7,497,338	24,926,033

**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

**18 Tangible fixed assets (continued)**

<b>b. Royal Academy</b>	<b>Building improvements</b>	<b>Assets in course of construction</b>	<b>Motor vehicles</b>	<b>Fixtures, fittings and equipment</b>	<b>Total</b>
	£	£	£	£	£
<b>Cost</b>					
At 31 August 2015	10,879,122	9,234,840	21,944	11,076,199	31,212,105
Additions	191,109	19,299,952	15,000	626,492	20,132,553
Reclassifications	4,721,806	(6,387,413)	-	1,665,607	-
Disposals	(845,648)	-	-	(361,463)	(1,207,111)
At 31 August 2016	14,946,389	22,147,379	36,944	13,006,835	50,137,547
<b>Depreciation</b>					
At 31 August 2015	2,685,274	-	21,944	3,596,462	6,303,680
Disposals	(791,920)	-	-	(361,463)	(1,153,383)
Charge for the year	593,401	-	2,083	1,548,685	2,144,169
At 31 August 2016	2,486,755	-	24,027	4,783,684	7,294,466
<b>Net book value</b>					
At 31 August 2016	12,459,634	22,147,379	12,917	8,223,151	42,843,081
At 31 August 2015	8,193,848	9,234,840	-	7,479,737	24,908,425

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

	<b>Group</b>		<b>Royal Academy</b>	
	2016	2015	2016	2015
	£	£	£	£
Balance as at 31 August	14,470,064	14,470,064	14,470,064	14,470,064

In the opinion of the trustees, the current open market value of the Royal Academy's interest in 6 Burlington Gardens exceeds the book value of the asset by approximately £29m. The Royal Academy would have no liability to taxation if the asset was sold at open market value.

**19 Investments**

	<b>Group</b>		<b>Royal Academy</b>	
	2016	2015	2016	2015
	£	£	£	£
Investments at market value	35,657	1,783,151	35,657	1,783,151
Investments in subsidiaries at cost	-	-	108	108
Total	35,657	1,783,151	35,765	1,783,259

The Royal Academy beneficially owns all of the called up share capital of RA (Arts) Limited (02836364), R.A. Enterprises Limited (01666333) and Burlington House Limited (02216104), each of which is registered in England and Wales.

**Movement in market value of investments:**

	<b>2016</b>	<b>2015</b>
	£	£
Market value of investments at 1 September	1,783,151	1,654,154
Additions	-	2,000
Disposals	(1,697,918)	-
Fees	-	(513)
Unrealised (losses) / gains	(49,576)	127,510
Market value of investments at 31 August	35,657	1,783,151

**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

<b>20 Stock</b>	<b>Group</b>		<b>Royal Academy</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Finished goods and goods for resale	<b>870,575</b>	499,850	<b>33,548</b>	33,548
Artist donated artworks for resale	<b>270,000</b>	1,250,000	-	-
<b>Total</b>	<b>1,140,575</b>	<b>1,749,850</b>	<b>33,548</b>	<b>33,548</b>
<b>21 Debtors</b>				
	<b>Group</b>		<b>Royal Academy</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Royal Academy related entities	-	-	<b>1,177,009</b>	1,086,603
Prepayments and deferred expenditure	<b>911,832</b>	866,011	<b>608,484</b>	558,715
Trade debtors	<b>1,253,207</b>	791,463	<b>576,082</b>	236,176
Taxation and social security	<b>1,095,552</b>	302,224	<b>1,095,552</b>	302,224
Staff loans	<b>45,167</b>	43,269	<b>45,167</b>	43,269
Sundry debtors	<b>1,476,299</b>	1,197,993	<b>1,222,054</b>	914,456
<b>Total</b>	<b>4,782,057</b>	<b>3,200,960</b>	<b>4,724,348</b>	<b>3,141,443</b>
<b>22 Creditors - amounts falling due within one year</b>				
	<b>Group</b>		<b>Royal Academy</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loan	<b>219,600</b>	228,744	<b>219,600</b>	228,744
Hire purchase	-	12,979	-	12,979
The Friends of the Royal Academy	<b>247,702</b>	394,044	<b>237,922</b>	394,028
Royal Academy Development Trust	<b>121,347</b>	65,025	<b>27,049</b>	44,399
Royal Academy related entities	-	-	<b>64,106</b>	20,586
Deferred income (i)	<b>1,512,211</b>	2,120,451	<b>1,067,859</b>	781,537
Trade creditors	<b>2,360,126</b>	1,256,474	<b>2,067,706</b>	1,042,737
Taxation and social security	<b>557,614</b>	430,069	<b>354,668</b>	290,614
Accruals	<b>3,073,227</b>	2,737,709	<b>2,771,495</b>	2,465,488
Sundry creditors	<b>589,652</b>	471,117	<b>587,451</b>	462,973
<b>Total</b>	<b>8,681,479</b>	<b>7,716,612</b>	<b>7,397,856</b>	<b>5,744,085</b>

i Deferred income in 2016 includes ticket sales and sponsorship income for exhibitions in the next financial year, including Abstract Expressionism, James Ensor, Russian Revolution and America after the Fall, and income for unsold Ai Weiwei flowers and catalogues and is analysed as follows:

	<b>Brought forward</b>	<b>Amount added</b>	<b>Amount released</b>	<b>Carried forward</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Deferred income	2,120,451	1,242,211	(1,850,451)	<b>1,512,211</b>

**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

23 Creditors - amounts falling due after more than one year	Group		Royal Academy	
	2016	2015	2016	2015
	£	£	£	£
Bank loan	1,700,323	1,910,779	1,700,323	1,910,779
Unsecured loan	10,000,000	10,000,000	10,000,000	10,000,000
Total	11,700,323	11,910,779	11,700,323	11,910,779

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

Unsecured loan	10,000,000	10,000,000	10,000,000	10,000,000
Bank loan repayable by instalments	602,323	995,799	602,323	995,799
Total	10,602,323	10,995,799	10,602,323	10,995,799

The bank loan was taken out in 2009 and is repayable in instalments by 2025. Interest of £31,305 (2015: £35,682) was charged in the year.

In December 2014, the company entered into an unsecured £10.0m loan facility agreement. This amount was advanced in December 2014 and is repayable in ten instalments of £1.0m each from 2034 until 2043, and has a fixed rate of interest of 4.21% pa. This facility is being used to fund exceptional operating costs during the Burlington Project construction phase and the continuing plant upgrade/renewal programme for conditioning the Burlington House galleries. Interest of £422,153 (2015: £305,565) was charged in the year.

**24 Analysis of net assets by fund**

	Restricted Burlington Project £	Other funds £	Designated Burlington Project £	Unrestricted General funds £	Pension reserve £	Total £
<b>a. Group</b>						
Investments	-	-	35,657	-	-	35,657
Heritage assets	-	46,000	-	-	-	46,000
Intangible assets	-	-	-	138,714	-	138,714
Tangible assets	18,466,513	-	-	38,856,388	-	57,322,901
Current assets	8,996,619	64,538	4,096,894	13,724,064	-	26,882,115
Current liabilities	(113,659)	-	-	(8,567,820)	-	(8,681,479)
Long term liabilities	-	-	-	(11,700,323)	-	(11,700,323)
Pension liabilities	-	-	-	-	(3,522,000)	(3,522,000)
Total	27,349,473	110,538	4,132,551	32,451,023	(3,522,000)	60,521,585
<b>b. Royal Academy</b>						
Investments	-	-	35,657	108	-	35,765
Heritage assets	-	46,000	-	-	-	46,000
Intangible assets	-	-	-	117,593	-	117,593
Tangible assets	18,466,513	-	-	38,846,632	-	57,313,145
Current assets	8,996,619	64,538	4,096,894	12,464,410	-	25,622,461
Current liabilities	(113,659)	-	-	(7,284,197)	-	(7,397,856)
Long term liabilities	-	-	-	(11,700,323)	-	(11,700,323)
Pension liabilities	-	-	-	-	(3,522,000)	(3,522,000)
Total	27,349,473	110,538	4,132,551	32,444,223	(3,522,000)	60,514,785

**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

**25 Analysis of funds**

<b>a. Group</b>	<b>Opening funds £</b>	<b>Transfers £</b>	<b>Incoming resources £</b>	<b>Resources expended £</b>	<b>Revaluation £</b>	<b>Closing funds £</b>
Restricted funds:						
Other funds	65,084	-	1,817,778	(1,772,324)	-	110,538
Burlington Project	12,615,716	(4,721,806)	19,455,563	-	-	27,349,473
<b>Total restricted funds</b>	<b>12,680,800</b>	<b>(4,721,806)</b>	<b>21,273,341</b>	<b>(1,772,324)</b>	<b>-</b>	<b>27,460,011</b>
Unrestricted funds:						
Burlington Project (designated)	2,580,750	(18,547)	1,888,053	(317,705)	-	4,132,551
General funds	27,984,633	4,403,353	35,171,521	(35,108,484)	-	32,451,023
Pension reserve	(428,000)	337,000	-	-	(3,431,000)	(3,522,000)
<b>Total unrestricted funds</b>	<b>30,137,383</b>	<b>4,721,806</b>	<b>37,059,574</b>	<b>(35,426,189)</b>	<b>(3,431,000)</b>	<b>33,061,574</b>
<b>Total funds</b>	<b>42,818,183</b>	<b>-</b>	<b>58,332,915</b>	<b>(37,198,513)</b>	<b>(3,431,000)</b>	<b>60,521,585</b>

<b>b. Royal Academy</b>	<b>Opening funds £</b>	<b>Transfers £</b>	<b>Incoming resources £</b>	<b>Resources expended £</b>	<b>Revaluation £</b>	<b>Closing funds £</b>
Restricted funds:						
Other funds	65,084	-	1,817,778	(1,772,324)	-	110,538
Burlington Project	12,615,716	(4,721,806)	19,455,563	-	-	27,349,473
<b>Total restricted funds</b>	<b>12,680,800</b>	<b>(4,721,806)</b>	<b>21,273,341</b>	<b>(1,772,324)</b>	<b>-</b>	<b>27,460,011</b>
Unrestricted funds:						
Burlington Project (designated)	2,580,750	(18,547)	1,888,053	(317,705)	-	4,132,551
General funds	27,977,833	4,403,353	35,171,521	(35,108,484)	-	32,444,223
Pension reserve	(428,000)	337,000	-	-	(3,431,000)	(3,522,000)
<b>Total unrestricted funds</b>	<b>30,130,583</b>	<b>4,721,806</b>	<b>37,059,574</b>	<b>(35,426,189)</b>	<b>(3,431,000)</b>	<b>33,054,774</b>
<b>Total funds</b>	<b>42,811,383</b>	<b>-</b>	<b>58,332,915</b>	<b>(37,198,513)</b>	<b>(3,431,000)</b>	<b>60,514,785</b>

Restricted funds include the development of the Burlington Project, which is due for completion in 2018. The restricted funds will be transferred to unrestricted funds on completion of each phase of the project. Currently this is represented as assets in the course of construction in note 18 and will be transferred to building improvements or fixtures, fittings and equipment from the date they are placed in service.

Other restricted funds include donations of £727,284 (2015: £669,146) received from the Royal Academy Development Trust, other donations of £1,071,363 (2015: £1,143,322) and grants of £19,131 (2015: £123,518) received for specific and general activities as disclosed in notes 5 and 6 respectively. Any unused funds received from the Royal Academy Development Trust in the year have been donated back to the Royal Academy Development Trust. The remaining balance in restricted funds relates to the Swanston bequest (£59,454 (2015: £60,000)), the ongoing Library project (£5,084 (2015: £5,084)) and heritage assets (£46,000 (2015: £nil)).

The Swanston bequest was established in 2014 from a legacy of £60,000. The bequest is to be used for curating and publishing costs associated with the *Taddei Tondo*.

The designated funds are being drawdown as works on the Burlington Project are undertaken, the funds are expected to be fully utilised on completion of the project in 2018.

**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

**25 Analysis of funds (continued)**

**Transfer between funds**

Assets of £4,721,806 were transferred to building improvements during the year following completion of the new art handling suite. Computer equipment of £18,547 (2015: £606,236) purchased for the temporary accommodation was put into service during the year.

**26 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 Royal Academy is administering the funds, it is not the ultimate beneficiary. However, as the funds are administered by the Royal Academy, they have been disclosed separately below for information.

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

	2016 £	2015 £
Income from investments	36,987	70,464
Expenditure	(56,516)	(66,706)
Net (losses) / gains on investments	<u>(73,767)</u>	<u>340,182</u>
<b>Net (expenditure) / income</b>	<b>(93,296)</b>	<b>343,940</b>
Total funds brought forward	<u>3,669,481</u>	<u>3,325,541</u>
<b>Total funds carried forward</b>	<b><u>3,576,185</u></b>	<b><u>3,669,481</u></b>

**Represented by:**

Investments	3,439,474	3,539,241
Cash at bank	122,978	87,809
Debtors	31,313	51,557
Creditors	<u>(17,580)</u>	<u>(9,126)</u>
<b>Total funds</b>	<b><u>3,576,185</u></b>	<b><u>3,669,481</u></b>



**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

**27 Notes to the consolidated statement of cash flows**

<b>Reconciliation of net change in resources to net cash inflow from operating activities:</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Net incoming resources	21,134,402	6,392,352
Heritage assets - gifts in kind	(46,000)	-
Amortisation of intangible assets	233,854	165,925
Depreciation of tangible assets	2,152,021	1,685,077
Loss on disposal of tangible assets	53,728	34,955
Current pension service costs	441,000	397,000
Pension contributions paid	(778,000)	(774,000)
Decrease / (increase) in stock	609,275	(1,250,734)
Increase in debtors	(1,581,097)	(1,123,142)
Increase in creditors	986,990	2,762,040
Interest paid	451,731	245,605
Interest received	(186,242)	(58,499)
Net losses / (gains) on investments	49,576	(127,510)
	<u>23,521,238</u>	<u>8,349,069</u>
Cash flow from operating activities	<u>23,521,238</u>	<u>8,349,069</u>

**28 Pension costs**

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

The Scheme provides pensions in retirement and death benefits to members. Pension benefits are linked to the members' final salary at retirement and their length of service up to the date on which the Scheme closed to future accrual, being 30 September 2016.

The Scheme is a registered scheme under UK legislation and is not contracted out of the State Sector Pension.

The Scheme is subject to the scheme funding requirements outlined in UK legislation.

The Scheme was established from 3 January 1985 under trust and is governed by the Scheme's definitive trust deed and rules dated 31 March 1998. The trustees are responsible for the operation and the governance of the Scheme, including making decisions regarding the Scheme's funding and investment strategy.

The most recent formal actuarial valuation of the Scheme was as at 31 August 2013. A formal valuation as at 31 August 2016 is currently being undertaken.

The value of the liabilities at the reporting date have been estimated by updating the results of the actuarial valuation as at 31 August 2013 to allow for the passage of time, the accrual of new benefits for active members, actual inflation experience, benefits paid out of the Scheme and changes in actuarial assumptions over the period from 31 August 2013 to 31 August 2016.

Since June 2006 the Scheme has been closed to new members and closed to future accrual on 30 September 2016. Contributions to the Scheme for the year ending 31 August 2017 are expected to be £421,000.

The disclosures shown below adopt the new standard FRS 102 published in March 2013 for the current period and the prior period has been restated accordingly.

**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

**28 Pension costs (continued)**

<b>The major assumptions used by the actuary were (in nominal terms) as follows:</b>	<b>2016</b>	<b>2015</b>
Discount rate	<b>2.10%</b>	3.80%
Inflation assumption (RPI)	<b>2.90%</b>	3.20%
Inflation assumption (CPI)	<b>1.90%</b>	2.20%
Rate of increase in salaries	<b>2.90%</b>	3.70%
Pension increases for service accrued:		
Pre 6 April 1997	<b>2.30%</b>	2.40%
6 April 1997 to 30 September 2006	<b>2.80%</b>	3.10%
Post 30 September 2006	<b>2.00%</b>	2.10%

Assumed life expectancies on retirement at age 60 are:

Retiring in 2020 - Males	<b>27.2</b>	27.2
Retiring in 2020 - Females	<b>29.5</b>	29.5
Retiring in 2040 - Males	<b>28.7</b>	28.7
Retiring in 2040 - Females	<b>31.1</b>	31.1

The assumptions used in determining the overall expected return of the Scheme's assets have been set with reference to yields available on government bonds and appropriate risk margins.

<b>The assets in the Scheme were:</b>	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Equities or equivalent	<b>29,665,000</b>	23,502,000
Corporate bonds	<b>3,493,000</b>	2,850,000
Cash	<b>763,000</b>	3,017,000
LDI funds	<b>3,337,000</b>	1,327,000
Fair value of Scheme assets	<b>37,258,000</b>	30,696,000
Present value of funded obligations	<b>(40,780,000)</b>	(31,124,000)
Deficit in funded Scheme	<b>(3,522,000)</b>	(428,000)
Net liability in balance sheet	<b>(3,522,000)</b>	(428,000)

**Reconciliation of opening and closing balances of the present value of the defined benefit obligation:**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Benefit obligation at beginning of year	<b>31,124,000</b>	29,368,000
Current service cost	<b>439,000</b>	417,000
Interest cost	<b>1,170,000</b>	1,134,000
Contributions by Scheme participants	<b>88,000</b>	114,000
Actuarial losses	<b>8,765,000</b>	759,000
Benefits paid	<b>(806,000)</b>	(668,000)
Benefit obligation at end of year	<b>40,780,000</b>	31,124,000

**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

**28 Pension costs (continued)**

**Reconciliation of opening and closing balances of the fair value of Scheme assets:**

	2016 £	2015 £
Fair value of Scheme assets at beginning of year	30,696,000	29,493,000
Interest income on Scheme assets	1,168,000	1,154,000
Return on assets, excluding interest income	5,334,000	(171,000)
Contributions by employer	778,000	774,000
Contributions by Scheme participants	88,000	114,000
Benefits paid	(806,000)	(668,000)
Fair value of Scheme assets at end of year	<b>37,258,000</b>	<b>30,696,000</b>

**The amounts recognised in the SOFA:**

	2016 £	2015 £
Service cost - including current service costs, past service costs and settlements	439,000	417,000
Net interest on the net defined benefit liability	2,000	(20,000)
Total expense	<b>441,000</b>	<b>397,000</b>

**Remeasurement of the net defined benefit liability:**

	2016 £	2015 £
Actuarial losses on the liabilities	8,765,000	759,000
Return on assets, excluding interest income	(5,334,000)	171,000
Total remeasurement of the net defined benefit liability	<b>3,431,000</b>	<b>930,000</b>

**29 Authorised and contracted capital expenditure (Group and Royal Academy)**

	Total project cost £	Assets in service £	Assets in course of construction £	Authorised but not contracted for £	Contracted for £	Unauthorised £
Plant upgrades	19,135,074	11,627,047	3,735,171	3,276,688	496,168	-
Minor projects	4,319,615	2,547,594	98,081	1,457,268	216,672	-
Burlington Project - Phase I	49,995,000	4,728,040	17,928,352	3,730,252	23,608,356	-
Burlington Project - Phase II	16,000,000	-	385,775	-	180,943	15,433,282
Total	<b>89,449,689</b>	<b>18,902,681</b>	<b>22,147,379</b>	<b>8,464,208</b>	<b>24,502,139</b>	<b>15,433,282</b>

Burlington Project - Phase II is currently at an early design stage. Total project costs are estimated at £16.0m but this expenditure has not been authorised pending further design work and capital fundraising.

**30 Contingent liabilities**

The Royal Academy and its subsidiaries had no contingent liabilities as at 31 August 2016 (2015: none).

**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

**31 Financial commitments (Group and Royal Academy)**

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

	Land and buildings £	Other £	2016 Total £	Land and buildings £	Other £	2015 Total £
Under one year	817,657	311,986	1,129,643	851,552	302,400	1,153,952
Two to five years	272,940	1,235,263	1,508,203	1,052,617	1,205,701	2,258,318
Over five years	-	1,074,247	1,074,247	37,980	1,374,247	1,412,227
<b>Total</b>	<b>1,090,597</b>	<b>2,621,496</b>	<b>3,712,093</b>	<b>1,942,149</b>	<b>2,882,348</b>	<b>4,824,497</b>

**32 Financial instruments**

The financial statements include the following in respect of items held at fair value at 31 August:

	Group 2016 £	2015 £	Royal Academy 2016 £	2015 £
Financial assets measured at amortised cost	2,774,673	2,032,725	3,020,312	2,280,504
Financial liabilities measured at amortised cost	6,611,654	5,166,092	5,975,329	4,671,934
Financial assets measured at fair value	35,657	1,783,151	35,765	1,783,259

**33 Related party transactions**

Those in positions of authority within the Group, including trustees, Council members and directors, use facilities of the Group on the same terms as other Academicians, Friends, Patrons or external customers. This includes access to exhibitions, purchases from shops, Summer Exhibition, and auctions, and also the use of catering facilities. For the year ended 31 August 2016, all transactions with related parties are considered within the scope of normal transactions.

The company has taken advantage of the exemption available in Section 33 of FRS 102, whereby it has not disclosed transactions with any wholly owned subsidiary.

During the year the Royal Academy received income of £13,547,455 (2015: £669,146) from the Royal Academy Development Trust (previously the Royal Academy Trust) consisting of donations made to support various campaigns and projects undertaken. Expenditure of £27,054 (2015: £1,439,292) relates to the donation of funds to be held in investments by the Royal Academy Development Trust, designated for the Royal Academy. At the year end £27,049 (2015: £44,399) was outstanding and included within creditors.

Income of £9,598,376 (2015: £8,355,059) was received from The Friends of the Royal Academy, being a donation of 100% of their net income. In addition, The Friends of the Royal Academy reimbursed salary and other expenses recharged of £476,127 (2015: £293,900). At the year end £237,922 (2015: £394,028) was outstanding and included within creditors.

The trustees donated a total of £10,000 to the Royal Academy during the year, these amounts were free from any conditions.

**The Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2016 (continued)**

**34 Transition to FRS 102**

This is the first year that the Group has presented its results under FRS 102 SORP. The last financial statements prepared under the previous SORP 2005 were for the year ended 31 August 2015. The date of transition to FRS 102 SORP was 1 September 2014. Set out below are changes in accounting policies which reconcile net income / (expenditure) for the financial year ended 31 August 2015 and the total unrestricted funds as at 1 September 2014 and 31 August 2015 between SORP 2005 as previously reported and FRS 102 SORP.

**a. Net income / (expenditure) for the financial year**

	<b>Ongoing activities</b>		<b>Burlington Project</b>		
	<b>Unrestricted funds</b>	<b>Restricted funds</b>	<b>Designated funds</b>	<b>Restricted funds</b>	<b>Total 2015</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Net income / (expenditure) as previously stated</b>	1,660,769	(39,292)	166,784	5,142,331	6,930,592
Holiday pay accrual i.	(22,750)	-	-	-	(22,750)
Investment gains shown above the line	-	-	127,510	-	127,510
Remeasurement of net defined benefit obligation ii.	(643,000)	-	-	-	(643,000)
<b>Net income / (expenditure) as restated</b>	<b>995,019</b>	<b>(39,292)</b>	<b>294,294</b>	<b>5,142,331</b>	<b>6,392,352</b>

**b. Total equity**

	<b>1 Sept 2014</b>	<b>31 Aug 2015</b>
	<b>£</b>	<b>£</b>
<b>Total equity as previously stated</b>	37,500,637	42,985,739
Holiday pay accrual	(144,806)	(167,556)
<b>Total equity as restated</b>	<b>37,355,831</b>	<b>42,818,183</b>

The changes had no effect on restricted or designated funds.

**i. Holiday pay accrual**

FRS 102 requires short term employee benefits to be charged to the SOFA as the employee service is received. This has resulted in the Group recognising a liability for holiday pay of £144,806 on transition to FRS 102. Previously holiday pay accruals were not recognised and were charged to the SOFA as these were paid. In the year to 31 August 2015 an additional debit of £22,750 was recognised in the SOFA and the liability at 31 August 2015 was £167,556.

**ii. Remeasurement of net defined benefit liability**

Previously the Group recognised an expected return on defined benefit plan assets in the SOFA. Under FRS 102 a net interest expense, based on the net defined benefit liability, is recognised in the SOFA. There has been no change in the defined benefit liability at either 1 September 2014 or 31 August 2015. The effect of the change has been to increase the debit to expenditure in the SOFA in the year to 31 August 2015 by £643,000 and reduce the debit below net income / (expenditure) by an equivalent amount.

**iii. Intangible fixed assets**

Computer software, with a net book value of £494,672 at 1 September 2014 has been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the Group's net assets nor on the net income / (expenditure) for the year, except that the previous depreciation charge is now described as amortisation. The amount reclassified at 31 August 2015 was £372,568.

**iv. Governance costs**

Governance costs had previously been analysed on the face of the SOFA. Governance costs are not classified as a support cost and have therefore been apportioned between raising funds and charitable activities. There is no effect on total expenditure for the current or previous financial years.