

RA250

**Royal Academy of Arts
Annual Accounts
2017/2018**

**Annual report and
consolidated financial statements
For the year ended 31 August
2018**

(A Company Limited by Guarantee)
Registered Charity No. 1125383
Registered Company No. 06298947

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2018

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 9 October 2018)
Gordon Benson RA (resigned 9 October 2018)
Tony Bevan RA (resigned 9 October 2018)
Helen Boaden
Gus Cummins RA (resigned 10 October 2017)
Anne Desmet RA
Brendan Finucane QC
Simon Friend (appointed 9 October 2018)
Piers Gough CBE RA (resigned 10 October 2017)
Gary Hume RA (appointed 9 October 2018)
Julian Heslop (resigned 9 October 2018)
Louisa Hutton OBE RA (appointed 10 October 2017)
Neil Jeffries RA (resigned 10 October 2017)
Chantal Joffe RA (resigned 10 October 2017)
Michael Landy RA (appointed 9 October 2018)
Mali Morris RA (appointed 10 October 2017, resigned 9 October 2018)
Professor Humphrey Ocean RA (appointed 9 October 2018)
Hughie O'Donoghue RA (appointed 10 October 2017)
Eric Parry RA
Professor Cathie Pilkington RA (appointed 9 October 2018)
Fiona Rae RA (appointed 10 October 2017)
David Remfry MBE RA (resigned 10 October 2017)
Rebecca Salter RA (appointed 10 October 2017, resigned 9 October 2018)
Tim Shaw RA (resigned 10 October 2017)
Yinka Shonibare RA (appointed 10 October 2017, resigned 9 October 2018)
Bob & Roberta Smith RA (Patrick Brill) (resigned 9 October 2018)
Emma Stibbon RA (resigned 10 October 2017)
Wolfgang Tillmans RA (appointed 9 October 2018)
Rebecca Warren RA (appointed 9 October 2018)
Richard Wilson RA (appointed 10 October 2017)
Bill Woodrow RA (resigned 9 October 2018)

Officers

Christopher Le Brun PRA	President
Rebecca Salter RA (appointed 1 September 2017)	Keeper
Professor Chris Orr MBE RA (resigned 31 August 2018)	Treasurer
Chris Wilkinson OBE RA (appointed 1 September 2018)	Treasurer
Sir Charles Saumarez Smith CBE	Secretary and Chief Executive

Company Secretary

Susan Gent (resigned 27 November 2018)
Sarah Iddon (appointed 27 November 2018)

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2018

Royal Academy Committees at the date of signing:

Executive Committee

Sir Charles Saumarez Smith CBE (Chairman)
Tzo Zen Ang
Eliza Bonham Carter
Will Dallimore
Michael Eldred
Carl Hitchcock
Tim Marlow
Natasha Mitchell
Jo Prosser

Finance Committee

Chris Wilkinson OBE RA (Chairman)
Anne Desmet RA
Simon Friend
Ben Joseph
Andrea O'Keeffe
Peter Williams
Abigail Dawson (Secretary)

Audit Committee

Simon Friend (Chairman)
Steve Caine
Ann Christopher RA
Clive Humby
David Mach RA
Professor Ian Ritchie CBE RA
Abigail Dawson (Secretary)

Professional Advisors:

Auditors

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

Bankers

Lloyds Bank Plc
4th Floor
25 Gresham Street
London EC2R 8LA

Solicitors

Macfarlanes LLP
20 Cursitor Street
London EC4A 1LT

Withers LLP
16 Old Bailey
London EC4M 7EG

Exhibitions Committee

Professor Stephen Farthing RA (Chairman)
Professor Josephine Dawn Ades CBE FBA
Professor Brian Catling RA
Richard Deacon CBE RA
Professor David Ekserdjian
Gary Hume RA
Professor Chantal Joffe RA
Tim Marlow (Secretary)
Alan Stanton OBE RA
Jane and Louise Wilson RA ELECT
President *ex officio*
Keeper *ex officio*
Secretary and Chief Executive *ex officio*

Remuneration Committee

Helen Boaden (Chairperson)
John Collier
Anne Desmet RA
Peter Newhouse
Bill Woodrow RA
Secretary and Chief Executive *ex officio*
Treasurer *ex officio*
Amy Thompson (Secretary)

Registered Office

Burlington House
Piccadilly
London W1J 0BD

Registered Charity Number

1125383

Registered Company Number

06298947

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2018

Constitution and charitable objectives

Constitution

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

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

The Royal Academy today continues to aspire, in the words of its 18th 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, the Royal Academicians (“Academicians”), are painters, sculptors, architects, engravers, printmakers and draughtsman elected by their peers for their distinction as artists. There are up to 100 active Academicians (under the age of 75) who form the General Assembly and a number of senior Academicians (over the age of 75).

The Royal Academy receives no direct revenue support from the government or any other public body. However, the Royal Academy was awarded a Heritage Lottery Fund (“HLF”) grant of £12.7m during the year ended 31 August 2014 towards the Burlington Project (also now referred to as RA250).

The Royal Academy’s 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 its Board of Directors or trustees, who are referred to as the Council of the Royal Academy. The Council consists 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 the 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. The 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 on Council *ex officio*.

Council meets monthly between October and the following July (but not in January). 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 Council Members.

Newly elected Council Members are:

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

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

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2018

Governance and management (continued)

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

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

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

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

The Audit Committee consisting of three Academicians and three external advisors reports to General Assembly through Council. Committee members are appointed initially for three years and the Committee usually meets at least four times a year. The remit of the Audit Committee is to monitor and review the systems of internal financial control, risk management and financial reporting and to advise Council on matters arising as appropriate. The Audit Committee has the unrestricted power to enquire into any item or items of income and expenditure or any matter giving rise to a risk that may require mitigation of the Royal Academy "group". It has the specific responsibilities to receive the annual report and consolidated financial statements, together with the auditors' report thereon, and to submit these documents to Council with the Audit Committee's comments, prior to printing and distributing their comments to all Academicians for the General Assembly. The Audit Committee advises General Assembly on the stewardship of arrangements with internal and external audit and also reports at least once a year to Council on the financial condition of the Royal Academy "group".

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

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

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2018

Governance and management (continued)

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

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

Disabled employees

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

Employee consultation

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

Current year objectives

To enable the Royal Academy to continue to meet its charitable objectives, in February 2013, the Royal Academy devised a new Strategic Plan. We have now entered the final year of this five year plan, which culminates in our 250th anniversary year in 2018. This plan sets out to achieve five principal objectives, as follows:

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.

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2018

Activities, achievements and impact

Review of activities

Looking back on 2017/18, during which we opened the newly expanded Royal Academy campus, we chart our progress against these five key objectives:

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

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

Exhibitions

An exhibition of works by Jasper Johns, and one comparing Salvador Dalí and Marcel Duchamp, explored three towering figures in the history of art. In total nearly 240,000 people attended.

Charles I: King and Collector reunited one of the most celebrated collections of paintings in history. The popular exhibition included masterpieces by Van Dyck, Rubens, Holbein and others, many from the present Royal Collection. Over 250,000 visitors saw the show, with 1.1m viewing a documentary on the subject on BBC2.

From Life showed the importance of life drawing in the past and its innovation by contemporary artists. The opening exhibition in the new Gabrielle Jungels-Winkler Galleries was landscape works by British artist Tacita Dean, including *Antigone*, an hour-long film with actor Stephen Dillane.

The 250th Summer Exhibition, co-ordinated by Grayson Perry RA, was a critical and popular success, attracting nearly 300,000 visitors. The expanded show included prints in the Sackler Galleries and a Room of Fun which all visitors to the RA could see for free. A complementary show, *The Great Spectacle*, told the 250-year history of the *Summer Exhibition*.

Architecture programme

Over 90 speakers addressed contemporary issues in architecture in public talks and panels. The talks are also available as podcasts. The Annual Architecture lecture – given by Yvonne Farrell and Shelley McNamara of Grafton Architects – was live-streamed by online magazine Dezeen and viewed over 12,000 times.

Two new prizes in architecture were awarded. The first Royal Academy Architecture Prize was awarded to Japanese architect Itsuko Hasegawa. Iranian architect Alireza Taghaboni won the inaugural Royal Academy Dorfman Award celebrating the future of architecture.

Events and learning

Over 4,000 people attended talks, panel discussions and other events exploring art, culture and society. The series Work in Focus looked in depth at individual works from RA exhibitions. For International Women's Day events included tours of Burlington House looking at the role of women in the RA's history.

RA Lates attracted 5,000 participants. *Summer Pleasure Garden* in July 2018 proved the most popular RA Late so far, with cabaret, a pop-art parachute and light sculptures inspired by Georgian London.

Partnership events included Open House, offering architectural tours of the building as part of a London-wide event, and the Mayfair Art Weekend. For the latter a Long Artists' Lunch offered a 15m-long table at which anyone could seat themselves to eat and talk about art.

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2018

Review of activities (continued)

The RA schools programme engaged nearly 20,000 students both at the RA and through off-site visits. Support for A-level art students included the enormously popular *A-level Summer Exhibition Online*, which drew contributions from across the UK. Programmes for those with special needs included a life-drawing workshop for blind and partially sighted people and art sessions for the homeless and socially vulnerable.

Digital platforms

One aspect of widening public access to the RA Collection was a relaunch of the RA's digital Collection, which included a new search tool for online users. Exploring visually by means of digital images encourages experiment and creates an experience that makes the most of recent technology.

Other new approaches to the RA Collection were launched online. For "Top Picks", classicist Mary Beard, chef Tom Kerridge and Royal Academicians discussed highlighted objects. The RA Collection in 250 Objects presented works from the Collection under themes such as Around the World, Anatomy and Tales of the Unexpected.

In January 2018, the RA live-streamed the world's first mass-participation life drawing class. In the RA Schools life drawing room, artist Jonathan Yeo introduced ways of drawing the male body in different poses. The class was watched live by 40,000 people. Popular web videos included Grayson Perry RA in the *Summer Exhibition*, which was viewed 330,000 times.

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

The RA Schools offers free, post-graduate training to art students from around the world. The RA furthers its academic reach through courses, classes, publications and the RA Collection, Library and Archive.

RA Schools

The RA Schools welcomes visiting artists and academics to take part in its programmes. More than 60 international artists participated in 2017/18. Talks included Icelandic artist Ragnar Kjartansson discussing his work to a sold-out audience at the Royal Institution.

The *RA Schools Show*, in June 2018, attracted 13,000 visitors over its five-week run. *Premiums: Interim Projects*, in which second-year students show their mid-course work, likewise attracted a record-breaking 8,000 visitors. Student work displayed at the headquarters of Apple London so impressed CEO Tim Cook that he visited the RA Schools in October 2017.

Academic Programmes

The RA ran 55 courses for adults, a 27% increase over the previous year. The classes in painting, drawing, and the history, theory and business of art appeal to a wide range of participants, with take-up showing increased diversity in terms of age, professional background and gender.

In partnership with Maastricht University in the Netherlands, the RA launched an Executive Master's degree in Cultural Leadership. The first cohort of students begin in 2019, with modules taught in London, Cambridge, Maastricht and Brussels.

Publications

The most popular of the RA's publications was the exhibition catalogue *Charles I: King and Collector*, which sold nearly 20,000 copies. Special titles marked the RA's 250th anniversary, including *The Royal Academy of Arts: History and Collections*, co-published with Yale University Press; *Burlington House: Home of the Royal Academy of Arts*; and *The Great Spectacle*, which charted the development of the *Summer Exhibition*.

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2018

Review of activities (continued)

RA Collection

New acquisitions included Diploma Works submitted by 16 Royal Academicians. *Skipper*, a large canvas by Albert Irvin RA, was given in lieu of Inheritance Tax from the estates of Albert and Betty Irvin.

More than 100 works from the Collection were loaned internationally and around Britain. Many were for RA250 UK, a year-long set of displays around Britain, supported by the Art Fund, to celebrate the RA nationally in its 250th year. RA loans were seen in Salford, Eastbourne, Manchester and elsewhere, with interpretive talks given by visiting Academicians.

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

The redevelopment of Burlington Gardens which opened to the public in May 2018 has transformed the Royal Academy. With major support from the HLF and other generous donors, the project unites our two buildings, Burlington House and Burlington Gardens, creating new and refurbished spaces for exhibitions, learning and debate.

On 20 March 2018 Her Majesty The Queen visited Burlington Gardens for a ceremonial launch of the new campus. The redesign by Sir David Chipperfield CBE RA is the largest in the RA's history and gives the RA 70% more front-of-house space for displays and activities. Features include the new Weston Bridge, linking the two buildings. Media coverage of the new spaces was extensive.

Learning and debate

The new oak-clad Benjamin West Lecture Theatre is a double-height 260-seat theatre for talks, debates, films and performances. Opening lectures included talks by Sir David Chipperfield RA, who designed the space, and American painter Julian Schnabel.

The Clore Learning Centre is a new, purpose-built studio where art workshops for students, teachers, families and community groups take place. Over 80 events were held in the first three months after it opened in May 2018.

The Wolfson British Academy Room was resituated, using its original panelling, fireplace, windows and domed plaster ceiling. The period room will be used for seminars and the RA's programme of courses and classes.

Displays from the RA Collection

The RA has opened up its Collection to the public. Free galleries to visit include the Collection Gallery, the Vaults and the Dorfman Architecture Court, where the initial displays focused on The Making of an Artist. Highlights include an important 16th century copy of Leonardo da Vinci's *The Last Supper* and the *Taddei Tondo*, the only marble sculpture by Michelangelo in the UK.

The initial displays focused on a key moment in the great tradition of British art, from Joshua Reynolds PRA to John Constable RA; how Academy students learned to draw, including John Everett Millais, who was admitted to the RA Schools in 1840 at the age of 11; and the importance of architectural casts in training architects, as the RA did until the 1950s.

New spaces for exhibitions

The new Gabrielle Jungels-Winkler Galleries are a daylit three-room suite of rooms adaptable for different types of exhibitions on art and architecture. The first exhibition featured landscape works by British artist Tacita Dean.

The Ronald and Rita McAulay Gallery will stage installations by Royal Academicians. The Weston Studio will show works created and curated by students and RA Schools alumni throughout the year.

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2018

Review of activities (continued)

New spaces to explore architecture include the Architecture Studio, where the first of three installations examined the influence of technologies on future home design.

Public amenities

New amenities for visitors include a Newsstand and Personal Shopping Area in Burlington Gardens, as well as the Poster Bar and Senate Room bar and restaurant for food and drink. In Burlington House, the RA Café and Courtyard Café were redesigned. A new ticket office and cloakroom provide a clearer entrance for visitors when they arrive from Piccadilly.

The new campus celebrates the buildings' history. The façade of Burlington Gardens has been restored. Original stairs leading to the once-hidden Vaults have been reinstated.

A festive public opening

The full public opening took place in May 2018. Over 17,000 people attended the weekend-long Art Party. In the first month, 160,000 visitors came to see the new RA campus. One third of the RA's 100,000 Friends visited before the end of August 2018.

To mark the public opening and the RA's 250th anniversary, more than 200 RA250 flags designed by Royal Academicians were hung over Piccadilly, St James's, Bond Street and Regent Street. A RA250 £5 coin was issued, designed by Sir David Chipperfield RA, as was a set of six postage stamps with designs by Academicians. In Bond Street, over 40 shops created window displays to mark the RA's 250th year.

Challenges and discoveries

As reported last year there were a number of challenges with the redevelopment including the discovery of asbestos in several spaces, requiring these areas to be sealed off and the hazardous material removed; the poor condition of some plaster ceilings in Burlington Gardens that resulted in these having to be re-made using layers of lime-ash mortar; the discovery of an 18th century water main still in use; and beneath some brown tiles, a floor of sandstone quarried at Craighleith – which was subsequently restored and integrated into the new design. These discoveries and other challenges with the programme resulted in delays and additional expenditure in excess of the original programme and budget.

Despite these challenges, the RA successfully opened its new spaces in Burlington Gardens to the public in May 2018. However, works have continued, particularly in back-of-house areas, post May 2018, such that practical completion of the contract with John Sisk & Sons Limited ("Sisk"), the main contractor, was not awarded until 14 November 2018. Final account negotiations have now commenced with Sisk but these are not due to be completed until next year.

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

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

Royal Academicians

Isaac Julien, Fiona Banner and duo Jane and Louise Wilson were elected as Royal Academicians. Two Honorary Academicians were also elected: performance artist Laurie Anderson and filmmaker Wim Wenders. Marina Warner DBE was elected an Honorary Fellow. Chris Wilkinson OBE RA succeeded Professor Chris Orr MBE RA as Treasurer of the Royal Academy.

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2018

Review of activities (continued)

We regretfully noted the deaths of Royal Academicians Gillian Ayres, Leonard McComb and Will Alsop, as well as Honorary Academician Per Kirkeby. Corresponding Member Mrs Drue Heinz Hon DBE died, as did Baron Hutchinson of Lullington, the RA's Emeritus Professor of Law, and the Right Honourable The Lord Carrington, Secretary of Foreign Correspondence and an Emeritus Trustee.

On display

In addition to the annual *Summer Exhibition*, displays of work by Academicians included *Multiple Thoughts: Artists Make Prints*. Basil Beattie RA, Norman Ackroyd RA and Joe Tilson RA held exhibitions, as did Anthony Eyton RA and Professor Chris Orr MBE RA as part of the series "Academicians in Focus".

In the Annenberg Courtyard, a new cast of *Physical Energy* by George Frederic Watts RA was displayed to mark the bicentenary of the artist's birth. The original bronze had been shown in the *Summer Exhibition* of 1904.

At St Pancras International Tracey Emin CBE RA installed *I Want My Time With You*. The 20 metre long light sculpture was the final commission in a four year partnership with HS1. In Florida, an exhibition of works by Grayson Perry RA is the first in a series of collaborations with The Gallery at Vero Beach.

RA staff

In the Queen's Birthday Honours in June 2018, the Secretary and Chief Executive Charles Saumarez Smith was knighted. In July 2018, Sir Saumarez Smith announced he would be stepping down after 11 years at the Royal Academy.

Mick O'Halloran, Chief Red Collar and Deputy Head of Security, received the British Empire Medal for long term service to the Royal Academy. Access and Communities Manager Molly Bretton won a Marsh Award for Excellence in Gallery Education.

Staff returned to Burlington Gardens after two and a half years working at Unilever House while adaptations to the buildings in Mayfair took place. Programmes for staff development included *Inspiring Managers* and *RA Visionaries* which offer early career advice and management training.

Wider staff support included health checks and sessions for managers on mental health, delivered by MIND. The RA published Anti-Harassment Guidelines, which apply to everyone at the RA.

In line with gender pay gap reporting legislation, the RA calculated and published its gender pay gap in April 2018, showing a 14% mean and 1% median gap. In the upper pay quartile, the mean gender pay gap was 20%, whereas there was much more even pay in the upper middle quartile (-3%), lower middle quartile (3%) and lower quartile (-1%). Alongside the results we published our commitment to take action to close the gap, including enhancing maternity and shared parental pay, supporting flexible working and proactive professional and career development for all staff.

Volunteers

In May 2018, a special evening for volunteers and front of house staff introduced the new spaces and facilities. Volunteer support at the RA included leading guided tours, digitising the Collection and community engagement.

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2018

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

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

Fundraising

The campaign to fund the redevelopment of Burlington Gardens was the largest appeal in the RA's history, raising in excess of £50.0m. The HLF gave £12.7m. The public appeal "Make Your Mark" raised more than £3.3m towards the project, ten percent over its £3.0m target.

New corporate sponsors included White & Case LLP, Sky Arts and Wells Fargo for exhibitions, as well as Google Arts & Culture and the Art Fund, who generously supported the exhibition *Tacita Dean: LANDSCAPE* as well as the RA250 UK regional events. BNY Mellon and Insight Investment continued their support for exhibitions, Newton Investment Management for the RA Schools and Turkishceramics for the Architecture Programme.

Commercial enterprises

R.A. Enterprises Limited, a trading subsidiary of the RA, generated sales of £7.4m in 2017/18, including shop and e-commerce at £3.0m; and publications at £3.2m. Total sales were however down by nearly 13% compared to the previous year, primarily reflecting lower overall visitor numbers to the paid exhibition programme which were over 11% down. There were a number of successes: merchandise associated with the exhibition *Charles I: King and Collector* sold particularly well, and trading linked to RA250 and the *Summer Exhibition* was ahead of target, with sales more than 50% over the same period in the previous year, driven by a similar increase in visitor numbers over the period. The jewellery range, now sold in a dedicated area, has grown from 30 products to 150, with the associated revenue growing threefold.

An increase in the number of courses offered by the RA generated higher ticket sales and a rise in revenue of more than 300% to £0.4m in the year.

Annual art sales of more than £0.2m included prints by Fred Cuming RA, Bill Jacklin RA and Ed Ruscha Hon RA. Outside the RA, prints were sold at the Manchester Art Fair, London Original Print Fair, the Chess Club and Art Basel Hong Kong.

Supporters

The Friends of the Royal Academy, a separate registered charity, donated £11.1m to the RA, nearly 19% more than the previous year, with this donation representing over 28% of the RA's income from ongoing activities.

Just over 10,800 new Friends joined in the year and with an annual renewal rate of 87%, we closed the year with 96,277 Friends, just down from last year's closing number of 98,540.

In February 2018, the price of the main membership packages was increased by over 25%, reflecting the expanded exhibitions offer with the opening of the Royal Academy's new campus in May 2018. This was also the first price increase since 2013. Despite this, the annual renewal rate for the year at 87% was marginally up on the prior year rate of 86%. Renewal rates since the price increase in February 2018 have remained at 87%, in line with the rate for the full year.

A new limited edition RA250 Membership Scheme was launched in the year to mark the Royal Academy's 250th anniversary in 2018. This allowed Friends to increase their support and engage more deeply with the Royal Academy. Of the 96,277 Friends, there are 665 who are members of the RA250 scheme, with the RA250 scheme generating income of £0.3m in the year (including Gift Aid).

The Royal Academy Patrons closed the year with 436 Patrons and £1.2m income for the year. In January 2018, to coincide with the Academy's 250th anniversary, the main membership offer was re-designed and expanded, in line with our extended artistic programme. The expanded offer meant an increase in price at the Silver and International levels, and an increase in scope of our programme of events as well as a new image for the Patrons materials in collaboration

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2018

Review of activities (continued)

with Rose Wylie RA. This new programme has allowed greater participation and individual engagement from Patrons across the Academy and helped maintain a strong cumulative retention rate of 81%. On top of membership revenue, Patrons contributed over £0.2m towards the Make Your Mark appeal. Additionally, the Royal Academy Patrons programme has continued to expand its reach at international level, with trips to Los Angeles, Brussels and Hong Kong.

The Summer Exhibition Preview Party in June 2018 raised £0.4m in ticket sales and nearly £1.0m in commission from art sales.

Anniversary Partner BNY Mellon supported the RA's campus-wide free display of the Collection in its 250th anniversary year. Charles Stanley, Hakluyt, Index Ventures, LetterOne, Ralph Lauren, Sisk and Sky joined as Corporate Members.

Investment and sustainability

A long-term infrastructure project has increased the lifespan of the RA's cooling systems and other plant to 25 years, reducing the site's overall energy use through reliable environmental control. The RA invested £17.9m in this long term programme of plant upgrade, which was substantially complete by the end of the year, after many years of rolling project work.

A lighting upgrade to LED lights was completed, resulting in up to a 80% saving in energy consumption. All the RA's electricity supply comes from renewable resources.

The RA remains certified by the Carbon Trust until June 2019. As of our last recertification, the RA showed a relative reduction of 25.9% and a carbon management score of 63%.

We have also invested in technology upgrades and re-implementations to key IT systems, including those supporting our onsite retail and e-commerce businesses, and are in the process of implementing new ticketing and CRM systems ("the Customer Experience Project") over the coming year.

Impact and public benefit

The opening of the new RA in 2018 coincides with the end of our 2013-18 Strategic Plan. Over the past five years we have dedicated all our efforts towards unveiling the new building and "revealing the living Academy". Our 250th anniversary marks a major milestone in the development of the Royal Academy and a transformation in both our physical presence and our programme offer. From here and over the next five years, as we develop our 2019-2023 Strategic Plan our efforts will be focused and directed towards making a home of the new campus and bringing the Academy to life for our audiences to experience.

Like many charities, the RA has a two-pronged goal: to deliver on our mission, which is to provide a voice for art and artists, whilst at the same time securing the financial sustainability to ensure our continued relevance. Our financial Medium Term Plan which underpins our Strategic Plan explicitly articulates the goal to achieve an average £3.5m net income from ongoing activities (before interest, depreciation and amortisation) each year to fund the ongoing maintenance of our 2.5 acre campus and investment in technology; periodic plant upgrade and gallery refurbishment programme; and financing costs. We need to achieve similar clarity for our mission goals, as well as our financial goals.

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2018

Impact and public benefit (continued)

The Executive has defined our impact goals as follows:

1. Sustain the quality of our expanded exhibition programme to draw at least 1.1m exhibition visitors each year; and, 1.5m visitors to the campus overall, including visits to our new Collection Gallery and free displays.
2. Deepen our impact in teaching and learning, by (a) establishing the Royal Academy as a leading destination for debate and the exchange of ideas around art and architecture; (b) continuing to sustain the strength of the RA Schools in developing the next generation of artist; and (c) establishing our new Executive Masters in Cultural Leadership, as a leading credential for experienced executive leaders looking to shape the future of the arts and cultural sectors.
3. Prioritise our welcome, by building in our visitor needs and motivations into the onsite experience and matching the out-of-gallery experience with the quality of experience we have become known to deliver inside the galleries.
4. Grow our loyal audiences, by both expanding the number of visitors to the campus, increasing loyalty among these visitors and then focusing our efforts on converting loyal visitors to become members of the Friends of the Royal Academy. By managing loyalty from the first visit to the Royal Academy through the membership ladder we aim to maximise engagement and enhance and grow the donation the Royal Academy receives from the Friends of the Royal Academy charity each year.
5. Build our endowment to ensure the long term financial sustainability of the Royal Academy and secure continued contribution to the UK's creative economy; and strengthen our legacy by securing the funding for the next phase of the Burlington Project (the redevelopment of the Royal Academy Schools) to ensure that our Schools continue to attract, develop and graduate the next generation of leading artists.
6. Make it easier to get things done, by developing our internal organisation to clarify accountability, improve collaboration, and ultimately ensure we effectively manage the allocation of charitable funds.

Impact measures

The RA tracks and monitors a variety of impact measures (as distinguished from Key Performance Indicators, which are considered separately in the Strategic Report below). These measures include those pertaining to the RA's activities across exhibitions, RA Schools, library and collections, and education; where possible, we aim to measure the delivery of our mission / impact goals numerically, as well as qualitatively and anecdotally.

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

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

The exhibition programme presents a mix of subject matter and content to suit a range of public tastes and is complemented by a programme of activities such as lectures and workshops aimed at providing opportunities for the public to engage with the subject matter and the institution. Both our exhibition and lecture/workshop programmes, and therefore the number of people these reach, are expected to grow significantly through the 2018/19 financial year as we start to capitalise on the new spaces offered by the expanded campus including, the new 260 seat Benjamin West Lecture Theatre; the Collection Gallery; the new Clore Learning Centre; The Wolfson British Academy Room, as well as the new The Gabrielle Jungels-Winkler Galleries; The Ronald and Rita McAulay Gallery; The Weston Studio; the Dorfman Senate Room and Architecture Studio and other display areas.

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2018

Impact and public benefit (continued)

The expanded campus offers a range of opportunities for engagement and learning across a wider community of adults, students and teachers, parents and children, and community and special needs groups.

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

Strategic report

Business review

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

We are currently finalising the RA Strategic Plan 2019-2023 which will be published later in 2018 and will incorporate the six key impact goals noted above and will be focused towards making the Academy "a home for art and ideas" and bringing the Academy to life for our audiences to experience.

Key performance indicators

Since September 2014 we have systematically tracked the following key performance indicators ("KPIs"). These have all been identified as key measures of our progress against our strategic objectives. Targets for overall audience figures and KPIs with direct financial impact (e.g., membership numbers) are embedded into our Medium Term Plan, which is updated annually. Targets for more qualitative measures (e.g., visitor experience, audience diversity) are being refined on an ongoing basis. Executive review core visitor KPIs on a weekly basis and the full set of KPIs is reported and discussed at Executive level on a quarterly basis. We will be revisiting and updating our KPIs as we finalise and move into implementation of our 2019-2023 Strategic Plan.

1. Public

- Exhibition and campus visitors. Target 1.5m visits p.a. by 2019/20
- Digital visitors (website sessions, Facebook friends, Twitter followers)
- Visitor experience (rating of exhibition and of overall visit)
- Critical reception of exhibitions
- Audience for public learning and debate activities
- Secondary spend per visitor (retail spend and catering spend)

2. Academic

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

3. Spaces

- Completion of Burlington Project fundraising (for each phase)
- Completion of Burlington Project building works (on budget to schedule)

4. People

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

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2018

Strategic report (continued)

5. Finances/Sustainability

- Overall income from Friends, Patrons, Corporate and Academicians' Room memberships
- Target sustainable net income from ongoing activities (before interest, depreciation and amortisation) of £3.5m per annum on average over a rolling five year period
- Completion of the Customer Experience Project and implementation of new enterprise applications to support our customer relationship management activities across ticketing, fundraising, loyalty and engagement and enabling a single view of our customers by the end of 2018/19.

Financial review

Financial result for the year

The results for the current year show net expenditure of £2,743,593 (2017: £1,301,605) for core activities, being those ongoing activities directly associated with delivering the charitable objectives, and net income of £9,387,750 (2017: £11,642,160) for the Burlington Project, being the refurbishment and redevelopment of the Royal Academy's buildings and estate. Net expenditure of £2,743,593 for core activities includes £668,297 (2017: £985,663) of expenditure on temporary accommodation, following relocation of staff during construction works for the Burlington Project; £442,410 (2017: £467,824) of interest payable; and £11,958 (2017: £107,352) of interest receivable. Excluding these temporary costs, core activities incurred net expenditure of £2,075,296 (2017: £315,942); and excluding net interest payable, net expenditure of £1,644,844 (2017: net income: £44,530).

Total net movement in funds, includes the recognition of the actuarial gain on the pension scheme totalling £2,353,000 (2017: £6,004,000), a tax credit of £465,659 (2017: £nil) in respect of Museums and Galleries Tax Relief and net loss on investments of £nil (2017: £438), resulting in a surplus of £9,462,816 (2017: £16,344,555).

The ongoing activities shortfall, excluding temporary accommodation costs and net interest payable, was £1,644,844 (2017: surplus £44,530). These results are down on those of the previous year. Total income from ongoing activities increased by just over 4% in the year to £39.0m (2017: £37.4m), but costs increased by over 8% over the same period to £40.6m (2017: £37.3m) resulting in the £1.6m net reduction.

The increase in income included a 18.9% increase in the donation from the Friends of the Royal Academy to £11.1m (2017: £9.4m); a 17.2% increase in exhibitions income to £7.7m (2017: £6.6m), primarily reflecting the commercial success of *Charles I: King and Collector* and the 250th *Summer Exhibition*; these increases being offset by a 12.7% reduction in income from our trading subsidiaries to £10.1m (2017: £11.6m), with £1.1m of this reduction in commercial activities and £0.4m from ticketed fundraising (with the triennial Summer Gala held in the prior year).

The increase in expenditure included a 5.6% increase in staff costs to £15.8m (2017: £14.9m), with an 8.6% increase in full-time equivalent permanent employees to 342 (2017: 315) reflecting the impact on the expanded programme and operations arising from the redevelopment of Burlington Gardens as well as annual salary increases; other expenditure (excluding depreciation and amortisation) has increased by 4.5% to £21.2m (2017: £20.2m) partly due to the redevelopment but also due to one off costs associated with the Academy's 250th anniversary. The biggest increase has been in depreciation and amortisation with a 35% increase to £4.0m (2017: £2.6m) reflecting the impact of the Academy's investment in both the plant upgrade and gallery refurbishment programme and systems technology, as well as the assets brought into service this year with completion of Phase I of the Burlington Project.

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2018

Financial review (continued)

We continued to invest in digital strategy, including systems technology during the year; as we look to enhance the visitor experience and improve the Friends membership scheme, and are committed to further significant investment in this during the year to 31 August 2019.

Off-site accommodation costs of about £0.7m at Unilever House, Blackfriars were incurred in the year for the period to early January 2018, with the staff moving back to Burlington Gardens in late December 2017. The long term £17.9m gallery plant upgrade programme was substantially completed in 2018 with less than £0.5m remaining to be expended on this at the year end.

The Royal Academy put in place a £5.0m committed Masterplan Revolving Credit Facility in May 2017 to provide the required working capital for the completion of the Burlington Project, as redevelopment costs are being incurred in advance of the receipt of pledged donations. The facility, which is available for a period of five years, can be drawn down in advances with a minimum value of £0.5m. Each advance is repayable after three months; at the end of the three month period the advance can either be rolled over for another three month period or repaid, with the amount then being available again for draw down. This facility was fully drawn down at the year end.

The Royal Academy put in place a £2.5m committed Operating Revolving Credit Facility in March 2018 to manage operating working capital requirements. The facility, which is also available for a period of five years, can be drawn down in advances with a minimum value of £0.15m. Similarly, each advance is repayable after three months; at the end of the three month period the advance can either be rolled over for another three month period or repaid, with the amount then being available again for draw down. This facility was not drawn down at the year end.

The Royal Academy will benefit significantly from the introduction of the Museums and Galleries Tax relief from 1 April 2017, which will provide much needed financial support to the exhibitions and free display programme.

Having regard to the gearing up of activity in advance of completing and opening the expanded campus, overall the Royal Academy's results were broadly in line with targets set for the year and came in only marginally behind budget, despite delivering a net shortfall of £1.6m. The Royal Academy is well placed to achieve the targets set in its five year Medium Term Plan. The current programme of investment in both building infrastructure and technology over the medium term is to ensure the Royal Academy is equipped not just to celebrate its 250th anniversary this year, but to meet its requirements in the future.

Reserves

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

The trustees have set a reserves policy which requires:

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

Free reserves comprise that part of the total unrestricted funds that are freely available. Arising from the most recent review, the trustees have adopted a risk-based approach to determine an appropriate level of free reserves. The trustees consider it appropriate to have free reserves sufficient to cover a period of unforeseen difficulties and consider this to be the greater of a period of three months, being the normal duration of a main gallery exhibition, such that this

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2018

Financial review (continued)

would allow the Royal Academy to continue running in the circumstances that an exhibition is cancelled without an alternative being viable, and a period of six months, during which the Royal Academy has less than budgeted visitor numbers, due to the impact of external factors, such as the threat of terrorism, reducing the number of visitors to London generally and the RA's campus more specifically.

The trustees have specifically considered the prospective financial impact of the key risks identified in the Royal Academy's Risk Register, including those pertaining to meeting the budget approved for the year ended 31 August 2019 and have further considered the Medium Term Plan of the Royal Academy underpinning the Strategic Plan and the long term loan funding in place. The trustees have also considered expenditures that could be deferred or avoided to mitigate the detrimental impact of unforeseen difficulties.

Based on this detailed review and analysis, the trustees consider that an appropriate level of free reserves would be in the order of £4.0m to be held by way of operating contingency at all times to enable the Royal Academy to continue operating for a period of three months to cover both a fall in exhibition, trading and voluntary income and fixed operating costs (including salaries) and the prospective financial impact of other uninsured risks or six months, in the event of reduced visitor numbers due to external factors, such as the threat of terrorism.

Actual free reserves as at 31 August 2018

As at 31 August 2018, total unrestricted and non-designated funds stood at £81.8m, including £99.3m of fixed assets. Free reserves, which exclude fixed assets, are therefore in deficit by £17.5m, after taking account of the pension scheme asset of £5.9m and are £21.5m less than the desired level of £4.0m.

The free reserves deficit of £17.5m is represented by net current liabilities of £10.1m plus long term liabilities of £13.3m, of which £10.0m is repayable in ten equal instalments from 2035-2044; and the pension scheme asset of £5.9m.

The net current liabilities of £10.1m as at 31 August 2018 include £1.3m of cash at bank, and additionally the Royal Academy has access to a committed £2.5m Operating Revolving Credit Facility for a five year period to March 2023 and a £0.5m overdraft facility, neither of which had been drawn upon at the year end.

The Royal Academy has a further committed £5.0m Masterplan Revolving Credit Facility for a five year period to May 2022; this facility was fully drawn down at the year end with £5.0m included in current liabilities. This facility is to fund the working capital impact of pledged donations to the Burlington Project, which will be received and recognised in future financial years but the works for which these donations were pledged have been substantially completed, with the related tangible fixed assets brought into service in the financial periods to 31 August 2018. As such, this facility will effectively be repaid from funds received from future donations (which includes £2.0m from the Royal Academy Development Trust, held as restricted funds, referenced below).

In view of the level of current liquid resources, future pledged donations and the long term loan funding and short term facilities in place, which are all available for operational purposes, the trustees consider that the Royal Academy has both sufficient funding and liquidity for the foreseeable future.

As outlined above, the Royal Academy has in place a Strategic Plan underpinned by a financial Medium Term Plan, which includes plans to grow net income across a number of areas, to deliver the required level of surplus funds to achieve the target level of free reserves over the long term.

The trustees also take comfort from the fact that the Royal Academy Development Trust, an independent charity established under a Trust Deed dated 11 February 1981 specifically to provide support to the Royal Academy, held funds of £43.3m at 31 August 2018 in trust

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2018

Financial review (continued)

for the Royal Academy, of which £14.4m represents unrestricted funds, including £9.5m that is both unrestricted and not designated. A further £17.1m represents permanent endowment funds, which are accounted for on a total return basis (such that both income and capital appreciation may be distributed), with the remaining £11.8m being restricted funds (including £2.0m in respect of the Burlington Project, referenced above). These amounts are held by the Royal Academy Development Trust until these are required by the Royal Academy for specific purposes and are invested by the Royal Academy Development Trust to provide future funding for the Royal Academy.

Future plans

Our priorities for the year to come

Our 2013-18 Strategic Plan successfully delivered on our ambition to “reveal a living Academy”. This vision focused on shifting the general audience’s perception and experience of the RA, from an exhibitions-focused venue to a multifaceted, artist-led Academy, which emphasises art practice and debate as well as display. The transformation of our building to facilitate this vision represented a significant step change in terms of how we aim to serve our audiences and, in turn, how they choose to engage with the RA. This undertaking does not represent a departure for us, but rather, a deepening of our commitment to the RA’s founding mission.

As we look ahead to the next five year Strategic Plan 2019-2023, our focus will be on settling into our new campus and delivering on our vision to become a “home for art and ideas”; to evolve as an Academy; and to strengthen the connections we make between artists, scholars and the wider public.

To deliver on this vision we will need to focus on six key strategic priorities:

1. **Sustain the quality of our expanded exhibition programme** to deliver range, scholarship and “surprise” across the portfolio and to draw at least 1.1m exhibition visitors annually.
2. **Deepen our impact in teaching and learning** by establishing the RA as a leading destination for the exchange of ideas; and nurturing, developing and graduating artists and cultural leaders.
3. **Prioritise our welcome** by providing a warmer and distinctly RA welcome; and by building in our visitor needs and motivations into the onsite experience.
4. **Grow our loyal audiences** by focusing primarily on growing our Friends membership to over 100,000 Friends and growing total membership income by over 30% to c.£17.0m by 2022/23.
5. **Build our endowment and strengthen our legacy** by growing the endowment funds held in the Royal Academy Development Trust to provide longer term support for the Royal Academy and securing the funding for the redevelopment of the Royal Academy Schools.
6. **Make it easier to get things done** by developing our operating model to clarify accountabilities and to align interests; and to engage Academicians more in our activities.

Delivering these priorities will imply a significant shift in our ways of working and our organisational culture. It is important to stress that this is not a revolution but an evolution. The re-opening of Burlington Gardens is only the first step on the road to realising the longer term vision of the “New Royal Academy of Arts”, as it enters the next 250 years of making, exhibiting and debating art.

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2018

Future plans (continued)

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.

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

The highest scoring risks include the risk of major building works disrupting the public programmes; the possibility of plant failure in the galleries; loss or damage to artworks; reduced visitor numbers to our exhibition programme; a reduction in the Friends’ donation to the Royal Academy arising from diminished Friends’ membership income; the threat of a data security breach or cyber-attack; and the impact on our financial sustainability more generally on delivering against our 2019-2023 Strategic Plan. External risks include the impact of “Brexit” across a number of areas, including the impact on our loan exhibition programme, from both a logistics and costs viewpoint; corporate sponsorship and general consumer confidence; staff recruitment and retention; and future intakes of students to the RA Schools; and the impact of the terrorism threat on the number of visitors to the Royal Academy’s exhibition programme.

These risks are all subject to immediate management consideration to provide mitigation. Mitigation steps include project governance and contingency planning in respect of major building works; continuous review of our exhibitions programme and forward planning for future exhibitions; completion of the plant upgrade programme, together with planned preventative maintenance; security and working practices in place, together with disaster recovery and business continuity planning and procedures; continued review and improvement to the Friends visitor experience and periodic Friends membership pricing reviews; continued improvement to data protection policies, procedures and controls, including emergency response planning; and quarterly reviews by Executive of the growth plans embedded within the financial Medium Term Plan underpinning the 2019-2023 Strategic Plan.

Fundraising

The RA’s approach to fundraising is largely relationship led, through individual donor giving, memberships of the RA, capital appeals and legacies and corporate sponsorship. The RA does not generally engage with commercial participators and professional fundraisers, with one exception in this financial year to facilitate fundraising in New Zealand to support one of our exhibitions. The RA does not carry out house-to-house fundraising or street collections.

The RA is registered with the Fundraising Regulator and has submitted its annual complaints return to the Fundraising Regulator. The RA complies with the Charities Act in regard to fundraising and in addition puts the privacy of our supporter data at the heart of everything we do. We manage personal data respectfully and responsibly in accordance with our published privacy policy.

The RA received approximately 100 complaints associated with fundraising in this financial year. This is a comparatively low figure for the sector and represents the degree with which we have developed our processes to ensure we put our supporters and the safeguarding of their data at the centre of everything we do. Nevertheless, we are committed to studying any expression of dissatisfaction and identifying ways to improve. Our supporter relations team look into each complaint and we do all we can to resolve complaints and ensure supporters are happy with our work.

The Royal Academy of Arts Trustees' Report For the year ended 31 August 2018

Statement of trustees' responsibilities

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

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

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

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

Audit information

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

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

Auditors

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

On behalf of the Council



Christopher Le Brun PRA
President



Chris Wilkinson OBE RA
Treasurer

4 December 2018

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

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

We have audited the financial statements of The Royal Academy of Arts for the year ended 31 August 2018 which comprise the Group Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard Applicable in the UK and Ireland".

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 2018 and of the group's 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditors' report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the trustees' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the trustees' annual report has been prepared in accordance with applicable legal requirements.

Independent Auditors' Report to the Trustees of The Royal Academy of Arts (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' annual report.

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 and sufficient 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 of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out on page 20, 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group and parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

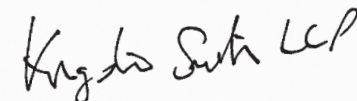
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the group and parent charitable company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and parent charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the group or parent charitable company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit report.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditors' Report to the Trustees of The Royal Academy of Arts (continued)

Use of this report

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



Andrew Stickland (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP

4 December 2018

Date *Devonshire House
60 Goswell Road
London EC1M 7AD*

The Royal Academy of Arts Consolidated Statement of Financial Activities For the year ended 31 August 2018

	Note	Ongoing activities		Burlington Project			Total 2018	Total 2017
		Unrestricted funds 2018	Designated funds 2018	Restricted funds 2018	Designated funds 2018	Restricted funds 2018		
Income from:		£	£	£	£	£	£	£
Donations and legacies								
General donations from RADT*		-	-	236,351	-	-	236,351	238,927
Other donations from RADT*:								
Burlington Project		-	-	-	-	4,000,000	4,000,000	-
Cataloguing project		-	-	40,000	-	-	40,000	39,279
Other projects		-	-	563,456	-	-	563,456	563,241
Donations from Friends of the RA		11,146,587	-	-	-	-	11,146,587	9,373,060
Other donations	5	2,678,420	20,000	2,563,456	3,753,722	2,107,027	11,122,625	10,869,629
Grant income	6	-	-	139,116	-	-	139,116	7,258,467
Charitable activities								
Exhibitions		7,693,930	-	-	-	-	7,693,930	6,566,158
Schools		50,087	-	-	-	-	50,087	48,174
Library		19,350	-	-	-	-	19,350	25,381
Education		356,853	-	-	-	-	356,853	503,679
Other trading activities								
Income from trading subsidiaries	7	10,129,811	-	-	-	-	10,129,811	11,599,715
Sponsorship, rent and other receipts		3,324,275	-	-	-	-	3,324,275	2,431,071
Investments								
Bank interest		11,958	-	-	6,217	-	18,175	198,752
Dividends		543	-	-	-	-	543	591
Total income		35,411,814	20,000	3,542,379	3,759,939	6,107,027	48,841,159	49,716,124
Expenditure on:								
Raising funds								
Fundraising	9	(5,171,963)	-	-	-	-	(5,171,963)	(4,276,028)
Fundraising trading	7	(6,882,128)	-	-	-	-	(6,882,128)	(7,388,123)
Charitable activities	10	(25,797,824)	(52,000)	(3,114,120)	-	-	(28,963,944)	(26,108,620)
Other								
Project management		-	-	-	(259,664)	-	(259,664)	(431,501)
Temporary accommodation		(668,297)	-	-	(219,552)	-	(887,849)	(1,150,397)
Donation to RADT*		-	-	(31,454)	-	-	(31,454)	(20,462)
Total expenditure		(38,520,212)	(52,000)	(3,145,574)	(479,216)	-	(42,197,002)	(39,375,131)
Net losses on investments	19	-	-	-	-	-	-	(438)
Net income / (expenditure)	11	(3,108,398)	(32,000)	396,805	3,280,723	6,107,027	6,644,157	10,340,555
Transfers between funds	25	48,955,121	-	-	(8,634,407)	(40,320,714)	-	-
Other gains								
Tax credit	15	465,659	-	-	-	-	465,659	-
Remeasurement of defined benefit pension scheme asset	28	2,353,000	-	-	-	-	2,353,000	6,004,000
Net movement in funds		48,665,382	(32,000)	396,805	(5,353,684)	(34,213,687)	9,462,816	16,344,555
Total funds brought forward		33,158,705	138,039	445,212	5,353,684	37,770,500	76,866,140	60,521,585
Total funds carried forward		81,824,087	106,039	842,017	-	3,556,813	86,328,956	76,866,140

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

* RADT denotes Royal Academy Development Trust

The Royal Academy of Arts Balance Sheets As at 31 August 2018

	Note	Group		Royal Academy	
		2018	2017	2018	2017
		£	£	£	£
Fixed assets					
Heritage assets	16	679,000	391,000	679,000	391,000
Intangible assets	17	979,450	422,643	525,303	281,525
6 Burlington Gardens	18.c	64,082,048	14,470,064	64,082,048	14,470,064
Other tangible fixed assets	18.a, b	35,835,981	71,429,236	35,811,078	71,427,152
Investments	19	-	-	108	108
Total fixed assets		101,576,479	86,712,943	101,097,537	86,569,849
Current assets					
Stock	20	1,322,667	998,545	-	-
Debtors	21	4,826,710	6,297,544	5,118,689	6,058,301
Cash and cash equivalents		1,339,497	8,546,504	1,279,087	8,480,677
Total current assets		7,488,874	15,842,593	6,397,776	14,538,978
Creditors - amounts falling due within one year	22	(15,423,274)	(17,217,673)	(13,860,034)	(15,777,764)
Net current liabilities		(7,934,400)	(1,375,080)	(7,462,258)	(1,238,786)
Total assets less current liabilities		93,642,079	85,337,863	93,635,279	85,331,063
Creditors - amounts falling due after more than one year	23	(13,261,123)	(11,480,723)	(13,261,123)	(11,480,723)
Net assets excluding pension asset		80,380,956	73,857,140	80,374,156	73,850,340
Defined benefit pension scheme asset	28	5,948,000	3,009,000	5,948,000	3,009,000
Total net assets		86,328,956	76,866,140	86,322,156	76,859,340
The funds of the charity:					
Restricted funds	25	4,398,830	38,215,712	4,398,830	38,215,712
Unrestricted funds:					
Burlington Project (designated)	25	-	5,353,684	-	5,353,684
General funds (designated)	25	106,039	138,039	106,039	138,039
General funds	25	75,876,087	30,149,705	75,869,287	30,142,905
Pension reserve	25	5,948,000	3,009,000	5,948,000	3,009,000
Total unrestricted funds		81,930,126	38,650,428	81,923,326	38,643,628
Total charity funds		86,328,956	76,866,140	86,322,156	76,859,340

Approved and authorised for issue by the President and Council of The Royal Academy of Arts on 4 December 2018



Christopher Le Brun PRA
President



Chris Wilkinson OBE RA
Treasurer

Registered Company No. 06298947

The Royal Academy of Arts

Consolidated Statement of Cash Flows

For the year ended 31 August 2018

		2018	2017
	Note	£	£
Net cash provided by operating activities	27	12,090,142	14,515,881
Cash flows from investing activities			
Interest paid		(442,410)	(467,824)
Interest received		18,175	198,752
Payments to acquire heritage assets	16	-	(10,000)
Payments to acquire tangible fixed assets	18.a	(17,863,271)	(31,045,232)
Payments to acquire intangible fixed assets	17.a	(790,043)	(420,175)
Proceeds from investment disposals	19	-	35,219
Net cash used in investing activities		(19,077,549)	(31,709,260)
Cash flows from financing activities			
Drawdown on revolving credit facilities	22	-	5,000,000
Bank loan repayments	23	(219,600)	(219,600)
Net cash (used in) / provided by financing activities		(219,600)	4,780,400
Net change in cash and cash equivalents		(7,207,007)	(12,412,979)
Cash and cash equivalents at the beginning of the year		8,546,504	20,959,483
Cash and cash equivalents at the end of the year		1,339,497	8,546,504
Analysis of cash and cash equivalents:			
Cash at bank and in hand		1,339,497	8,546,504
Total cash and cash equivalents		1,339,497	8,546,504

The Royal Academy of Arts

Notes to the financial statements

For the year ended 31 August 2018

1 . General information

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

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

2 . Summary of significant accounting policies

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investments to market value and in compliance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Charities Act 2011.

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

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

a. Basis of preparation

The financial statements have been prepared on a going concern basis.

The consolidated financial statements comprise the financial statements of the Royal Academy and its three trading subsidiaries: RA (Arts) Limited, Burlington House Limited and R.A. Enterprises Limited made up to 31 August 2018. The total income and expenditure of these entities is shown in the Statement of Financial Activities ("SOFA") and the detailed results are disclosed in note 7 of the financial statements. The statements are consolidated on a line by line basis.

The Royal Academy has taken advantage of the exemption in section 408 of the Companies Act 2006 from disclosing its individual SOFA. The Royal Academy only surplus (net movement in funds) was £6,215,133 (2017: £12,132,963).

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

b. Going concern

The trustees consider that there are no material uncertainties about the Group's ability to continue as a going concern. Whilst the Group has net current liabilities of £7.9m at the year end, current liabilities include £5.0m drawn on a committed Masterplan Revolving Credit Facility, which can, if required, be rolled forward after each three month interest period to May 2022. This facility is to fund the working capital impact of pledged donations to the Burlington Project which will be received and recognised in future financial periods; the cost of works for which these donations have been pledged having been already incurred. The Group also has access to a committed £2.5m Operating Revolving Credit Facility to March 2023 and a £0.5m overdraft facility, neither of which had been drawn upon as at the year end. In view of the level of current liquid resources, the future pledged donations, the long term loan funding and short term facilities in place, the trustees consider that the Group has both sufficient funding and liquidity for the foreseeable future.

In addition the Royal Academy Development Trust, an independent charity established to specifically provide support to the Royal Academy, held funds of £43.4m at the year end in trust for the Royal Academy, of which £14.4m are unrestricted, including £9.5m that is both unrestricted and not designated.

There are no material uncertainties affecting the current year's financial statements.

c. Funds structure

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

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

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

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

d. Burlington House

The Royal Academy holds a 999 year lease on Burlington House, of which almost 850 years remain, title to which is vested in the Secretary of State for the Department of Communities and Local Government. The rent of the property is nominal but it is the responsibility of the Royal Academy to maintain the property in a sound condition. The property is inalienable in that its ownership reverts to the Government if it is no longer used by the Royal Academy. The property works carried out on the galleries, Schools and Library are principally to maintain the fabric in its original condition and ensure an adequate environment for the exhibits. As the value of these works is part of the fabric of the building and cannot be realised, these are not recognised in the balance sheet except in the case of building improvements as detailed in the fixed assets and depreciation policy described below.

e. Heritage assets

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

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

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

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

The Royal Academy of Arts

Notes to the financial statements

For the year ended 31 August 2018 (continued)

2. Summary of significant accounting policies (continued)

f. Foreign currency

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

g. Intangible assets

Computer software and website development costs are stated at cost less accumulated amortisation and impairment losses. These are amortised over their estimated useful life, of three years, on a straight line basis.

h. Tangible assets

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

Building improvements	5 to 25 years
Computers	over 3 years
Office fixtures and fittings	3 to 10 years
Plant and equipment	5 to 15 years
Motor vehicles	over 3 years

Short leasehold property improvements are depreciated over the period of the lease.

Freehold property has been capitalised and included in fixed assets at cost. Depreciation has not been provided after taking into account the value of the land, the residual value of the property and the estimated useful life of the asset. The property is reviewed annually for any potential impairment.

No depreciation is charged on assets in course of construction. Where assets are constructed as part of a project for which specific identifiable assets are brought into service before the overall project is completed, such assets will be transferred from assets in course of construction to building improvements or fixtures, fittings and equipment as appropriate and depreciated from the date these are placed in service.

i. Operating leases

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

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

j. Stock

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

k. Income

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

Income received for an activity taking place in a subsequent period is deferred to that period in accordance with FRS 102, except where that income relates to an exhibition where the accounting policy outlined below is followed.

i. Exhibitions

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

ii. Donated services

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

Other donated services are recognised when these have been delivered and are valued at the amount the Royal Academy would be prepared to pay for a similar service.

iii. Patrons

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

iv. Grants

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

Non-performance related grants are recognised when there is evidence of entitlement, receipt is probable (more likely than not) and its amount can be measured reliably.

v. Donations

Donations and related Gift Aid are accounted for when the donation is received. If donations are specifically in connection with a future event, these are restricted; if specifically in connection with a future exhibition, these are deferred.

vi. Trading subsidiary income

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

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

The Royal Academy of Arts

Notes to the financial statements

For the year ended 31 August 2018 (continued)

2. Summary of significant accounting policies (continued)

l. Legacies

Legacies are accounted for as income where there is clear entitlement; the amounts can be measured reliably; and there is reasonable probability of receipt.

Receipt is probable when:

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

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

m. Expenditure

Expenditure is accounted for on an accruals basis inclusive of any VAT which cannot be recovered. Expenditure is recognised when there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable a transfer of economic benefit will be required in settlement and the amount can be measured reliably.

Expenditure on raising funds consist of costs of trading subsidiaries and fundraising expenditure. These include the direct costs of the Development department, including the running costs of sponsorship, fundraising and events, together with a share of the support costs of the Royal Academy.

Charitable activities include all costs related to the main purpose of the Royal Academy and include: direct costs of exhibitions and the associated education programme; running the Royal Academy Schools; and the conservation of the permanent collection and the Library. Publicity costs are allocated to Exhibitions, Schools, Collections and Education based on the income from each area.

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

n. Employee benefits

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

i. Short term benefits

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

ii. Defined benefit pension plan

The Royal Academy of Arts Pension Scheme ("the Scheme") is a defined benefit pension scheme closed to future accrual on 30 September 2016. Pension assets and liabilities are recorded in line with Section 28 of FRS 102. With scheme valuations undertaken by independent actuaries, FRS 102 measures the value of pension assets and liabilities at the balance sheet date and determines the benefits accrued in the year and the interest on assets and liabilities. Current service costs, together with the net interest for the year, are allocated to relevant expenditure headings within the SOFA. Scheme assets are measured at fair value at the balance sheet date. Scheme liabilities are measured on an actuarial basis at the balance sheet date using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent term to the Scheme liabilities. The change in value of assets and liabilities arising from asset valuation, changes in benefits, actuarial assumptions, or change in the level of deficit attributable to members is recognised in unrestricted funds in the SOFA within remeasurement of defined benefit pension scheme asset. The resulting defined benefit pension scheme asset or liability is presented separately on the face of the balance sheet in unrestricted funds. The Royal Academy recognises an asset for its Scheme to the extent this is considered recoverable through reduced contributions in the future, or through refunds from the Scheme. The trustees of the Scheme believe that the Scheme currently meets the minimum funding requirements. The assets of the Scheme are held completely independently from the Royal Academy.

The income and expense related to the Scheme is allocated entirely to the unrestricted ongoing activities of the Group.

iii. Defined contribution pension plans

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

iv. Annual bonus plan

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

v. Termination payments

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

o. 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.

p. Investments

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

The Royal Academy of Arts

Notes to the financial statements

For the year ended 31 August 2018 (continued)

2. Summary of significant accounting policies (continued)

q. Financial instruments

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

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

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

i. Basic financial assets

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

ii. Other financial assets

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

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

iii. Impairment of financial assets

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

iv. Derecognition of financial assets

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

v. Basic financial liabilities

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

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

vi. Other financial liabilities

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

3. Critical accounting judgments and estimation uncertainty

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

a. Useful economic lives of tangible and intangible assets

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

b. Impairment of debtors

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

c. Defined benefit pension scheme asset / liability

The determination of the assumptions used in calculating the defined benefit pension scheme asset / liability is the responsibility of the trustees of the Royal Academy, with delegated authority to the Director of Finance. The assumptions are set with regard to advice given by the scheme actuary.

The Royal Academy of Arts

Notes to the financial statements

For the year ended 31 August 2018 (continued)

4. Prior year comparatives by type of fund

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

	Ongoing activities			Burlington Project		Total 2017
	Unrestricted funds 2017	Designated funds 2017	Restricted funds 2017	Designated funds 2017	Restricted funds 2017	
	£	£	£	£	£	£
Income from:						
Donations and legacies						
General donations from RADT*	-	-	238,927	-	-	238,927
Other donations from RADT*:						
Cataloguing project	-	-	39,279	-	-	39,279
Other projects	-	-	563,241	-	-	563,241
Donations from Friends of the Royal Academy	9,323,060	50,000	-	-	-	9,373,060
Other donations	3,843,475	88,039	1,901,153	1,726,406	3,310,556	10,869,629
Grant income	-	-	147,996	-	7,110,471	7,258,467
Charitable activities						
Exhibitions	6,566,158	-	-	-	-	6,566,158
Schools	48,174	-	-	-	-	48,174
Library	25,381	-	-	-	-	25,381
Education	503,679	-	-	-	-	503,679
Other trading activities						
Income from trading subsidiaries	11,599,715	-	-	-	-	11,599,715
Sponsorship, rent and other receipts	2,431,071	-	-	-	-	2,431,071
Investments						
Bank interest	107,352	-	-	91,400	-	198,752
Dividends	591	-	-	-	-	591
Total income	34,448,656	138,039	2,890,596	1,817,806	10,421,027	49,716,124
Expenditure on:						
Raising funds						
Fundraising	(4,276,028)	-	-	-	-	(4,276,028)
Fundraising trading	(7,388,123)	-	-	-	-	(7,388,123)
Charitable activities	(23,573,160)	-	(2,535,460)	-	-	(26,108,620)
Other						
Project management	-	-	-	(431,501)	-	(431,501)
Temporary accommodation	(985,663)	-	-	(164,734)	-	(1,150,397)
Donation to RADT*	-	-	(20,462)	-	-	(20,462)
Total expenditure	(36,222,974)	-	(2,555,922)	(596,235)	-	(39,375,131)
Net losses on investments						
	-	-	-	(438)	-	(438)
Net income / (expenditure)	(1,774,318)	138,039	334,674	1,221,133	10,421,027	10,340,555
Remeasurement of defined benefit pension scheme asset	6,004,000	-	-	-	-	6,004,000
Net movement in funds	4,229,682	138,039	334,674	1,221,133	10,421,027	16,344,555
Total funds brought forward	28,929,023	-	110,538	4,132,551	27,349,473	60,521,585
Total funds carried forward	33,158,705	138,039	445,212	5,353,684	37,770,500	76,866,140

* RADT denotes Royal Academy Development Trust

The Royal Academy of Arts
Notes to the financial statements
For the year ended 31 August 2018 (continued)

5. Income from other donations

	Unrestricted funds	Designated funds	Restricted funds	Total 2018	Total 2017
	£	£	£	£	£
Exhibitions	460,615	-	816,652	1,277,267	773,113
Schools	110,296	-	467,392	577,688	602,460
Library	41,697	-	761,804	803,501	383,292
Education	93,849	-	187,903	281,752	257,696
General - plant upgrade	1,259,623	-	-	1,259,623	1,577,420
General - other	691,175	-	329,705	1,020,880	986,832
Burlington Project	-	3,753,722	2,107,027	5,860,749	4,906,962
Legacies	21,165	20,000	-	41,165	1,381,854
Total	2,678,420	3,773,722	4,670,483	11,122,625	10,869,629

6. Grant income

	Unrestricted funds	Designated funds	Restricted funds	Total 2018	Total 2017
	£	£	£	£	£
Library	-	-	-	-	5,450
General - other	-	-	139,116	139,116	142,546
Burlington Project	-	-	-	-	7,110,471
Total	-	-	139,116	139,116	7,258,467

The Royal Academy of Arts
Notes to the financial statements
For the year ended 31 August 2018 (continued)

7. Results from subsidiaries

The Royal Academy has three wholly owned trading subsidiaries: R.A. Enterprises Limited, which operates a shop and e-commerce business, a restaurant and cafés, a publications and art sales business and commercial learning; RA (Arts) Limited, which provides entertainment services to the corporate sector; and Burlington House Limited, which raises funds from the corporate sector and individuals through ticketed events. These companies have entered into deeds of covenant to donate their distributable profits to the Royal Academy. The registered offices of all subsidiaries is Burlington House, Piccadilly, London. 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	R.A. Enterprises Ltd		RA (Arts) Ltd		Burlington House Ltd	
	2018	2018	2017	2018	2017	2018	2017
	£	£	£	£	£	£	£
Turnover	10,129,811	7,362,946	8,432,991	2,079,029	2,092,756	687,836	1,073,968
Cost of sales	(3,583,743)	(3,079,360)	(3,492,824)	(89,603)	(111,005)	(414,780)	(733,786)
Administrative expenses	(3,298,385)	(2,943,766)	(2,611,662)	(340,644)	(327,861)	(13,975)	(110,985)
Total expenses	(6,882,128)	(6,023,126)	(6,104,486)	(430,247)	(438,866)	(428,755)	(844,771)
Net result	3,247,683	1,339,820	2,328,505	1,648,782	1,653,890	259,081	229,197
Distribution to the Royal Academy	(3,247,683)	(1,339,820)	(2,328,505)	(1,648,782)	(1,653,890)	(259,081)	(229,197)

No charge to taxation will arise as the companies have entered into deeds of covenant to donate their distributable profits to the Royal Academy.

Balance Sheet	Total	R.A. Enterprises Ltd		RA (Arts) Ltd		Burlington House Ltd	
	2018	2018	2017	2018	2017	2018	2017
	£	£	£	£	£	£	£
Fixed assets							
Intangible fixed assets	454,148	454,148	141,119	-	-	-	-
Tangible fixed assets	24,904	24,904	2,085	-	-	-	-
Total fixed assets	479,052	479,052	143,204	-	-	-	-
Current assets							
Stock	1,057,667	1,057,667	728,545	-	-	-	-
Debtors	1,653,742	1,162,894	971,656	478,358	487,280	12,490	182,906
Cash and cash equivalents	359	359	58,959	-	300	-	-
Total current assets	2,711,768	2,220,920	1,759,160	478,358	487,580	12,490	182,906
Current liabilities							
Creditors - amounts falling due within one year	(3,190,712)	(2,699,968)	(1,902,360)	(478,354)	(487,576)	(12,390)	(182,806)
Net current assets / (liabilities)	(478,944)	(479,048)	(143,200)	4	4	100	100
Total assets less total liabilities	108	4	4	4	4	100	100
Capital and reserves							
Called up share capital	108	4	4	4	4	100	100
Equity shareholders' funds	108	4	4	4	4	100	100

The Royal Academy of Arts
Notes to the financial statements
For the year ended 31 August 2018 (continued)

8. Support costs

	Finance	IT	Personnel	Facilities	Governance	Total
	£	£	£	£	£	£
Exhibitions	920,802	474,497	160,986	1,346,602	228,371	3,131,258
Schools	230,200	118,624	40,246	336,650	57,093	782,813
Library	270,824	139,558	47,349	396,059	67,168	920,958
Education	324,989	167,469	56,819	475,271	80,602	1,105,150
Publicity	501,025	258,182	87,595	732,710	124,261	1,703,773
Fundraising	717,684	369,828	125,474	1,049,557	177,995	2,440,538
2018 total	2,965,524	1,528,159	518,469	4,336,849	735,489	10,084,490
2017 total	3,171,398	1,488,254	602,628	3,451,792	736,875	9,450,947

The increase in support costs principally relates to higher facilities expenditure due to an increase in annual depreciation from plant and equipment put into service in the year (see note 18).

9. Fundraising

	2018	2017
	£	£
Direct fundraising costs	2,731,425	2,385,837
Support costs (note 8)	2,440,538	1,890,191
Total	5,171,963	4,276,028

10. Charitable activities

	Direct costs	Support costs	Publicity costs (i)	Total 2018	Total 2017
	£	£	£	£	£
Exhibitions	12,994,067	3,131,258	4,989,416	21,114,741	18,903,440
Schools	1,289,974	782,813	32,481	2,105,268	2,034,648
Library	2,025,473	920,958	12,548	2,958,979	2,352,552
Intellectual property expenditure	8,545	-	-	8,545	24,267
Education	1,439,846	1,105,150	231,415	2,776,411	2,793,713
Total	17,757,905	5,940,179	5,265,860	28,963,944	26,108,620

(note 8)

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

i. Publicity costs comprise direct publicity costs and an allocation of support costs analysed as follows:

	Total 2018	Total 2017
	£	£
Direct publicity costs	3,562,087	2,936,962
Support costs (note 8)	1,703,773	1,521,372
Total	5,265,860	4,458,334

The Royal Academy of Arts
Notes to the financial statements
For the year ended 31 August 2018 (continued)

11. Net income / (expenditure)

This is stated after charging:

	2018	2017
	£	£
Amortisation	233,236	136,246
Depreciation	3,759,374	2,460,414
Auditors' remuneration:		
External auditors		
Audit services - group undertakings	51,496	54,828
Audit services - defined benefit pension scheme	8,000	11,400
Other services	10,321	14,113
Interest payable and similar charges	442,410	467,824

External auditors other services relate to tax compliance and other advice.

The total lease expenditure incurred in the year was £861,994 (2017: £1,171,306). This includes £668,297 (2017: £985,663) in exceptional rent incurred due to staff relocation during the Burlington Project redevelopment.

12. Role of volunteers

Like all charities, the Royal Academy, uses a team of volunteers. In 2018 the Royal Academy engaged 172 (2017: 196) volunteers across both its Learning and Collections departments.

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

13. Officers' and Council members' remuneration

Officers' remuneration, excluding pension contributions, is as follows:

	2018	2017
	£	£
President	70,000	70,000
Keeper	50,000	50,000
Secretary and Chief Executive	212,850	198,636
Treasurer	40,000	40,000
Total	372,850	358,636

Remuneration for officers is set by the Remuneration Committee.

One officer (2017: three) received pension contributions totalling £28,928 (2017: £29,728).

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.

Five (2017: three) trustees received reimbursed expenditure of:

	2018	2017
	£	£
Travel	3,800	3,868
Other	826	3,840
Total	4,626	7,708

Trustee indemnity insurance costs for the year totalled £14,787 (2017: £14,787).

The Royal Academy of Arts

Notes to the financial statements

For the year ended 31 August 2018 (continued)

14. Staff costs

	2018	2017
	£	£
Salaries and wages	13,601,645	12,710,848
Social security costs	1,296,693	1,218,617
Redundancy and termination payments	68,047	94,548
Pension contributions - defined contribution schemes	946,337	806,573
Pension service (income) / cost - defined benefit scheme	(81,000)	115,000
Total	15,831,722	14,945,586

Staff costs include payroll for temporary as well as permanent staff. The increase in salaries and wages includes the impact of an increase in full-time equivalent employees and the annual pay increase. More generous contribution levels to the defined contribution pension scheme from April 2016 and increased employee take-up, has led to the increase in pension contributions year on year for the defined contribution schemes.

Redundancy and termination payments made in the year relate to voluntary redundancies in exchange for these benefits (2017: same).

The key management personnel of the Royal Academy, and Group, comprise the Executive Committee, trustees and Officers. Total remuneration of key management personnel during the year was £1,553,285 (2017: £1,368,221). Pension contributions were £120,301 (2017: £105,630).

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

	2018	2017
Band:	No.	No.
£60,000 to £69,999	8	9
£70,000 to £79,999	4	4
£80,000 to £89,999	1	-
£110,000 to £119,999	1	4
£120,000 to £129,999	4	-
£130,000 to £139,999	1	-
£180,000 to £189,999	1	1
£190,000 to £199,999	-	1
£210,000 to £219,999	1	-

Pension contributions for the above employees were £198,764 (2017: £181,274).

The average number of permanent employees and of full-time equivalent ("FTE") permanent employees, including officers, during the year was:

	Headcount		FTE	
	2018	2017	2018	2017
	No.	No.	No.	No.
Charitable activities	132	130	114	119
Fundraising and publicity	88	74	84	71
Trading activities	50	45	43	38
Governance	6	7	6	7
Support	97	82	95	80
Total	373	338	342	315

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

The Royal Academy of Arts

Notes to the financial statements

For the year ended 31 August 2018 (continued)

15. Taxation

The Royal Academy is entitled to a tax credit under the Museums and Galleries Tax Relief for the period 1 April 2017 to 31 August 2018 as follows:

	2018	2017
	£	£
Taxation credit		
- For the current year	438,089	-
- Adjustment in respect of prior year	27,570	-
Total	465,659	-

16. Heritage assets

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

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.

The Works of Art Collection

The Works of Art Collection consists of works of art and other objects of historic, artistic or associational significance owned by the Royal Academy, namely: paintings, sculpture (including medals, dies, cameos, and intaglio gems); drawings; artists' sketchbooks; individually issued prints; photographs; plaster casts (including pastes of gems); historic skeletons relating to teaching in the Schools; objects of memorabilia, including artists' tools and materials; historic silver and silver-plate; historic items of furniture; picture frames; and certain fittings and fixtures within Burlington House. The Royal Academy holds around 950 paintings in its permanent collection and over 25,000 prints and drawings.

The 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.

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 by Council. The approval of non-diploma works (by purchase, bequest or donation) is by the Head 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 Head of Collections to the Collections and Library Committee. All acquisitions are reported annually to the Collections and Library Committee by the Head of Collections. The list is subsequently submitted to Council as part of an annual report and the Head of Collections attends Council to discuss any matters arising from the report.

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

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

In the financial year, Diploma Works were presented by sixteen Academicians being Sonia Boyce RA, Richard Deacon RA, Gilbert & George RA, Neil Jeffries RA, Ken Kiff RA, Farshid Moussavi RA, Rose Wylie RA, David Adjaye RA, Eva Rothschild RA, Ron Arad RA, Isaac Julien RA, Phyllida Barlow RA, Mike Nelson RA, Conrad Shawcross RA, Peter Randall-Page RA and Paula Rego RA.

Gifts made to the Royal Academy in the current financial year included a photographic drawing by David Hockney RA, valued at £266,000. This has been recognised in the balance sheet and will be reviewed annually for impairment. Valuations are based on the value provided by the artist where available or the best estimate of value by the internal Royal Academy curators. Other gifts this year include a painting by Albert Irvin RA, gifted from his estate.

The Acquisitions and Disposals Policy is available for review on the Royal Academy's website www.royalacademy.org.uk.

Preservation

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

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

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

The Royal Academy of Arts

Notes to the financial statements

For the year ended 31 August 2018 (continued)

16. Heritage assets (continued)

Collections management

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

The Collection, Library and Archive are designated as collections of national importance as awarded by the Arts Council in 2011. In order to meet the stringent requirements for this award, an extensive list of procedures and policies for the management of the collection, informed by nationally and internationally recognised standards, were approved by Council. These documents can be consulted in the Collections' Office.

Analysis of heritage assets (Group and Royal Academy)	Works of art		
	2018	2017	2016
	£	£	£
Carrying amount at 1 September	391,000	46,000	-
Purchases	-	10,000	-
Gifts	288,000	335,000	46,000
Carrying amount at 31 August	679,000	391,000	46,000

17. Intangible fixed assets

Intangible assets include the Royal Academy's website and intranet development costs, core system software and R.A. Enterprises Limited's ("RAE") Epos, e-commerce and stock management software. Additions during the year of £790,043 (2017: £420,175) relate to the cost of upgrading and reimplementing RAE's Epos, e-commerce and stock management software which was put into service in March 2018, and the Royal Academy's ticketing software. Disposals relate to the retired RAE Epos, e-commerce and stock management software following the upgrade and reimplementation of software in March 2018. The assets are carried at £979,450 (2017: £422,643) and have a remaining amortisation period of between 1 and 3 years (2017: 1 to 3 years). There are no other individually material intangible assets.

a. Group	Software
	£
Cost	
At 31 August 2017	1,257,922
Additions	790,043
Disposals	(248,962)
At 31 August 2018	1,799,003
Amortisation	
At 31 August 2017	835,279
Disposals	(248,962)
Charge for the year	233,236
At 31 August 2018	819,553
Net book value	
At 31 August 2018	979,450
At 31 August 2017	422,643

b. Royal Academy	Software
	£
Cost	
At 31 August 2017	876,325
Additions	382,737
At 31 August 2018	1,259,062
Amortisation	
At 31 August 2017	594,800
Charge for the year	138,959
At 31 August 2018	733,759
Net book value	
At 31 August 2018	525,303
At 31 August 2017	281,525

The Royal Academy of Arts

Notes to the financial statements

For the year ended 31 August 2018 (continued)

18. Tangible fixed assets

a. Group	Building improvements	Assets in course of construction	Motor vehicles	Fixtures, fittings and equipment	Total
	£	£	£	£	£
Cost					
At 31 August 2017	15,566,460	52,396,595	36,944	13,802,504	81,802,503
Additions	554,915	16,743,936	21,685	542,735	17,863,271
Reclassifications	6,728,511	(17,536,230)	-	10,807,719	-
Transfers to 6 Burlington Gardens	-	(49,611,984)	-	-	(49,611,984)
Disposals	(527,153)	-	-	(177,856)	(705,009)
At 31 August 2018	22,322,733	1,992,317	58,629	24,975,102	49,348,781
Depreciation					
At 31 August 2017	3,636,876	-	29,027	6,707,364	10,373,267
Disposals	(441,985)	-	-	(177,856)	(619,841)
Charge for the year	1,394,052	-	7,409	2,357,913	3,759,374
At 31 August 2018	4,588,943	-	36,436	8,887,421	13,512,800
Net book value					
At 31 August 2018	17,733,790	1,992,317	22,193	16,087,681	35,835,981
At 31 August 2017	11,929,584	52,396,595	7,917	7,095,140	71,429,236

b. Royal Academy	Building improvements	Assets in course of construction	Motor vehicles	Fixtures, fittings and equipment	Total
	£	£	£	£	£
Cost					
At 31 August 2017	15,304,049	52,396,595	36,944	13,385,465	81,123,053
Additions	334,436	16,743,936	-	538,050	17,616,422
Reclassifications	6,728,511	(17,536,230)	-	10,807,719	-
Transfers to 6 Burlington Gardens	-	(49,611,984)	-	-	(49,611,984)
Disposals	(306,674)	-	-	(177,856)	(484,530)
At 31 August 2018	22,060,322	1,992,317	36,944	24,553,378	48,642,961
Depreciation					
At 31 August 2017	3,374,472	-	29,027	6,292,402	9,695,901
Disposals	(221,506)	-	-	(177,856)	(399,362)
Charge for the year	1,173,573	-	5,000	2,356,771	3,535,344
At 31 August 2018	4,326,539	-	34,027	8,471,317	12,831,883
Net book value					
At 31 August 2018	17,733,783	1,992,317	2,917	16,082,061	35,811,078
At 31 August 2017	11,929,577	52,396,595	7,917	7,093,063	71,427,152

c. 6 Burlington Gardens (Freehold property)	6 Burlington Gardens
	£
Cost	
At 31 August 2017	14,470,064
Transfers from assets in course of construction	49,611,984
At 31 August 2018	64,082,048

In the opinion of the trustees, based on a valuation as at 31 August 2018 by an independent third party, the current open market value of the Royal Academy's interest in 6 Burlington Gardens exceeds the book value by approximately £11.0m. The Royal Academy would have no liability to taxation if the asset was sold at open market value.

The Royal Academy of Arts Notes to the financial statements For the year ended 31 August 2018 (continued)

19. Investments

The Royal Academy holds investments in subsidiaries at cost of £108 (2017: £108). The Royal Academy and Group hold no investments at market value (2017: £nil).

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

Movement in market value of investments:	2018	2017
	£	£
Market value of investments at 1 September	-	35,657
Disposals	-	(35,219)
Realised losses	-	(438)
Market value of investments at 31 August	-	-

20. Stock

	Group		Royal Academy	
	2018	2017	2018	2017
	£	£	£	£
Finished goods and goods for resale	1,057,667	728,545	-	-
Artist donated artworks for resale	265,000	270,000	-	-
Total	1,322,667	998,545	-	-

21. Debtors

	Group		Royal Academy	
	2018	2017	2018	2017
	£	£	£	£
Trade debtors	1,402,492	2,077,744	292,566	900,761
Royal Academy related entities	-	-	1,888,951	1,286,483
Taxation	1,269,584	1,487,719	1,269,584	1,487,719
Staff loans	43,709	55,100	43,709	55,100
Sundry debtors	527,402	1,451,266	330,077	1,291,601
Prepayments and deferred expenditure	1,583,523	1,225,715	1,293,802	1,036,637
Total	4,826,710	6,297,544	5,118,689	6,058,301

The Royal Academy of Arts Notes to the financial statements For the year ended 31 August 2018 (continued)

22. Creditors - amounts falling due within one year

	Group		Royal Academy	
	2018	2017	2018	2017
	£	£	£	£
Bank loan	219,600	219,600	219,600	219,600
Revolving credit facilities	5,000,000	5,000,000	5,000,000	5,000,000
Trade creditors	1,468,320	2,517,912	1,168,332	2,107,277
Royal Academy related entities	-	-	5,176	107,526
The Friends of the Royal Academy	105,863	157,955	77,224	157,499
Royal Academy Development Trust	183,641	275,703	147,514	77,230
Taxation and social security	633,871	461,351	375,515	334,403
Sundry creditors	1,303,391	1,585,391	1,273,768	1,486,809
Accruals	3,813,820	4,282,740	3,660,862	4,113,778
Deferred income (i)	2,694,768	2,717,021	1,932,043	2,173,642
Total	15,423,274	17,217,673	13,860,034	15,777,764

A Masterplan Revolving Credit Facility of £5.0m was taken out in May 2017 to manage working capital requirements in relation to the Burlington Project. The facility is available for a period of five years and can be drawn down in advances with a minimum value of £0.5m. Each advance is repayable after three months; at the end of the three month period the advance can either be rolled over for another three month period or repaid. As at 31 August 2018 this facility was fully drawn down (2017: same).

An Operating Revolving Credit Facility of £2.5m was taken out in March 2018 to manage operating working capital requirements. This facility is also available for a period of five years and can be drawn down in advances with a minimum value of £0.15m. Similarly, each advance is repayable after three months; at the end of the three month period the advance can either be rolled over for another three month period or repaid. As at 31 August 2018, this facility had not been drawn down.

i. Deferred income in 2018 includes ticket sales and sponsorship income for exhibitions in the next financial year, including Oceania, Renzo Piano and Klimt / Schiele; and income for Ai Weiwei flowers and catalogues donated still to be sold and is analysed as follows:

	Brought forward	Amount added	Amount released	Carried forward
	£	£	£	£
Deferred income 2018	2,717,021	2,429,768	(2,452,021)	2,694,768
Deferred income 2017	1,512,211	2,447,021	(1,242,211)	2,717,021

23. Creditors - amounts falling due after more than one year

	Group		Royal Academy	
	2018	2017	2018	2017
	£	£	£	£
Sundry creditors	2,000,000	-	2,000,000	-
Bank loan	1,261,123	1,480,723	1,261,123	1,480,723
Unsecured loan	10,000,000	10,000,000	10,000,000	10,000,000
Total	13,261,123	11,480,723	13,261,123	11,480,723

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

Unsecured loan	10,000,000	10,000,000	10,000,000	10,000,000
Bank loan repayable by instalments	382,723	602,323	382,723	602,323
Total	10,382,723	10,602,323	10,382,723	10,602,323

Sundry creditors relate to amounts falling due to a supplier in 2019 and 2020.

The bank loan was taken out in 2009 and is repayable in instalments by 2025. Interest of £28,176 (2017: £34,236) was charged in the year.

In December 2014, the company entered into an unsecured £10.0m loan facility agreement. This amount was advanced in December 2014 and is repayable in ten instalments of £1.0m each from 2035 until 2044, and has a fixed rate of interest of 4.21% p.a. This facility is being used to fund exceptional operating costs during the Burlington Project construction phase and the continuing plant upgrade/renewal programme for conditioning the Burlington House galleries. Interest of £421,000 (2017: £421,000) was charged in the year. The company remains compliant with its various loan covenants.

The Royal Academy of Arts
Notes to the financial statements
For the year ended 31 August 2018 (continued)

24. Analysis of net assets by fund

a. Group	Restricted		Designated		Unrestricted		Total
	Burlington Project	Other Funds	Burlington Project	General funds	General funds	Pension reserve	
	£	£	£	£	£	£	£
Heritage assets	-	679,000	-	-	-	-	679,000
Intangible assets	-	-	-	-	979,450	-	979,450
Tangible assets	1,567,520	-	-	-	98,350,509	-	99,918,029
Current assets	2,139,496	163,017	-	106,039	5,080,322	-	7,488,874
Current liabilities	(150,203)	-	-	-	(15,273,071)	-	(15,423,274)
Long term liabilities	-	-	-	-	(13,261,123)	-	(13,261,123)
Pension asset	-	-	-	-	-	5,948,000	5,948,000
Total	3,556,813	842,017	-	106,039	75,876,087	5,948,000	86,328,956

b. Royal Academy	Restricted		Designated		Unrestricted		Total
	Burlington Project	Other Funds	Burlington Project	General funds	General funds	Pension reserve	
	£	£	£	£	£	£	£
Investments	-	-	-	-	108	-	108
Heritage assets	-	679,000	-	-	-	-	679,000
Intangible assets	-	-	-	-	525,303	-	525,303
Tangible assets	1,567,520	-	-	-	98,325,606	-	99,893,126
Current assets	2,139,496	163,017	-	106,039	3,989,224	-	6,397,776
Current liabilities	(150,203)	-	-	-	(13,709,831)	-	(13,860,034)
Long term liabilities	-	-	-	-	(13,261,123)	-	(13,261,123)
Pension asset	-	-	-	-	-	5,948,000	5,948,000
Total	3,556,813	842,017	-	106,039	75,869,287	5,948,000	86,322,156

The Royal Academy of Arts
Notes to the financial statements
For the year ended 31 August 2018 (continued)

25. Analysis of funds

a. Group	Opening funds	Transfers	Income	Expenditure	Other gains	Closing funds
	£	£	£	£	£	£
Restricted funds:						
Other funds	445,212	-	3,542,379	(3,145,574)	-	842,017
Burlington Project	37,770,500	(40,320,714)	6,107,027	-	-	3,556,813
Total restricted funds	38,215,712	(40,320,714)	9,649,406	(3,145,574)	-	4,398,830
Unrestricted funds:						
Burlington Project (designated)	5,353,684	(8,634,407)	3,759,939	(479,216)	-	-
General funds (designated)	138,039	-	20,000	(52,000)	-	106,039
General funds	30,149,705	48,369,121	35,411,814	(38,520,212)	465,659	75,876,087
Pension reserve	3,009,000	586,000	-	-	2,353,000	5,948,000
Total unrestricted funds	38,650,428	40,320,714	39,191,753	(39,051,428)	2,818,659	81,930,126
Total funds	76,866,140	-	48,841,159	(42,197,002)	2,818,659	86,328,956

b. Royal Academy	Opening funds	Transfers	Income	Expenditure	Other gains	Closing funds
	£	£	£	£	£	£
Restricted funds:						
Other funds	445,212	-	3,542,379	(3,145,574)	-	842,017
Burlington Project	37,770,500	(40,320,714)	6,107,027	-	-	3,556,813
Total restricted funds	38,215,712	(40,320,714)	9,649,406	(3,145,574)	-	4,398,830
Unrestricted funds:						
Burlington Project (designated)	5,353,684	(8,634,407)	3,759,939	(479,216)	-	-
General funds (designated)	138,039	-	20,000	(52,000)	-	106,039
General funds	30,142,905	48,369,121	35,411,814	(38,520,212)	465,659	75,869,287
Pension reserve	3,009,000	586,000	-	-	2,353,000	5,948,000
Total unrestricted funds	38,643,628	40,320,714	39,191,753	(39,051,428)	2,818,659	81,923,326
Total funds	76,859,340	-	48,841,159	(42,197,002)	2,818,659	86,322,156

Burlington Project - Phase I was completed in 2018, with all Burlington Project - Phase I restricted and designated funds being transferred to unrestricted funds as specific identifiable assets were brought into service and as such, the restrictions on these funds have been satisfied. The remaining restricted funds are in respect of later phases and other projects forming part of the overall Burlington Project.

Other restricted funds include donations of £839,807 (2017: £841,447) received from the Royal Academy Development Trust, other donations of £2,563,456 (2017: £1,901,153) and grants of £139,116 (2017: £147,996) received for specific and general activities as disclosed in notes 5 and 6 respectively. Any unused funds received from the Royal Academy Development Trust in the year have been donated back to the Royal Academy Development Trust. The remaining balance in restricted funds relates to the Swanston bequest (£24,564 (2017: £49,128)); the Royal Academy architecture awards (£17,260 (2017: £nil)); the Hambro Summer Exhibition Online project (£49,834 (2017: £nil)); the artist in residence exchange programme (£66,275 (2017: £nil)); the ongoing Library project (£5,084 (2017: £5,084)) and heritage assets (£679,000 (2017: £391,000)).

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

The Royal Academy architecture awards were established in 2018 from a donation of £60,000; a further donation of £255,000 has been pledged and will be received in 2019. The awards take place annually for five years and the monies are being used towards the management and running costs of the Royal Academy architecture awards, including architecture awards week where the winner of the Royal Academy Architecture Prize and the finalists for the Royal Academy Dorfman Award come to London from around the world to partake in a week of events and activities and receive their prizes. £10,000 of the money is given to the winner of the Royal Academy Dorfman Award each year. The first Royal Academy architecture awards were held in 2018.

The Hambro Summer Exhibition online project was established in 2018 from a donation of \$67,620 (£51,516). The project relates to the creation of an online exhibition for children which will go live in 2019.

The artist in residence exchange programme was established in 2018 with a donation of £80,000 to be used towards the costs of an artist exchange programme between students of the Royal Academy Schools and the K11 Art Foundation ("KAF") in China. A Chinese artist was in residence at the Royal Academy from July 2018 to September 2018. The remaining funds will be spent in 2019.

The general designated funds relate to a legacy of £88,039 received in 2017 designated by Council in support of the study and research in art and architecture to the Royal Academy Schools; and a legacy of £20,000 received in 2018 designated as an annual travel prize of £2,000 for students of the Royal Academy Schools, the first prize was awarded in 2018. It is anticipated that the former will be spent over a period of five years, the latter over a period of 10 years.

The Royal Academy of Arts

Notes to the financial statements

For the year ended 31 August 2018 (continued)

26. Administered funds

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

These funds consist of the following:

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

	2018	2017
	£	£
Income from investments	30,318	67,924
Expenditure	(64,094)	(52,817)
Net gains on investments	209,498	343,260
Net income	175,722	358,367
Total funds brought forward	3,934,552	3,576,185
Total funds carried forward	4,110,274	3,934,552

Represented by:

Investments	3,722,232	3,772,734
Cash at bank	67,961	113,744
Debtors	334,922	72,191
Creditors	(14,841)	(24,117)
Total funds	4,110,274	3,934,552

27. Reconciliation of net income to net cash inflow from operating activities

	2018	2017
	£	£
Net income	6,644,157	10,340,555
Heritage asset gifts	(288,000)	(335,000)
Amortisation of intangible assets	233,236	136,246
Depreciation of tangible assets	3,759,374	2,460,414
Loss on disposal of tangible assets	85,168	8,419
Current pension service (income) / costs	(81,000)	115,000
Pension contributions paid	(505,000)	(642,000)
(Increase) / decrease in stock	(324,122)	142,030
Decrease / (increase) in debtors	1,936,493	(1,515,487)
Increase in creditors	205,601	3,536,194
Interest paid	442,410	467,824
Interest received	(18,175)	(198,752)
Net losses on investments	-	438
Net cash provided by operating activities	12,090,142	14,515,881

The Royal Academy of Arts

Notes to the financial statements

For the year ended 31 August 2018 (continued)

28. Pension costs

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

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

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

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

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

A full actuarial valuation of the Scheme was carried out as at 31 August 2016 and has been updated to 31 August 2018 by a qualified independent actuary. The next full actuarial valuation of the Scheme will be as at 31 August 2019.

The value of the liabilities at the reporting date have been estimated by updating the results of the actuarial valuation as at 31 August 2016 to allow for the passage of time, actual inflation experience, benefits paid out of the Scheme and changes in actuarial assumptions over the period from 31 August 2016 to 31 August 2018.

Since June 2006 the Scheme has been closed to new members and closed to future accrual on 30 September 2016.

The major assumptions used by the actuary were (in nominal terms) as follows:	2018	2017
Discount rate	2.70%	2.50%
Inflation assumption (RPI)	3.20%	3.30%
Inflation assumption (CPI)	2.20%	2.30%
Rate of increase in salaries	3.20%	3.30%
Pension increases for service accrued:		
Pre 6 April 1997	2.40%	2.40%
6 April 1997 to 30 September 2006	3.10%	3.20%
Post 30 September 2006	2.10%	2.10%
Assumed life expectancies on retirement at age 60 are:		
Retiring in 2020 - Males	26.7	26.9
Retiring in 2020 - Females	28.8	28.9
Retiring in 2040 - Males	28.3	28.5
Retiring in 2040 - Females	30.4	30.5

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

The assets in the Scheme were:	2018	2017
	£	£
Equities or equivalent	30,784,000	31,143,000
Corporate bonds	4,102,000	2,920,000
Cash	1,774,000	1,284,000
LDI funds	6,400,000	5,842,000
Commodities	-	364,000
Fair value of Scheme assets	43,060,000	41,553,000
Present value of funded obligations	(37,112,000)	(38,544,000)
Surplus in funded Scheme	5,948,000	3,009,000
Net asset in balance sheet	5,948,000	3,009,000

Reconciliation of opening and closing balances of the present value of the defined benefit obligation:	2018	2017
	£	£
Benefit obligation at beginning of year	38,544,000	40,780,000
Current service cost	-	48,000
Interest cost	955,000	846,000
Contributions by Scheme participants	-	7,000
Actuarial gains	(1,670,000)	(2,163,000)
Benefits paid	(717,000)	(974,000)
Benefit obligation at end of year	37,112,000	38,544,000

The Royal Academy of Arts

Notes to the financial statements

For the year ended 31 August 2018 (continued)

28. Pension costs (continued)

Reconciliation of opening and closing balances of the fair value of Scheme assets:	2018	2017
	£	£
Fair value of Scheme assets at beginning of year	41,553,000	37,258,000
Interest income on Scheme assets	1,036,000	779,000
Return on assets, excluding interest income	683,000	3,841,000
Contributions by employer	505,000	642,000
Contributions by Scheme participants	-	7,000
Benefits paid	(717,000)	(974,000)
Fair value of Scheme assets at end of year	43,060,000	41,553,000

The amounts recognised in the SOFA:	2018	2017
	£	£
Service cost - including current service costs, past service costs and settlements	-	48,000
Net interest on the defined benefit pension scheme asset	(81,000)	67,000
Total (income) / expense	(81,000)	115,000

Remeasurement of the defined benefit pension scheme asset	2018	2017
	£	£
Actuarial gains on the liabilities	(1,670,000)	(2,163,000)
Return on assets, excluding interest income	(683,000)	(3,841,000)
Total remeasurement of the defined benefit pension scheme asset	(2,353,000)	(6,004,000)

29. Authorised and contracted capital expenditure

Group and Royal Academy	Total project cost	Assets in service	Assets in course of construction	Authorised but not contracted for	Contracted for	Unauthorised
	£	£	£	£	£	£
Plant upgrades	17,986,205	17,548,675	207,530	230,000	-	-
Minor projects	1,534,074	721,733	217,267	167,000	428,074	-
Burlington Project - Phase II	15,000,000	-	920,188	-	-	14,079,812
Burlington Project - Phase III	5,000,000	-	470,834	-	-	4,529,166
Other Burlington Projects:						
Collections Display	921,679	324,181	176,498	421,000	-	-
Façade and entrance hall	2,000,000	-	-	-	-	2,000,000
Total	42,441,958	18,594,589	1,992,317	818,000	428,074	20,608,978

Burlington Project - Phase II, which is the redevelopment of the Royal Academy Schools, is currently at an early design stage. Total costs of this phase are estimated at £15.0m but further expenditure on this has not been authorised pending further design work and capital fundraising.

Burlington Project - Phase III, which is the redevelopment of the Collection Gallery, is currently at an early design stage. Total costs for this phase are estimated at £5.0m and this has been fully fundraised for and is held in the Royal Academy Development Trust. £0.5m was donated by the Royal Academy Development Trust in the year in respect of costs incurred to date, with the remaining £4.5m held and invested by the Royal Academy Development Trust until required by the Royal Academy.

The façade and entrance hall project is in respect of the restoration and refurbishment of elements of the Burlington House entrance hall including the stairs and the cleaning of the Burlington House façade. This project is at a preliminary design stage but £2.0m has been fundraised towards the cost of this and is included in cash at bank.

The Royal Academy of Arts

Notes to the financial statements

For the year ended 31 August 2018 (continued)

30. Contingent liabilities

The Royal Academy and its subsidiaries had no contingent liabilities as at 31 August 2018 (2017: none).

As noted in the trustees' report, practical completion of the contract with John Sisk & Sons Limited ("Sisk"), the main contractor on the Burlington Project – Phase I, was not awarded until 14 November 2018. Final account negotiations have now commenced but these will not be completed until next year and as such, the final outcome of these negotiations is still to be determined. An estimate for the likely outcome has been provided for in these financial statements.

31. Financial commitments

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

a. Group	Land and buildings	Other	Total 2018	Land and buildings	Other	Total 2017
	£	£	£	£	£	£
Under one year	40,520	440,174	480,694	107,948	379,324	525,072
Two to five years	60,169	1,329,678	1,389,847	100,689	1,381,605	1,576,225
Over five years	-	474,247	474,247	-	774,247	774,247
Total	100,689	2,244,099	2,344,788	208,637	2,535,176	2,875,544

b. Royal Academy	Land and buildings	Other	Total 2018	Land and buildings	Other	Total 2017
	£	£	£	£	£	£
Under one year	40,520	385,976	426,496	107,948	325,126	470,874
Two to five years	60,169	1,212,790	1,272,959	100,689	1,224,919	1,419,539
Over five years	-	474,247	474,247	-	774,247	774,247
Total	100,689	2,073,014	2,173,703	208,637	2,324,292	2,664,660

32. Financial instruments

The financial statements include the following financial instruments at 31 August:

	Group		Royal Academy	
	2018	2017	2018	2017
	£	£	£	£
Financial assets measured at amortised cost	1,973,603	3,584,110	2,555,303	3,533,945
Financial liabilities measured at amortised cost	25,355,758	25,520,024	24,813,599	24,750,442
Financial assets measured at fair value	-	-	108	108

The Royal Academy of Arts

Notes to the financial statements

For the year ended 31 August 2018 (continued)

33. Related party transactions

Those in positions of authority within the Group, including trustees, Council members and directors, use facilities of the Group on the same terms as other Academicians, Friends, Patrons or external customers. This includes access to exhibitions, purchases from shops, Summer Exhibition, and auctions, and also the use of catering facilities. For the year ended 31 August 2018, all transactions with related parties are considered within the scope of normal transactions.

Income of £1,339,820 (2017: £2,328,505) was received from R.A. Enterprises Limited, being a distribution of 100% of their net income for the year. In addition, R.A. Enterprises Limited was recharged salaries of £2,093,578 (2017: £1,831,458) and other expenses of £206,836 (2017: £197,020). At the year end, £1,805,259 (2017: £1,045,705) was owed and included within the Royal Academy's debtors.

Income of £259,081 (2017: £229,197) was received from Burlington House Limited, being a distribution of 100% of their net income for the year. In addition, Burlington House Limited recharged expenses of £14,858 (2017: £173,910). At the year end, £5,176 (2017: £107,526) was outstanding and included within the Royal Academy's creditors.

Income of £1,648,782 (2017: £1,653,890) was received from RA (Arts) Limited, being a distribution of 100% of their net income for the year. In addition, RA (Arts) Limited was recharged salaries of £136,050 (2017: £164,873) and recharged to the Royal Academy expenses of £370,104 (2017: £335,734). At the year end, £83,692 (2017: £240,778) was owed and included within the Royal Academy's debtors.

Income of £11,146,587 (2017: £9,373,060) was received from The Friends of the Royal Academy, being a donation of 100% of their net income for the year. In addition, The Friends of the Royal Academy reimbursed salary and other expenses recharged of £523,778 (2017: £534,659). At the year end, £77,224 (2017: £157,499) was outstanding and included within creditors.

In order to optimise cash management efficiency, the current accounts of the Royal Academy, its subsidiary undertakings and The Friends of the Royal Academy are pooled, such that overnight all cleared debit and credit balances on the current accounts of these entities are set off into a single Royal Academy account. The debtor and creditor balances between each of the entities in this pooling group at the year end in part reflects this pooling arrangement.

During the year, the Royal Academy received income of £4,839,807 (2017: £841,447) from the Royal Academy Development Trust with donations of £3,500,000 to Phase I and £500,000 to Phase III of the Burlington Project, with further donations to support various campaigns and projects undertaken. Expenditure of £31,454 (2017: £20,462) relates to the donation of funds to be held in investments by the Royal Academy Development Trust, designated for the Royal Academy. At the year end, £147,514 (2017: £77,230) was outstanding and included within the Royal Academy's creditors.

The trustees donated a total of £4,500 (2017: £20,000) to the Royal Academy during the year. Of these amounts £2,500 (2017: £20,000) was donated towards the Burlington Project - Phase I and £2,000 (2017: £nil) was free from any conditions.

**The Royal
Academy has been
championing art and
artists for 250 years.
To celebrate our
anniversary we have
expanded our campus
to fulfil that mission
like never before.**