

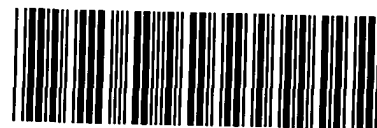
**ROYAL ACADEMY OF ARTS  
LIMITED**

(A Company Limited by Guarantee)

Registered Charity No. 1125383  
Registered Company No. 06298947

**REPORT AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 AUGUST 2014**

THURSDAY



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# **Royal Academy of Arts**

## **Trustees' Report**

### **For the Year Ended 31 August 2014**

**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**

Ron Arad RA (appointed 18 March 2014, resigned 7 October 2014)  
Phyllida Barlow RA (appointed 1 October 2013, resigned 18 March 2014)  
Stephen Chambers RA (appointed 1 October 2013)  
Ann Christopher RA (appointed 1 October 2013)  
Spencer de Grey CBE RA (resigned 7 October 2014)  
Anne Desmet RA (appointed 1 October 2013)  
Professor Stephen Farthing RA (resigned 7 October 2014)  
Brendan Finucane QC (appointed 1 October 2013)  
Mariella Frostrup  
Piers Gough CBE RA (re-elected 1 October 2013)  
Julian Heslop  
Gary Hume RA (resigned 7 October 2014)  
Timothy Hyman RA (appointed 7 October 2014)  
Jock McFadyen RA (appointed 1 October 2013)  
Professor Ian McKeever RA (appointed 1 October 2013)  
Professor Humphrey Ocean RA (resigned 7 October 2014)  
Professor Chris Orr RA (resigned 7 October 2014)  
Cornelia Parker RA (re-elected 1 October 2013)  
Grayson Perry CBE RA (appointed 7 October 2014)  
Dr Barbara Rae CBE RA (appointed 7 October 2014)  
Professor Ian Ritchie CBA RA (appointed 7 October 2014)  
Emma Stibbon RA (appointed 7 October 2014)  
William Woodrow RA (appointed 7 October 2014)

##### **Officers**

Christopher Le Brun PRA	President
Eileen Cooper RA	Keeper
Professor Paul Huxley RA	Treasurer (resigned 31 August 2014)
Professor Chris Orr RA	Treasurer (appointed 31 August 2014)
Charles Saumarez Smith CBE	Secretary and Chief Executive

##### **Company Secretary**

Jonathon Cornaby

# Royal Academy of Arts

## Trustees' Report

### For the Year Ended 31 August 2014

#### Royal Academy Committees

at the date of signing:

##### Executive Committee

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

##### Finance Committee

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

##### Audit Committee

Julian Heslop (Chairman)  
Steve Caine  
Jonathon Cornaby (Secretary)  
Hughie O'Donoghue RA  
Professor Ian Ritchie CBA RA  
Tim Shaw RA

#### Professional Advisors:

##### Auditors

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

##### Bankers

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

##### Solicitors

Jones Day  
21 Tudor Street  
London EC4Y 0DJ

##### Registered Office

Burlington House  
Piccadilly  
London W1J 0BD

##### Registered Charity Number

1125383

##### Registered Company Number

06298947

##### Exhibitions Committee

Professor Stephen Farthing RA (Chairman)  
Professor Josephine Dawn Ades CBE FBA  
Stephen Chambers RA  
Ann Christopher RA  
Michael Craig-Martin CBE RA  
Professor David Ekserdjian RA  
Gary Hume RA  
Conrad Shawcross RA  
Alan Stanton OBE RA  
Tim Marlow  
Professor Richard Wilson RA  
President *ex officio*  
Keeper *ex officio*  
Treasurer *ex officio*  
Secretary and Chief Executive *ex officio*

##### Remuneration Committee

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

# Royal Academy of Arts

## Trustees' Report

### For the Year Ended 31 August 2014

#### CONSTITUTION AND CHARITABLE OBJECTIVES

##### Constitution

The Royal Academy of Arts ("Royal 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 £12.7 million during the year towards the Burlington Project.

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 laws which set out 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 and meet with members of the Executive Committee.

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

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

The Secretary and Chief Executive is in charge of the day-to-day running of the Royal Academy and, together with the President, Keeper and Treasurer, is an officer. He attends Council meetings, but is not a Royal Academician. The Chief Financial Officer and Director of Artistic Programmes also attend Council meetings, but are not officers or Royal Academicians.

The Royal Academy has three trading entities: RA Enterprises Limited, Burlington House Limited and RA (Arts) Limited. Although these are separate legal entities, they are regarded as part of the 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.

# Royal Academy of Arts

## Trustees' Report

### For the Year Ended 31 August 2014

#### **Governance and management (continued)**

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

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

The Royal Academy Trust, set up in 1981 to provide funds for the support of the 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 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 - the American Associates of the Royal Academy Trust ("AARAT") - 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 fund-raising needs and initiatives. As with the Royal Academy 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, and the internal newsletter.

#### **Current year objectives**

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

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

#### **ACTIVITIES, ACHIEVEMENTS AND IMPACT**

##### **Review of activities**

Looking back on 2013/14, we chart our progress against these five key objectives:

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

The Royal Academy's exhibitions and events set out to inspire enjoyment and understanding of art and architecture.

Our autumn season launched with Australia, the UK's first major survey of Australian art in 50 years. Attracting 129,000 visitors, it was described as "detailed, comprehensive and omniscient" in the Daily Telegraph's four star review.

Next in the Main Galleries, was Sensing Spaces: Architecture Reimagined, an exhibition which saw seven architectural practices from around the world transform our spaces. The Architects Journal called the show "era-defining" and of the 168,000 people who came, an impressive 14% were first-time visitors to the Royal Academy.

# Royal Academy of Arts

## Trustees' Report

### For the Year Ended 31 August 2014

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

The work of Honoré Daumier was explored in the first Sackler Wing exhibition of the season. Daumier 1808–1879: Visions of Paris featured 130 works chronicling life in 19th-century France and was praised by Brian Sewell of the Evening Standard as “an exciting and astonishing exhibition.”

The chiaroscuro woodcut revolutionised printmaking in the 16th-century and Renaissance Impressions: Chiaroscuro Woodcuts from the Collection of Georg Baselitz and the Albertina, Vienna, revealed how. Time Out concluded: ‘This is the sort of exhibition at which the Royal Academy excels – taking a topic of specialist art-historical interest and making it exciting and accessible.’

Mid-20th-century art took centre stage in Radical Geometry: Modern Art of South America from the Patricia Phelps de Cisneros Collection. The exhibition showed how the optimism sweeping through Latin America at the time led to the creation of some of the most innovative geometric art in existence.

In Burlington Gardens, a major retrospective by Bill Woodrow RA saw the artist work closely with us to create a compelling survey of his sculpture from the early 1970s to the present day and following that, Dennis Hopper: The Lost Album, organised in collaboration with The Dennis Hopper Art Trust, presented over 400 photographs taken by 1960s’ counter-culture icon and film star Dennis Hopper. By October 2014, the exhibition had attracted 75,000 visitors.

This year’s Summer Exhibition was co-ordinated by Hughie O’Donoghue. Highlights included a black-and-white room curated by Cornelia Parker RA and art by recently appointed RAs from Thomas Heatherwick and Conrad Shawcross to Bob and Roberta Smith and Wolfgang Tillmans. The total value of works sold reached £3.3 million, with 167,000 people attending.

This year also saw us embark on a major partnership with the BBC. Over the summer, they staged The One Show Summer Art Exhibition 2014 here and a one-hour BBC2 documentary took viewers behind-the-scenes at the Summer Exhibition. We also offered online streamed tours of the exhibition with RAs Tracey Emin and Norman Ackroyd.

Internationally, we sent the exhibition The Big Country and Other Stories by Stephen Chambers RA to the Pera Museum in Istanbul. The year’s major international tour was the Royal Academy’s first ever to Australia and Japan, Genius and Ambition: The Royal Academy of Arts, London 1768-1918.

#### **Digital innovations**

Major investment in technology is one outcome of our new digital strategy, evolved with global innovation consultancy IDEO. Launched in March 2014, our new website has a more dynamic design, clearer structure and the latest responsive design technology. Visitors can access what’s happening at the Royal Academy Schools, see the studios of Academicians and filmed events can be watched by anyone across the world.

#### **Young people**

Free entry was extended for children under 16 years in our commitment to attracting younger audiences. Over 5,500 teachers and students attended Royal Academy workshops, while nearly 10,000 pupils came to organised gallery talks and tours. A yearly A-Level Summer Exhibition Online is one of several programmes to encourage A-level art students. Student submissions doubled in 2013/14, with nearly 1,300 young people submitting more than 2,000 works of art.

#### **A focus on audiences**

Capturing visitor data is helping us understand our audiences better. In the past two years our Insight Manager has studied audience segmentation at the Royal Academy. The results give us a portrait of who attends and why, and are being used across the Royal Academy to target our programming with greater precision and to improve what we do for visitors.

#### **Events for all**

Three Friday Lates were piloted, aiming to attract a younger audience. Two were designed in conjunction with the exhibitions on Bill Woodrow and Sensing Spaces, while the third, in June 2014, saw the Royal Academy’s first-ever Midsummer Night’s Fête. This Friday Late proved enormously popular, attracting 1,500 people.

Literary events widened the cultural context for exploring our major exhibitions; Talks by Academicians included Richard Deacon in conversation with Bill Woodrow RA, while visiting artists included the 91-year-old Carlos Cruz Diez and American environmental artist Christo.

Working with partners widened our audience impact. For Dennis Hopper: The Lost Album, linked programming at the British Film Institute included a season of films directed by or starring Dennis Hopper.

#### **Families and community access**

The Royal Academy offers a warm, welcoming environment for families – from free drop-in workshops to our popular Art Detective trails.

# Royal Academy of Arts

## Trustees' Report

### For the Year Ended 31 August 2014

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

A number of programmes widened community access to the Royal Academy. Highlights this year include an exhibition in conjunction with Kids Company displaying artworks by vulnerable or disadvantaged children, and our new Art Club introduced a monthly workshop for homeless people.

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

Competition for the postgraduate programme at the Royal Academy Schools is fierce and in 2013, 17 students were selected from more than 440 applicants.

The work of Royal Academy Schools' students is showcased in two annual exhibitions: Premiums and the Royal Academy Schools Show. This year, visitor numbers for Premiums increased by more than a third to just under 4,000 and 8,000 people visited The Royal Academy Schools Show.

#### **Communities of learning**

Lectures were delivered by Piers Gough RA, Professor of Architecture, and Humphrey Ocean RA, Professor of Perspective. Visiting lecturers included philosopher Nina Power and director Sir Jonathan Miller while among the public events were a symposium on art after death and a lecture at the Royal Institution by Nicolas Bourriaud.

In London, the Royal Academy Schools hosted an international artist exchange in collaboration with Arts in Heritage Research (AHR) Ltd, Hong Kong, and the Central Academy of Fine Arts (CAFA), Beijing.

#### **Success and support**

The success of Royal Academy Schools' alumni spanned the globe. Recent alumni showed works in Antwerp, Arezzo, Vienna, Bergen, Toronto and New York. It was a record year for financial support for the RA Schools with Newton Investment Management renewing their generous funding with a promise of £550,000 for 2014–18.

#### **The Royal Academy collection**

In 2013/14, 280 works were added, including a record number of Diploma Works. There were submissions by Cornelia Parker, Grayson Perry and Yinka Shonibare to name a few. Loans from the collection increased in 2013/14, especially within the UK. Among new loans, 70 items were sent to 31 venues.

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

With a grant of £12.7 million from the Heritage Lottery Fund, we are well on our way to redeveloping Burlington Gardens to celebrate the Royal Academy's 250th anniversary in 2018.

#### **Keeper's House opens**

On 30 September 2013, the Keeper's House opened to the public, representing one of the first major milestones in the Masterplan development. The £6.5 million project was led by award-winning architects Long & Kentish, with interiors by David Chipperfield Architects, a garden by landscape designer Tom Stuart-Smith and catering by Oliver Peyton. Academicians' work features throughout the building.

The Keeper's House enables us to offer more to Friends, Patrons, Royal Academicians and the general public through increased social spaces and extended opening hours.

With planning permission granted last year, the work for the remainder of the Masterplan build has advanced considerably. Full Stage D designs for Burlington Gardens were signed off after intensive review by the Project Board and stakeholders in mid-February 2014; Stage E was completed in November 2014; and tender documentation was issued in late November 2014 and due to be returned in January 2015, with the appointment of the main contractor planned for March 2015.

#### **Populating Burlington Gardens**

2013/14 also included the opening of a new café in Burlington Gardens. Atelier is a thriving new visitor amenity that has created a new sense of welcome in the grand entrance hall.

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

Our success derives from our staff and the Royal Academicians.

#### **Royal Academicians**

The role of the Academicians affects all aspects of the institution. Exhibitions focusing on the work of individual artists provide a distinct platform for public engagement with contemporary art and at the Royal Academy Schools, the Academicians teach, give lectures and seminars, critique student work and participate in the creative life of the Schools. In

# Royal Academy of Arts

## Trustees' Report

### For the Year Ended 31 August 2014

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

2013/14 Michael Landy RA took up his position as the Eranda Professor of Drawing, while Gary Hume RA became Chair of the Royal Academy Schools Committee.

Eight new Royal Academicians were appointed: Louisa Hutton, Neil Jeffries, Cathie Pilkington, Tim Shaw, Yinka Shonibare, Bob and Roberta Smith, Wolfgang Tillmans and Rebecca Warren.

Art historian Svetlana Alpers was elected an Honorary Fellow, as was Sir Nicholas Hytner. Ghanaian sculptor El Anatsui and Swiss architect Peter Zumthor were both elected Honorary Academicians.

To celebrate the Diamond Jubilee, the Academy presented over 100 works on paper to Her Majesty The Queen. The works represented nearly all the Academicians and were exhibited at The Queen's Gallery, Buckingham Palace.

#### **RA staff**

The year saw several new staff appointments, including writer, broadcaster and former Director of Exhibitions at White Cube Tim Marlow to the post of Director of Artistic Programmes and Jonathon Cornaby as Chief Financial Officer. We have also created a new streamlined staff structure to support our work as we head to 2018 - with six strands: Artistic Programmes, Public Engagement, People, Development, Operations, and the Royal Academy Schools.

Improved internal communications included a weekly staff newsletter, RAdar; quarterly induction breakfasts for new staff; and a variety of initiatives, such as a new pension scheme and the launch of an Employee Assistance Programme.

Training and professional development for staff included evening art history lectures, pilot mentoring schemes with peer organisations and two bespoke programmes – Inspiring Managers and Inspiring Employees. We also continue to run charity book events, Friends and Family evenings and a staff choir.

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

A record year for fundraising saw major awards for the Burlington Project as we progress toward celebrating our 250th anniversary in 2018.

The year's largest single award was an HLF grant of £12.7 million towards the Burlington Project and was widely reported in the media. The Royal Academy is now within £5 million of the fundraising target, with an impressive £27.7 million raised in 2013/14 alone.

JTI extended its long-term support of the exhibitions in the Sackler Wing to 2016 and was lead series supporter of exhibitions in Burlington Gardens. Insight Investment extended its nine-year sponsorship of the Summer Exhibition for a further four years to 2018. Newton Investment Management renewed their funding for the Royal Academy Schools to 2018. The Royal Academy's Corporate Membership scheme saw income rise by over 10% in 2013/14.

#### **Investing in the future**

The Royal Academy generated a net surplus of £4.4 million in the year across all activities. Before charges for interest and depreciation, the Royal Academy's ongoing activities (excluding fundraising for the Burlington Project) made a surplus of £0.5 million in 2013/14 as we invested in our digital strategy and a new website, reviewed and reformed the Royal Academy's operating model and researched how to transform our visitor experience and optimise the Friends scheme.

Our medium-term planning towards 2018 has introduced two new business lines – art sales and courses – with an objective to contribute significant income, as well as supporting our overall mission of educating the public.

#### **Fundraising events**

The twelfth Royal Academy of Arts Summer Ball was held in June 2014, where the silent auction and other donations raised over £600,000 for the Royal Academy's Burlington Project.

Our first-ever Architecture Fair took place online. This innovative auction took elements of Sensing Spaces: Architecture Reimagined and offered them for sale once the exhibition was over. Buyers ranged from private individuals to academic institutes.

#### **Individuals who support the Royal Academy**

Our Patron scheme, led by Robert Suss, brought in over £1.0 million in revenue this year. We are also extremely proud to announce that the Patrons have contributed over £2.5 million in gifts to the Burlington Project over the past 12 months.

Legacies saw the Royal Academy receive over £530,000 and throughout the year, 78 new legacies were pledged. To ensure the Friends scheme's future success, we improved a number of Friends initiatives. April 2014 saw a redesign of the Friends marketing materials and from May to August 2014, all new Friends received a special art manifesto napkin by Grayson Perry RA. The number of new Friends who joined during this period rose by 40%. Friends' tours and excursions have almost 100% take-up.



# Royal Academy of Arts

## Trustees' Report

### For the Year Ended 31 August 2014

#### Review of activities (continued)

The Royal Academy Trust is a registered charity that manages the endowment and funds donated to the Royal Academy. At 31 August 2014, the endowment was valued at £32.6 million.

#### The Friends of the Royal Academy ("Friends")

The Friends, with a total membership of over 87,000 and with an annual renewal rate of c. 85%, made a £8.2 million donation to the Royal Academy and have significantly contributed to the continuing development of its activities including the presentation of a world class exhibition programme, the post graduate education of artists in the Royal Academy Schools and the preservation and maintenance of the Royal Academy's historic buildings and collections.

#### Retail

Retail and catering saw sales of £2.5 million in 2013/14, generating a profit of £624,000. For our William Scott RA Limited Edition Rug, RA Retail won the national award for Best Licensed Product range from the Association of Cultural Enterprises. New sales initiatives included a range of licensed RA paint colours, vintage posters from past Summer Exhibitions and RAtd, a series of product designs submitted by young designers.

RA Editions offers people the opportunity to acquire work produced within the Royal Academy Schools by both established and emerging artists. All proceeds contribute directly towards the Schools' endowment fund. In summer 2014, the Royal Academy featured work from RA Editions at the fifth annual British Designers' Collective in Bicester Village.

#### IMPACT AND PUBLIC BENEFIT

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

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

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

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

The 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.

#### FINANCIAL REVIEW

##### Financial result for the year

The statutory accounts for the current year show net outgoing resources of £931,257 (2013: incoming of £1,997,207) for core activities, being those ongoing activities directly associated with delivering the charitable objectives, and net incoming resources of £5,377,895 (2013: £5,673,381) for the Burlington Project, being the refurbishment and redevelopment of the Royal Academy's buildings and estate.

Total net movement in funds includes the recognition of the actuarial loss on the pension scheme totalling £420,000, (2013: gain of £50,000) and net gain on investments of £53,832 (2013: £nil) resulting in a surplus of £4,080,470 (2013: £7,720,588).

##### Reserves

At 31 August 2014, total unrestricted reserves stood at £29.3 million. Of this, £29.5 million relates to unrestricted fixed assets. Therefore, free reserves stand at a deficit of £0.2 million after taking account of the pension scheme asset.

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

The trustees have set a reserves policy which requires:

- Reserves 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.

# Royal Academy of Arts

## Trustees' Report

### For the Year Ended 31 August 2014

#### Financial review (continued)

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

The free reserves calculated above as a £0.2 million deficit include long term liabilities of £2.1 million repayable in instalments to 2024. In addition, as described in further detail in our report below in "Future Plans – 4. Sustainability", the Royal Academy put in place a £10 million loan facility in December 2014, repayable over 30 years, to fund exceptional operating costs over the period to 2018 and the ongoing gallery plant upgrade programme, costs which experience has indicated are difficult to fundraise for, and to provide the required working capital facilities to manage the Masterplan construction programme.

Despite free reserves being less than the required level of £4.5 million, in view of the long term loan funding now in place combined with consideration of the future business plans of the Royal Academy and the specific risks and opportunities faced over the next 12 months, the trustees consider that the Royal Academy has in place sufficient overall resources to provide funding for the foreseeable future.

In addition, the trustees take comfort from the fact that the Royal Academy Trust, an independent charity established under a Trust Deed dated 11 February 1981 specifically to provide funds for the support of the Royal Academy, held funds of £32.9 million at 31 August 2014 in trust for the Royal Academy of Arts, of which £15.2 million are unrestricted funds including £11.9 million that is both unrestricted and not designated. These funds are held by the Royal Academy Trust until these are required by the Royal Academy of Arts for specific purposes and are invested by the Royal Academy Trust to provide future funding for the charitable objects of the Royal Academy of Arts. These are treated as assets of the Royal Academy Trust and are held for the maintenance, development, advancement and preservation of the Royal Academy of Arts.

#### FUTURE PLANS

##### Our mission and vision

With 124 Academicians and Senior Academicians at its heart, the Royal Academy is a complex organisation with many voices; but we are united by our commitment to art and the vital role that artists can play in the world. We are working together towards 2018, and the realisation of our "Masterplan", when we will have a transformed physical campus, and a new digital infrastructure alongside it. This 21st century platform will enable us to continue our work on a bigger and bolder scale, setting us up for the next 250 years of being a clear, strong voice for art and artists (our mission, or why we exist).

The next five years are about building on our strength in exhibitions programming to reveal the living, breathing Royal Academy that lies behind all that we do (our vision, or what we want to achieve over the next few years). We are preparing for an expanded platform that will host an increased diversity in programming, activities, and revenue streams, helping us reach broader audiences and ensuring our financial health. We are aiming for a sustainable operating surplus, enabling us to maintain our buildings and continually invest in the Royal Academy for future generations. Over the next few years, we will be investing in our buildings, systems and people to ensure the Royal Academy has a strong base to build on into the future.

##### Our priorities today

Looking forward over the next few years, we can group our objectives into the following broad categories:

1. Public and Academic
2. Spaces
3. People
4. Sustainability

Addressing each in turn:

#### 1. Public and Academic

##### Visitor experience – physical and digital

We are moving towards greater clarity on our desired visitor experience: smooth, welcoming and rich with opportunities for discovery, whether physical or digital. With the launch of our new website in early 2014, we are beginning to provide this online, and will be doing much more to continually improve the experience and content of our web presence over the next year. We are now looking forward to similarly transforming the physical experience for our visitors – whether they are occasional visitors, Friends, or important donors.

# Royal Academy of Arts

## Trustees' Report

### For the Year Ended 31 August 2014

#### Future plans (continued)

##### 2018 Programme

We are planning our 2018 programme for our 250th anniversary – a once-in-a-lifetime opportunity to showcase the Royal Academy, present and past, to the world. For the first time we will be able to show our Collections and the story that they tell about the Royal Academy throughout a joined up campus, from entrance hall to entrance hall. In the main galleries, three exhibitions to be announced will provide further perspectives on our story, covering topics such as our Royal collection and the Summer Exhibition's 250 year role as a platform for contemporary artists.

We are also looking forward to crafting a series of lectures, events and courses that will use the spotlight of our 250th anniversary to engage the world in conversation. Housed in our brand new auditorium but reaching far beyond, this programme will significantly amplify our role as a home for current conversations and learning about art and culture.

2018 should generate attention, interest and momentum, which we will continue to build on in 2019, a year which will be focused on the Royal Academy Schools and its own 250th anniversary.

##### Learning and debate

We currently have tremendous variety and depth in our programmes around the Royal Academy, from Learning Department events to architecture debates to Schools lectures. We are very proud of this, and want to help audiences old and new engage with it even more – by highlighting it in our communications, recording and sharing it online as much as possible. We also want to begin to grow the programme through our new courses and classes, and through partnerships – helping us to become well known as a place where people come together to converse and learn, and building on our unique heritage as an “Academy”.

#### 2. Spaces

##### Masterplan

The Masterplan continues to be a top priority for us. We are committed to achieving further clarity both on the end goal of how the new campus will work, and on the interim plan for how we will operate during the building works. We are currently working to achieve greater clarity for offices, Collections, Schools and the artistic programme. In addition, we are mindful of the opportunity provided by our current fundraising momentum, and are considering a “Phase 2” of capital fundraising to support further building works and to build our endowment for the next 250 years.

#### 3. People

##### Staff

We are committed to providing a supportive and inspiring environment for staff, and to their ongoing professional development. Over the next year we will be working on a “One RA” initiative to support our way of working, and developing a curriculum of courses that builds upon the success of our existing internal courses. Staff well-being and engagement are also key areas of focus e.g., through the employee assistance programme and Wellness Week.

##### Academicians

The Academicians are the Royal Academy's greatest asset, and we want to make it a priority this year to build ever enhanced relationships with as many Academicians as possible. We are committed to doing this through greater frequency of regular communication and conversations.

#### 4. Sustainability

##### Databases and systems

We are committed to investing in our databases and systems, moving from a legacy of fragmented and in some cases outdated systems to a modern, integrated solution. This is crucial to reduce inefficiency, enable us to draw insights from joined-up data, and modernise our systems for the future. Starting with ticketing, Friends membership and space/events management, we will move on to then look at systems such as fundraising, payments, and many more.

##### Masterplan and core operations

We are embarking on an ambitious transformation programme at the Royal Academy where we are targeting a new joined up campus in time for our 250th anniversary in 3 years' time combined with significantly enhanced facilities that will enable us to reveal and explore our living breathing Royal Academy. The majority of the costs for this transformation are being raised through our fundraising activities, where we are well advanced and in great shape. There are, however, some operating exceptional costs – primarily the costs of moving the staff offsite during the construction phase – along with the costs of refreshing our existing plant that condition the Burlington House galleries, which traditionally have been difficult to fundraise for. We have therefore put in place a £10 million loan facility repayable over the longer term to ensure that we can meet these liabilities as they fall due as well as ensure that we have the required working capital facilities to manage the Masterplan construction programme. This facility agreement was signed in December 2014.

# Royal Academy of Arts

## Trustees' Report

### For the Year Ended 31 August 2014

#### **In closing**

Like all organisations in today's complex world we are on a challenging but exciting journey, and there will no doubt be experiments, successes and failures along the way, but we fundamentally believe that we are on the right path to build an ever more vibrant and sustainable Royal Academy.

#### **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.

##### **Key performance indicators**

Looking forward to 2014/15 and beyond, the specific goals set out in our Strategic Plan across each of the four principal objectives are as follows. In September 2014, we reviewed and simplified our previous version of these metrics or key performance indicators ("KPIs"), and are currently establishing the systems to identify precise KPIs; measure baselines; set targets; and systematically track progress against them.

#### **1. Public and Academic**

- Achieve 1.2 million visits p.a. by 2018/19 (0.8 million visitors in 2013/14)
- Achieve significantly more web visitors by 2018/19
- Increase the breadth and diversity of our audience reach, e.g., greater engagement with younger audiences
- Maintain or improve the critical reception to our core exhibitions programme
- Deliver consistent high standards of visitor experience by 2018/19
- Significantly increase our Learning and Debate audience reach, e.g. through a new programme in the new Burlington Gardens auditorium in 2018
- Increase membership-related income by 20% by 2018
- Achieve significantly improved secondary spend per visitor by 2018
- Significantly increase our Collections audience reach
- Maintain and improve the quality of our Schools programme

#### **2. Spaces**

- Commence the Masterplan construction in Autumn 2015
- Complete the Masterplan construction in time for our 250<sup>th</sup> Anniversary in 2018

#### **3. People**

- Ensure every Royal Academician engages with the Academy at least annually e.g. through visits, serving on committees, etc.
- Introduce a staff survey and commit to prompt analysis and positive change

#### **4. Sustainability**

- Ensure we are on track to achieve healthy, sustainable operating surplus of c. £3 million per annum by 2018/19
- Achieve significantly improved data capture and understanding across our visitors and activities
- Significantly reduce our carbon emissions

#### **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.

# Royal Academy of Arts

## Trustees' Report

### For the Year Ended 31 August 2014

#### 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 finding of which are reported to the quarterly Audit Committee meetings.

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

#### STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees (who are also directors of the Royal Academy 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 judgements 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

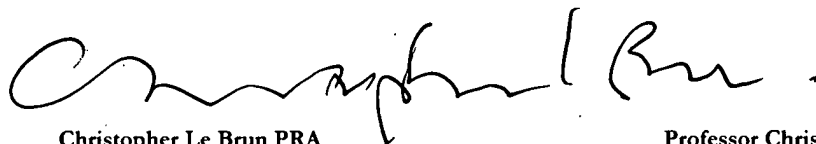
So far as each of the trustees at the time the trustees' report is approved is aware:

- 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 Academy's auditor will be put to the forthcoming General Assembly.

On behalf of the Council



Christopher Le Brun PRA  
President

Professor Chris Orr RA  
Treasurer



Royal Academy of Arts  
Burlington House  
Piccadilly  
London W1J 0BD

Date: 6 January 2015

## Independent Auditor's Report to the Trustees of Royal Academy of Arts

We have audited the consolidated and parent charitable company's financial statements of the Royal Academy of Arts Limited for the year ended 31 August 2014 which comprise the Consolidated Statement of Financial Activities (incorporating the Consolidated Summary Income and Expenditure Account), the Consolidated and Charitable Company's Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken for no purpose other than to draw to the attention of the charitable company's members those matters which we are required to include in an auditors' report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charitable company and charitable company's members as a body, for our audit work, for this report, or for the opinion we have formed.

### Respective responsibilities of trustees and auditors

As explained more fully in the statement of trustees' responsibilities, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the trustees' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently 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 2014 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' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

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

Date:

9/1/15

Devonshire House  
60 Goswell Road  
London EC1M 7AD

**Royal Academy of Arts**  
**Consolidated Statement of Financial Activities**  
**For the year ended 31 August 2014**

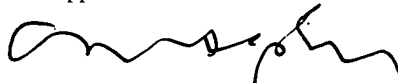
		Ongoing activities		Burlington Project			
		Unrestricted	Restricted	Unrestricted	Restricted	Total	Total
	Note	funds	funds	funds	funds	2014	2013
		2014	2014	2014	2014	2014	2013
		£	£	£	£	£	£
<b>Incoming resources</b>							
<b><i>Incoming resources from generated funds</i></b>							
<i>Voluntary income</i>							
General donations from Royal Academy Trust		-	209,260	-	-	209,260	200,460
Other donations from Royal Academy Trust:							
Burlington Project		-	-	519,740	-	519,740	660,275
Cataloguing project		-	50,000	-	-	50,000	96,762
Other projects		-	559,278	-	-	559,278	486,552
Donations from Friends of the Royal Academy		7,956,153	-	226,205	-	8,182,358	8,827,366
Other donations		836,231	785,799	697,833	4,408,118	6,727,981	6,362,494
Grant income		39,870	149,507	-	173,356	362,733	294,027
<i>Activities for generating funds</i>							
Income from trading subsidiaries	2	7,648,858	-	323,482	-	7,972,340	8,952,358
Rent, insurance and other receipts		3,896,386	-	-	-	3,896,386	3,584,288
<i>Investment income</i>							
Bank interest		14,042	-	29,920	-	43,962	46,132
Dividends		597	-	-	-	597	454
<b><i>Incoming resources from charitable activities</i></b>							
Exhibitions		4,253,666	-	-	-	4,253,666	6,096,479
Schools		29,010	-	-	-	29,010	191,437
Library		89,745	-	-	-	89,745	24,289
Education		249,769	-	-	-	249,769	458,483
<b>Total incoming resources</b>		<b>25,014,327</b>	<b>1,753,844</b>	<b>1,797,180</b>	<b>4,581,474</b>	<b>33,146,825</b>	<b>36,281,856</b>
<b>Resources expended</b>							
<i>Cost of generating funds</i>							
Fundraising and publicity	4	(7,306,885)	-	-	-	(7,306,885)	(6,264,316)
Fundraising trading	2	(4,873,973)	-	-	-	(4,873,973)	(5,731,376)
Charitable activities	5	(12,950,709)	(1,649,468)	-	-	(14,600,177)	(14,736,154)
Governance	6	(918,393)	-	-	(759)	(919,152)	(879,422)
Donation to Royal Academy Trust		-	-	-	(1,000,000)	(1,000,000)	(1,000,000)
<b>Total resources expended</b>	7	<b>(26,049,960)</b>	<b>(1,649,468)</b>	<b>-</b>	<b>(1,000,759)</b>	<b>(28,700,187)</b>	<b>(28,611,268)</b>
<b>Net (outgoing)/ incoming resources for the year before other recognised gains and losses and transfers between funds</b>		<b>(1,035,633)</b>	<b>104,376</b>	<b>1,797,180</b>	<b>3,580,715</b>	<b>4,446,638</b>	<b>7,670,588</b>
Transfer between funds	18	6,804,013	-	(3,812,562)	(2,991,451)	-	-
<b>Net incoming/ (outgoing) resources for the year before other recognised gains and losses</b>		<b>5,768,380</b>	<b>104,376</b>	<b>(2,015,382)</b>	<b>589,264</b>	<b>4,446,638</b>	<b>7,670,588</b>
Net gain on investments		-	-	53,832	-	53,832	-
Actuarial (losses) / gains on defined benefits pension scheme	21	(420,000)	-	-	-	(420,000)	50,000
<b>Net movement in funds</b>		<b>5,348,380</b>	<b>104,376</b>	<b>(1,961,550)</b>	<b>589,264</b>	<b>4,080,470</b>	<b>7,720,588</b>
Fund balances brought forward at 1 September		21,368,487	-	4,561,323	7,490,357	33,420,167	25,699,579
<b>Fund balances carried forward at 31 August</b>		<b>26,716,867</b>	<b>104,376</b>	<b>2,599,773</b>	<b>-8,079,621</b>	<b>37,500,637</b>	<b>33,420,167</b>

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

**Royal Academy of Arts**  
**Balance Sheet as at 31 August 2014**

	Note	Group 2014	Group 2013	Royal Academy 2014	Royal Academy 2013
		£	£	£	£
<b>Fixed assets</b>					
6 Burlington Gardens	12c	14,470,064	14,470,064	14,470,064	14,470,064
Other tangible fixed assets	12a, b	19,176,176	15,181,320	19,099,454	15,085,557
Investments	13	1,654,154	-	1,654,262	108
		<u>35,300,394</u>	<u>29,651,384</u>	<u>35,223,780</u>	<u>29,555,729</u>
<b>Current assets</b>					
Stock		499,116	316,500	-	-
Debtors and prepayments	14	2,077,818	2,689,038	2,888,771	2,726,460
Cash at bank and in hand		6,467,130	8,825,847	6,345,249	8,736,650
		<u>9,044,064</u>	<u>11,831,385</u>	<u>9,234,020</u>	<u>11,463,110</u>
<b>Creditors: Amounts falling due within one year</b>	15	<u>(4,819,035)</u>	<u>(5,143,823)</u>	<u>(4,939,177)</u>	<u>(4,686,693)</u>
<b>Net current assets</b>		<u>4,225,029</u>	<u>6,687,562</u>	<u>4,294,843</u>	<u>6,776,417</u>
		<u>39,525,423</u>	<u>36,338,946</u>	<u>39,518,623</u>	<u>36,332,146</u>
<b>Creditors: Amounts falling due after more than one year</b>	16	<u>(2,149,786)</u>	<u>(2,400,779)</u>	<u>(2,149,786)</u>	<u>(2,400,779)</u>
<b>Total net assets before pension surplus/(deficit)</b>		<u>37,375,637</u>	<u>33,938,167</u>	<u>37,368,837</u>	<u>33,931,367</u>
<b>Defined benefits pension scheme funding surplus/(deficit)</b>	21	<u>125,000</u>	<u>(518,000)</u>	<u>125,000</u>	<u>(518,000)</u>
<b>Total net assets after pension surplus/(deficit)</b>		<u><u>37,500,637</u></u>	<u><u>33,420,167</u></u>	<u><u>37,493,837</u></u>	<u><u>33,413,367</u></u>
<b>Represented by:</b>					
Restricted funds	18	<u>8,183,997</u>	<u>7,490,357</u>	<u>8,183,997</u>	<u>7,490,357</u>
<b>Unrestricted funds:</b>					
General funds	18	26,591,867	21,886,487	26,585,067	21,879,687
Pension reserve	18	125,000	(518,000)	125,000	(518,000)
Burlington Project	18	2,599,773	4,561,323	2,599,773	4,561,323
		<u>29,316,640</u>	<u>25,929,810</u>	<u>29,309,840</u>	<u>25,923,010</u>
		<u><u>37,500,637</u></u>	<u><u>33,420,167</u></u>	<u><u>37,493,837</u></u>	<u><u>33,413,367</u></u>

Approved and authorised for issue by the President and Council of the Royal Academy of Arts on 6 January 2015

  
.....  
Christopher Le Brun PRA  
President

  
.....  
Professor Chris Orr RA  
Treasurer

Registered Company No. 06298947



**Royal Academy of Arts  
Consolidate Cash Flow Statement  
For the year ended 31 August 2014**

	Notes	2014 £	2013 £
<b>Net cash inflow from operating activities</b>	20(a)	<u>4,885,303</u>	<u>7,604,860</u>
<b>Returns on investments and servicing of finance</b>			
Interest paid		(28,916)	(31,818)
Interest received		<u>43,962</u>	<u>46,132</u>
<b>Net cash inflow from returns on investment and servicing of finance</b>		<u>15,046</u>	<u>14,314</u>
<b>Capital expenditure and financial investments</b>			
Payments to acquire tangible fixed assets	12	(5,407,751)	(9,432,929)
Payments to acquire fixed asset investments		<u>(1,600,322)</u>	<u>-</u>
<b>Net cash outflow from capital expenditure and financial investments</b>		<u>(7,008,073)</u>	<u>(9,432,929)</u>
<b>Financing</b>			
Bank loans and hire purchase repayments		<u>(250,993)</u>	<u>(191,662)</u>
<b>Cash (decrease) in the year</b>	20(b)	<u><u>(2,358,717)</u></u>	<u><u>(2,005,417)</u></u>

**Royal Academy of Arts  
Notes to the Financial Statements  
For the year ended 31 August 2014**

**1 Accounting policies**

***Basis of preparation of financial statements***

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards, the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2005), published in March 2005, the Charities Act 2011, and the Companies Act 2006.

***Basis of consolidation***

The consolidated financial statements comprise the financial statements of the Royal Academy of Arts ("Royal Academy") and its three trading subsidiaries (together the Group): RA (Arts) Limited, Burlington House Limited and R.A. Enterprises Limited made up to 31 August 2014. 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 2 of the financial statements. The statements are consolidated on a line by line basis.

The Royal Academy has taken advantage of the exemption available under s.408 of the Companies' Act 2006 and paragraph 397 of SORP 2005 to not produce a SOFA for the Royal Academy only.

***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 Employment, Transport and the Regions. 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, they are not recognised in the balance sheet except in the case of building improvements as detailed in the fixed assets and depreciation policy detailed below.

***Heritage assets***

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

The collections have a significant intrinsic value relating to the way they provide a unique insight into the development of art and the study of art over the past 250 years. The manner in which items are given by Academicians makes valuation of these items difficult as there is no original cost to the item. In addition there is an intrinsic value to the collections as an embodiment of the development of the Royal Academy as an institution, which means that conventional valuation techniques would be inappropriate.

These collections are hence deemed to fall under the definition of heritage assets under FRS30. Expenditure which is required to preserve or prevent further deterioration of the collection is recognised in the SOFA when it is incurred.

The Royal Academy applies a £10,000 threshold to capitalisation of heritage assets at cost or value, where value is reasonably ascertainable. Items are not depreciated as the assets are considered to have indefinite lives.

***Fixed assets and depreciation***

Expenditure on building improvement, 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	- 5 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 the assets in the course of construction.

***Operating leases***

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

***Finance leases***

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

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

***Stock***

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

**Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2014 (continued)**

**1 Accounting policies (continued)**

***Income***

Income, which is stated net of VAT, where applicable, and intra-group transactions, consists of box office takings, sponsorship, donations and grants, and is accounted for on an accruals basis. Income received for an activity taking place in a subsequent period is deferred to that period in accordance with FRS5.

***Exhibitions***

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

***Donations***

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

***Legacies***

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

***Patrons***

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

***Grants***

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

***Expenditure***

Expenditure is accounted for on an accruals basis.

Costs of generating funds consist of costs of trading subsidiaries, 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; supporting Friends; and the conservation of the permanent collection and the library.

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

Support costs are the costs of departments which are shared by the various activities of the Royal Academy such as finance, human resources, information technology and the upkeep of the property. 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.

***Administered funds***

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

***Pension costs***

The Royal Academy contributes to a defined benefits pension scheme for eligible staff. Rates are set by the Scheme Actuary and advised to the Royal Academy by the Scheme Administrator. This scheme is being accounted for under FRS17, with the annually calculated surplus or deficit on the funding of the scheme shown in the financial statements as an unrestricted fund entitled "pension reserve", 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.

***Fund accounting***

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

**Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2014 (continued)**

**1 Accounting policies (continued)**

**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 Statement of Financial Activities includes any realised or unrealised gain/(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.

**Foreign currencies**

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.

**2 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 coffee shop, a publishing business and a picture framing business (which ceased this year); 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.

**Profit and Loss**

	Total 2014 £	R.A. Enterprises Limited 2014 £	2013 £	RA Arts Limited 2014 £	2013 £	Burlington House Limited 2014 £	2013 £
Turnover	7,972,340	5,100,058	7,271,186	1,776,349	1,293,712	1,095,933	387,460
Cost of sales	(2,438,370)	(1,839,963)	(2,910,205)	(59,212)	(17,460)	(539,195)	(241,153)
Administrative expenses	(2,435,603)	(1,940,080)	(2,215,607)	(389,294)	(275,691)	(106,229)	(71,260)
Total expenses	(4,873,973)	(3,780,043)	(5,125,812)	(448,506)	(293,151)	(645,424)	(312,413)
Net result	3,098,367	1,320,015	2,145,374	1,327,843	1,000,561	450,509	75,047
Gift Aid donation	(3,098,367)	(1,320,015)	(2,145,374)	(1,327,843)	(1,000,561)	(450,509)	(75,047)

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**

<b>Fixed assets</b>	76,720	76,720	95,767	-	-	-	-
<b>Current assets</b>							
Stock	499,116	499,116	316,500	-	-	-	-
Debtors	1,083,541	826,006	685,604	195,320	197,009	62,215	25,192
Cash at bank and in hand	121,885	67,297	36,948	29,338	27,253	25,250	25,000
	<u>1,704,542</u>	<u>1,392,419</u>	<u>1,039,052</u>	<u>224,658</u>	<u>224,262</u>	<u>87,465</u>	<u>50,192</u>
<b>Current liabilities</b>							
Creditors: Amounts falling due within one year	(1,781,154)	(1,469,135)	(1,134,815)	(224,654)	(224,258)	(87,365)	(50,092)
	<u>(1,781,154)</u>	<u>(1,469,135)</u>	<u>(1,134,815)</u>	<u>(224,654)</u>	<u>(224,258)</u>	<u>(87,365)</u>	<u>(50,092)</u>
<b>Total assets less total liabilities</b>	<u>108</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>100</u>	<u>100</u>
<b>Capital and reserves</b>							
Called up share capital	108	4	4	4	4	100	100
Equity shareholders' funds	<u>108</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>100</u>	<u>100</u>

**Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2014 (continued)**

**3 Support costs**

	Finance	IT	Personnel	Facilities	2014 Total
	£	£	£	£	£
Exhibitions	603,054	280,255	173,437	1,513,268	2,570,014
Schools	114,372	53,152	32,894	287,000	487,418
Library	176,757	82,144	50,835	443,544	753,280
Education	207,949	96,640	59,806	521,817	886,212
Fundraising and publicity	603,053	280,255	173,437	1,513,268	2,570,013
Governance costs	62,385	28,992	17,942	156,545	265,864
2014 total	<u>1,767,570</u>	<u>821,438</u>	<u>508,349</u>	<u>4,435,442</u>	<u>7,532,801</u>
2013 total	<u>1,660,391</u>	<u>782,539</u>	<u>433,632</u>	<u>3,744,531</u>	<u>6,621,093</u>

**4 Fundraising and publicity**

	2014	2013
	£	£
Direct fundraising costs	2,536,190	2,495,042
Direct publicity costs	2,200,682	1,858,490
Support costs (note 3)	2,570,013	1,910,784
	<u>7,306,885</u>	<u>6,264,316</u>

**5 Charitable activities**

	Direct costs	Support costs	2014 Total	2013 Total
	£	£	£	£
Exhibitions	7,162,095	2,570,014	9,732,109	10,060,099
Schools	1,064,548	487,418	1,551,966	1,525,238
Library	821,179	753,280	1,574,459	1,571,805
Intellectual property expenditure	5,624	-	5,624	104,762
Education	849,807	886,212	1,736,019	1,474,250
	<u>9,903,253</u>	<u>4,696,924</u> (note 3)	<u>14,600,177</u>	<u>14,736,154</u>

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

**6 Governance**

	2014 Total	2013 Total
	£	£
Audit fees - internal and external	76,882	75,418
Council, committees and members	37,085	41,517
Legal and professional	3,274	29,160
Management and governance support	536,047	466,706
Support costs (note 3)	265,864	266,621
	<u>919,152</u>	<u>879,422</u>

**Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2014 (continued)**

<b>7 Total resources expended</b>	<b>2014</b>	<b>2013</b>
This is stated after charging:	<b>£</b>	<b>£</b>
Depreciation	1,412,895	868,424
Auditors' remuneration:		
External auditors		
Audit services - group undertakings	45,118	45,437
Audit services - pension services	7,100	7,550
Other audit services	9,005	4,079
Internal auditors	39,578	37,695
Interest paid	28,916	31,818

<b>8 Officers' and Council Members' remuneration</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Officers' remuneration, excluding pension contributions, is as follows:		
President	60,000	60,000
Keeper	50,000	50,000
Secretary	167,585	173,895
Treasurer	30,000	25,000
	<u>307,585</u>	<u>308,895</u>

Remuneration for officers is set by the Remuneration Committee.

Pension contributions for one officer were £39,438 (2013: £34,746).

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. Two trustees received reimbursed expenditure of:

	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>
Travel	5,389	22,619
Other	7,547	4,301
	<u>12,936</u>	<u>26,920</u>

**9 Staff costs**

	<b>Group</b>		<b>Royal Academy</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Salaries and wages	9,870,627	9,241,316	8,245,093	7,654,565
Social security costs	914,687	880,265	772,317	737,223
Pension contributions - normal	655,192	594,086	568,248	513,444
Pension contributions - additional	547,677	804,202	547,677	804,202
Pension fund adjustment - FRS 17	(1,063,000)	(1,145,000)	(1,063,000)	(1,145,000)
	<u>10,925,183</u>	<u>10,374,869</u>	<u>9,070,335</u>	<u>8,564,434</u>

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

**Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2014 (continued)**

**9 Staff costs (continued)**

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

Band:	2014 No.	2013 No.
£60,000 to £69,999	6	4
£80,000 to £89,999	2	1
£90,000 to £99,999	-	3
£100,000 to £109,999	2	1
£110,000 to £119,999	-	1
£120,000 to £129,999	1	-
£130,000 to £139,999	1	-
£150,000 to £159,999	1	-
£160,000 to £169,999	1	-
£170,000 to £179,999	-	1

Pension contributions for the above employees were £118,671 (2013: £105,412).

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

	2014 No.	2013 No.
Charitable activities	106	100
Fundraising and publicity	58	43
Trading activities	37	40
Governance	6	6
Support	75	67
	<u>282</u>	<u>256</u>

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

**10 Taxation**

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

**11 Heritage assets**

The Royal Academy holds assets that fall under the definition of FRS30: "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.

**Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2014 (continued)**

**11 Heritage assets (continued)**

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

The core of the Works of Art 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.

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 nine Academicians being Grayson Perry RA, Jock MacFadyen RA, Emma Stibbon RA, Wolfgang Tillmans RA, Yinka Shonibare RA, Bob and Roberta Smith RA, Louisa Hutton RA, Cornelia Parker RA, and Rebecca Warren RA. A number of purchases were made, including a set of six original digital prints by Peter Blake for £4,200 and an etched self-portrait by Stanley Anderson RA for £2,750. A significant bequest was received from the estate of Victoria Sternfield, including paintings by Carel Weight RA and William Bowyer RA. No disposals were made during the year.

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.



**Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2014 (continued)**

**11 Heritage assets (continued)**

Works of art are ordinarily stored and displayed in conditioned spaces. Some sculpture is stored in spaces without environmental controls; however these have proven to be naturally stable environments. The Royal Academy 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.

**12 Tangible fixed assets**

<i>(a) Group</i>	<b>Building improvements</b>	<b>Assets in course of construction</b>	<b>Fixtures, fittings and equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>				
At 31 August 2013	3,926,128	8,405,407	7,239,536	19,571,071
Additions	1,152,712	1,963,684	2,291,355	5,407,751
Reclassification	5,444,537	(6,067,567)	623,030	-
At 31 August 2014	10,523,377	4,301,524	10,153,921	24,978,822
<b>Depreciation</b>				
At 31 August 2013	1,878,023	-	2,511,728	4,389,751
Provided during the year	526,450	-	886,445	1,412,895
At 31 August 2014	2,404,473	-	3,398,173	5,802,646
<b>Net book value</b>				
At 31 August 2014	8,118,904	4,301,524	6,755,748	19,176,176
At 31 August 2013	2,048,105	8,405,407	4,727,808	15,181,320

Included above are assets held under finance leases or hire purchase contracts with a net book value at 31 August 2014 of £22,249 (2013:£44,498) and depreciation charged for the year of £22,249 (2013:£22,249).

**Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2014 (continued)**

**12 Tangible fixed assets (continued)**

	Building improvements	Assets in course of construction	Motor vehicles	Fixtures, fittings and equipment	Total
<i>(b) Royal Academy</i>	£	£	£	£	£
<b>Cost</b>					
At 31 August 2013	3,663,723	8,348,381	21,944	6,460,085	18,494,133
Additions	1,152,705	1,963,685	-	2,277,213	5,393,603
Reclassification	5,444,537	(6,010,541)	-	566,004	-
At 31 August 2014	10,260,965	4,301,525	21,944	9,303,302	23,887,736
<b>Depreciation</b>					
At 31 August 2013	1,615,619	-	21,944	1,771,012	3,408,575
Provided during the year	526,450	-	-	853,257	1,379,707
At 31 August 2014	2,142,069	-	21,944	2,624,269	4,788,282
<b>Net book value</b>					
At 31 August 2014	8,118,896	4,301,525	-	6,679,033	19,099,454
At 31 August 2013	2,048,104	8,348,381	-	4,689,073	15,085,557

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

	Group 2014	Group 2013	Royal Academy 2014	Royal Academy 2013
	£	£	£	£
Balance as at 31 August 2013 and 31 August 2014	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.

	Group 2014	Group 2013	Royal Academy 2014	Royal Academy 2013
	£	£	£	£
<b>13 Investments</b>				
Investments at market value	1,654,154	-	1,654,154	-
Investments in subsidiaries at cost	-	-	108	108
	1,654,154	-	1,654,262	108

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

**Group and Royal Academy**

*Movement in market value of investments*

	2014	2013
	£	£
Market value of investments at 1 September	-	-
Additions	1,600,322	-
Unrealised gains	53,832	-
Market value of investments at 31 August	1,654,154	-

**Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2014 (continued)**

**14 Debtors and prepayments**

	<b>Group</b>	<b>Group</b>	<b>Royal</b>	<b>Royal</b>
	<b>2014</b>	<b>2013</b>	<b>Academy</b>	<b>Academy</b>
	<b>£</b>	<b>£</b>	<b>2014</b>	<b>2013</b>
			<b>£</b>	<b>£</b>
Royal Academy related entities	-	-	1,396,001	760,849
Prepayments and deferred expenditure	538,185	506,836	442,641	364,473
Trade debtors	606,537	1,039,671	253,342	580,631
Taxation and social security	308,257	368,937	308,257	368,937
Staff loans	39,600	47,712	39,600	47,712
Sundry debtors	585,239	725,882	448,930	603,858
	<u>2,077,818</u>	<u>2,689,038</u>	<u>2,888,771</u>	<u>2,726,460</u>

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

	<b>Group</b>	<b>Group</b>	<b>Royal</b>	<b>Royal</b>
	<b>2014</b>	<b>2013</b>	<b>Academy</b>	<b>Academy</b>
	<b>£</b>	<b>£</b>	<b>2014</b>	<b>2013</b>
			<b>£</b>	<b>£</b>
Bank loan	228,744	228,744	228,744	228,744
Hire purchase	22,248	22,248	22,248	22,248
Friends of the Royal Academy	81,326	20,027	572,151	169,683
Royal Academy Trust	89,107	250,792	11,791	212,233
Royal Academy related entities	-	-	11,645	24,842
Deferred income (i)	1,516,624	1,226,845	1,459,851	1,123,449
Trade creditors	1,192,473	1,288,464	1,108,635	1,050,142
Taxation and social security	331,228	327,784	257,222	242,595
Accruals	1,178,689	1,681,192	1,087,865	1,543,464
Pension contributions payable	-	21,942	-	21,942
Sundry creditors	178,596	75,785	179,025	47,351
	<u>4,819,035</u>	<u>5,143,823</u>	<u>4,939,177</u>	<u>4,686,693</u>

- (i) Deferred income in 2014 includes ticket sales and sponsorship income for exhibitions in the next financial year, including Kiefer, Rubens, Moroni and the Outreach Programme, 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	<u>1,226,845</u>	<u>1,516,624</u>	<u>(1,226,845)</u>	<u>1,516,624</u>

**Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2014 (continued)**

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

	Group 2014 £	Group 2013 £	Royal Academy 2014 £	Royal Academy 2013 £
Hire purchase	14,835	37,083	14,835	37,083
Bank loan	2,134,951	2,363,696	2,134,951	2,363,696
	<u>2,149,786</u>	<u>2,400,779</u>	<u>2,149,786</u>	<u>2,400,779</u>

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

Bank loan repayable by instalments	1,219,971	1,448,716	1,219,971	1,448,716
	<u>1,219,971</u>	<u>1,448,716</u>	<u>1,219,971</u>	<u>1,448,716</u>

The bank loan was taken out in 2009 and is repayable in instalments by 2024. Interest of £28,916 was charged in the year.

**17 Analysis of net assets by fund**

	Restricted: Burlington Project £	Restricted: Other funds £	Unrestricted: Burlington Project £	Unrestricted: General funds £	Unrestricted: Pension reserve £	Total £
<i>(a) Group</i>						
Investment	-	-	1,654,154	-	-	1,654,154
Tangible assets	4,177,885	-	-	29,468,355	-	33,646,240
Current assets	4,035,479	104,376	945,619	3,958,590	-	9,044,064
Current liabilities	(133,743)	-	-	(4,685,292)	-	(4,819,035)
Long term liabilities	-	-	-	(2,149,786)	-	(2,149,786)
Pension assets	-	-	-	-	125,000	125,000
	<u>8,079,621</u>	<u>104,376</u>	<u>2,599,773</u>	<u>26,591,867</u>	<u>125,000</u>	<u>37,500,637</u>
<i>(b) Royal Academy</i>						
Investment	-	-	1,654,154	108	-	1,654,262
Tangible assets	4,177,885	-	-	29,391,633	-	33,569,518
Current assets	4,035,479	104,376	945,619	4,148,546	-	9,234,020
Current liabilities	(133,743)	-	-	(4,805,434)	-	(4,939,177)
Long term liabilities	-	-	-	(2,149,786)	-	(2,149,786)
Pension assets	-	-	-	-	125,000	125,000
	<u>8,079,621</u>	<u>104,376</u>	<u>2,599,773</u>	<u>26,585,067</u>	<u>125,000</u>	<u>37,493,837</u>

**Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2014 (continued)**

**18 Analysis of funds**

**(a) Group**

	Opening funds £	Transfers £	Incoming resources £	Resources expended £	Revaluation £	Closing funds £
Restricted funds:						
Other funds	-	-	1,753,844	(1,649,468)	-	104,376
Burlington Project	7,490,357	(2,991,451)	4,581,474	(1,000,759)	-	8,079,621
<b>Total restricted funds</b>	<b>7,490,357</b>	<b>(2,991,451)</b>	<b>6,335,318</b>	<b>(2,650,227)</b>	<b>-</b>	<b>8,183,997</b>
Unrestricted funds:						
Burlington Project	4,561,323	(3,812,562)	1,851,012	-	-	2,599,773
General funds	21,886,487	5,741,013	25,014,327	(26,049,960)	-	26,591,867
Pension reserve	(518,000)	1,063,000	-	-	(420,000)	125,000
<b>Total unrestricted funds</b>	<b>25,929,810</b>	<b>2,991,451</b>	<b>26,865,339</b>	<b>(26,049,960)</b>	<b>(420,000)</b>	<b>29,316,640</b>
<b>Total funds</b>	<b>33,420,167</b>	<b>-</b>	<b>33,200,657</b>	<b>(28,700,187)</b>	<b>(420,000)</b>	<b>37,500,637</b>

**(b) Royal Academy**

	Opening funds £	Transfers £	Incoming resources £	Resources expended £	Revaluation £	Closing funds £
Restricted funds:						
Other funds	-	-	1,753,844	(1,649,468)	-	104,376
Burlington Project	7,490,357	(2,991,451)	4,581,474	(1,000,759)	-	8,079,621
<b>Total restricted funds</b>	<b>7,490,357</b>	<b>(2,991,451)</b>	<b>6,335,318</b>	<b>(2,650,227)</b>	<b>-</b>	<b>8,183,997</b>
Unrestricted funds:						
Burlington Project	4,561,323	(3,812,562)	1,851,012	-	-	2,599,773
General funds	21,879,687	5,741,013	25,014,327	(26,049,960)	-	26,585,067
Pension reserve	(518,000)	1,063,000	-	-	(420,000)	125,000
<b>Total unrestricted funds</b>	<b>25,923,010</b>	<b>2,991,451</b>	<b>26,865,339</b>	<b>(26,049,960)</b>	<b>(420,000)</b>	<b>29,309,840</b>
<b>Total funds</b>	<b>33,413,367</b>	<b>-</b>	<b>33,200,657</b>	<b>(28,700,187)</b>	<b>(420,000)</b>	<b>37,493,837</b>

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

**Transfer between funds**

Transfers between funds represent the donations to the Keeper's House Project which was completed in the financial year and the restriction being satisfied.

**Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2014 (continued)**

**19 Administered funds**

The Royal Academy has six funds which have not been consolidated within the financial statements of the Royal Academy, on the basis that while the 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 within the consolidated financial statements.

These funds consist of the following:

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

	2014 £	2013 £
<b>Amount of funds brought forward</b>	<u>3,000,778</u>	<u>2,865,600</u>
<b>Incoming resources</b>		
Investment income	47,566	19,613
<b>Outgoing resources</b>		
Expenditure for the year	<u>(72,216)</u>	<u>(65,811)</u>
<b>Net outgoings for the year</b>	<u>(24,650)</u>	<u>(46,198)</u>
	2,976,128	2,819,402
Net adjustment of investments to market value	<u>349,413</u>	<u>181,376</u>
<b>Amount of funds carried forward</b>	<u><u>3,325,541</u></u>	<u><u>3,000,778</u></u>
<b>Represented by:</b>		
Investments	3,277,560	2,992,344
Cash at bank	59,102	26,642
Creditors	<u>(11,121)</u>	<u>(18,208)</u>
	<u><u>3,325,541</u></u>	<u><u>3,000,778</u></u>

**Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2014 (continued)**

20	Notes to the consolidated statement of cash flows	2014	2013
		£	£
(a) Reconciliation of net change in resources to net cash inflow from operating activities:			
Net incoming resources		4,446,638	7,670,588
Depreciation and loss on asset disposal		1,412,895	868,424
Current pension service costs		404,000	427,000
Pension contributions paid		(991,000)	(1,269,000)
Return on pension scheme		(476,000)	(303,000)
Increase in stock		(182,616)	(5,452)
Decrease in debtors		611,220	7,767
(Decrease)/increase in creditors		(324,788)	222,847
Interest paid		28,916	31,818
Interest received		(43,962)	(46,132)
Net cash inflow from operating activities		<u>4,885,303</u>	<u>7,604,860</u>
		2014	2013
		£	£
(b) Reconciliation of net cash flow to movement in funds			
(Decrease) in cash in the year		(2,358,717)	(2,005,417)
Cash outflow from decrease in financing		-	-
Movement in net funds in the year		(2,358,717)	(2,005,417)
Net funds at 1 September		<u>8,825,847</u>	<u>10,831,264</u>
Net funds at 31 August		<u>6,467,130</u>	<u>8,825,847</u>
(c) Analysis of changes in net funds			
	2013	Cash flow	2014
	£	£	£
Cash at bank and in hand	8,825,847	(2,358,717)	6,467,130

**21 Pension costs**

In order to comply with the requirements of FRS 17, the Royal Academy has incorporated the pension scheme into the SOFA and the balance sheet.

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

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

**Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2014 (continued)**

**21 Pension costs (continued)**

The most recent actuarial valuation of the scheme was carried out at 31 August 2013. The actuarial method adopted for the valuation was the "Projected Unit" method. Assets were valued at the market valuation at the valuation date and liabilities were valued using financial assumptions derived from gilt yields at the valuation date.

In accordance with actuarial recommendations the employer contribution rate until February 2014 was at least 21.2%. From 1 February 2014 the rate was at least 25.2% and employee contribution rate was 6% of basic salaries for the whole year.

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

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

The main assumptions used by the actuary are:

	2014	2013	2012
Price inflation (RPI)	3.10%	3.40%	2.70%
Price inflation (CPI)	2.10%	2.60%	1.90%
Pay increases	3.60%	3.90%	3.20%
Pension increases – pre 6 April 1997	2.40%	2.50%	2.20%
Pension increases – post 6 April 1997	3.00%	3.20%	2.70%
Pension increases – post 30 September 2006	2.10%	2.20%	1.90%
Increases of preserved pensions	2.10%	2.60%	2.60%
Discount rate	3.90%	4.60%	4.40%

Valuation is based on the projected unit method.

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

	<i>Expected rate of return</i>	<i>Value at</i>	<i>Expected rate of return</i>	<i>Value at</i>	<i>Expected rate of return</i>	<i>Value at</i>
	<i>31 August</i>	<i>31 August</i>	<i>31 August</i>	<i>31 August</i>	<i>31 August</i>	<i>31 August</i>
	<i>2014</i>	<i>2014</i>	<i>2013</i>	<i>2013</i>	<i>2012</i>	<i>2012</i>
		£		£		£
Equities	7.00%	22,045,000	7.70%	18,681,000	7.00%	15,339,000
Government bonds	3.00%	1,835,000	3.70%	1,723,000	3.00%	1,963,000
Index-linked						
government bonds	2.70%	641,000	3.45%	281,000	2.75%	404,000
Non-government bonds	4.00%	4,300,000	4.60%	3,687,000	4.40%	3,766,000
Other	0.50%	672,000	0.50%	1,930,000	3.00%	858,000
		<u>29,493,000</u>		<u>26,302,000</u>		<u>22,330,000</u>
Total market value of scheme assets		29,493,000		26,302,000		22,330,000
Present value of scheme liabilities		<u>(29,368,000)</u>		<u>(26,820,000)</u>		<u>(24,043,000)</u>
Net pension asset /(liability)		<u>125,000</u>		<u>(518,000)</u>		<u>(1,713,000)</u>

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



**Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2014 (continued)**

**21 Pension costs (continued)**

*Analysis of amount charged to operating profit*

	2014	2013	2012
	£	£	£
Current service cost	(404,000)	(427,000)	(362,000)
Total operating charge	<u>(404,000)</u>	<u>(427,000)</u>	<u>(362,000)</u>

*Analysis of amount debited to other finance expenditure*

	2014	2013	2012
	£	£	£
Expected return on pension scheme assets	1,708,000	1,361,000	1,428,000
Interest on pension scheme liabilities	<u>(1,232,000)</u>	<u>(1,058,000)</u>	<u>(1,101,000)</u>
Net return	<u>476,000</u>	<u>303,000</u>	<u>327,000</u>

*Analysis of amount recognised in the SOFA*

	2014	2013
	£	£
Actual return less expected return on pension scheme assets	953,000	1,726,000
Experience gains and losses arising on the scheme liabilities	965,000	(148,000)
Changes in assumptions underlying the present value of the scheme liabilities	<u>(2,338,000)</u>	<u>(1,528,000)</u>
Actuarial (loss)/gain recognised in the SOFA	<u>(420,000)</u>	<u>50,000</u>
Percentage of present value of scheme liabilities at year end	1.43%	(0.19%)

*Movement in surplus/ (deficit) during the year*

	2014	2013
	£	£
Deficit in scheme at beginning of the year	(518,000)	(1,713,000)
Current service cost	(404,000)	(427,000)
Contributions	991,000	1,269,000
Other finance expenditure	476,000	303,000
Actuarial (deficit)/surplus	<u>(420,000)</u>	<u>50,000</u>
Surplus/(deficit) in scheme at end of year	<u>125,000</u>	<u>(518,000)</u>

Percentage of present value of scheme liabilities at year end

**History of experience gains and losses**

	2014	2013	2012	2011	2010
Difference between the actual and expected return on scheme asset:	953,000	1,726,000	264,000	(181,000)	837,000
Value of plan assets	29,493,000	26,302,000	22,330,000	19,906,000	18,324,000
<b>Percentage of scheme assets</b>	<b>3.23%</b>	<b>6.56%</b>	<b>1.18%</b>	<b>-0.91%</b>	<b>4.57%</b>
Experienced (losses)/gains on scheme liabilities	(1,373,000)	(1,676,000)	(3,687,000)	3,520,000	358,000
Present value of scheme liabilities	(29,368,000)	(26,820,000)	(24,043,000)	(19,400,000)	(21,719,000)
<b>Percentage of the present value of scheme liabilities</b>	<b>-4.68%</b>	<b>-6.25%</b>	<b>-15.34%</b>	<b>18.14%</b>	<b>1.65%</b>
Actuarial (losses)/gains recognised in SOFA	(420,000)	50,000	(3,423,000)	3,339,000	1,193,000
Present value of scheme liabilities	(29,368,000)	(26,820,000)	(24,043,000)	(19,400,000)	(21,719,000)
<b>Percentage of the present value of scheme liabilities</b>	<b>-1.43%</b>	<b>0.19%</b>	<b>-14.24%</b>	<b>17.21%</b>	<b>5.49%</b>

**Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2014 (continued)**

**21 Pension costs (continued)**

**Analysis of net assets**

	2014	2013	2012	2011	2010
	£	£	£	£	£
Defined benefit obligation	(29,368,000)	(26,820,000)	(24,043,000)	(19,400,000)	(21,719,000)
Scheme assets	29,493,000	26,302,000	22,330,000	19,906,000	18,324,000
Surplus/(deficit)	<u>125,000</u>	<u>(518,000)</u>	<u>(1,713,000)</u>	<u>506,000</u>	<u>(3,395,000)</u>

**22 Contracted capital expenditure**

	Total project cost £	Invoiced £	Contracted for £
Gallery 3 and 6 plant upgrade/works	2,637,000	1,079,800	48,749
Weston Room plant upgrade	920,000	857,295	16,441
Burlington Project	46,700,000	4,025,043	25,162
	<u>50,257,000</u>	<u>5,962,138</u>	<u>90,352</u>

At 31 August 2014, the aggregate value of construction projects which the Royal Academy has in prospect totalled £50,257,000, of which £5,962,138 has been invoiced for as at the year end and included in assets in course of construction and equipment (see note 12). At 31 August 2014, contractual commitments amounted to £90,352.

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

**23 Contingent liabilities**

The Royal Academy and its subsidiaries had no contingent liabilities as at 31 August 2014 (2013: same).

**24 Financial commitments**

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

	Others £	2014 Total £	Others £	2013 Total £
Under one year	17,813	17,813	4,817	4,817
Two to five years	42,470	42,470	74,090	74,090
	<u>60,283</u>	<u>60,283</u>	<u>78,907</u>	<u>78,907</u>

**Royal Academy of Arts**  
**Notes to the Financial Statements**  
**For the year ended 31 August 2014 (continued)**

**25 Related party transactions**

Those in positions of authority within the Royal Academy group of companies, including trustees, Council members and directors, use facilities of the Royal Academy and its subsidiaries 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 2014, all transactions with related parties are considered within the scope of normal transactions.

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

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

	Income	Expenditure	Year end balance
	£	£	£
Royal Academy Trust	1,338,278	(1,000,000)	11,791
Friends of Royal Academy	8,182,358	-	572,151

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

Income from Friends of the Royal Academy comprises Gift Aid donations net of the reimbursement of salary and other expenses recharged.

**26 Post balance sheet items**

In December 2014, the company entered into an unsecured £10m loan facility agreement. This amount was advanced in December 2014 and is repayable in ten instalments of £1m each from 2034 until 2043. As disclosed in the trustees' report, these monies are being used to fund exceptional operating costs during the Burlington Project construction phase, primarily the cost of moving staff offsite, and the continuing plant upgrade/renewal programme for conditioning the Burlington House galleries.