

**THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA  
A COMPANY LIMITED BY GUARANTEE**

**REPORT OF THE GOVERNORS**

**AND**

**ANNUAL ACCOUNTS**

**FOR THE YEAR ENDED 31 JULY 2010**

**Company Registration No. 4703**

**THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA  
A COMPANY LIMITED BY GUARANTEE**

**REPORT AND ANNUAL ACCOUNTS  
FOR THE YEAR ENDED 31 JULY 2010**

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## **OFFICE BEARERS**

Patron	His Royal Highness The Prince Charles, Duke of Rothesay
President	Sir Cameron Mackintosh FRSAMD
Vice President	The Right Honourable Lord Gill FRSAMD
Chairman of Governors	Lord Vallance of Tummel
Principal	Professor John Wallace OBE FRSAMD
Secretary	Alan Smith
Registered Office	100 Renfrew Street Glasgow G2 3DB

# THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA A COMPANY LIMITED BY GUARANTEE

## REPORT OF THE GOVERNORS

The Governors present their report together with the accounts for the year ended 31 July 2010.

### ***Constitution***

The Royal Scottish Academy of Music and Drama is a company having a share capital limited by guarantee with a Company Registration No. 4703. It was incorporated as the Glasgow Athenaeum in December 1900, having been established in 1847 to provide further education for adults in the fields of commerce, science and the arts. It is now an institution of Higher Education and was awarded Degree Awarding Powers by the Privy Council on 13 May 1994.

The terms of the constitution, membership, powers and proceedings of the Board of Governors are set down in the Memorandum and Articles of Association as varied by, and in conformity with the provisions of, The Royal Scottish Academy of Music and Drama (Scotland) Order of Council 1995.

The Academy is recognised by HMRC as a charity and is registered with the Office of the Scottish Charity Regulator – No SC015855.

### ***Principal activity***

The mission of the Academy is to create in Scotland the international centre of excellence and innovation for learning, teaching and research in performance, in which quality of student experience is paramount.

The 5 strategic aims underpinning the Academy's strategy are as follows:

- 1. To create a relevant, contemporary and flexible learning experience for our students which will transform them into effective, resourceful and creative arts practitioners.*
- 2. To attract a diverse range of applicants and students of the highest quality to all of the Academy's programmes - from pre-HE to PhD - from Scotland, the UK and internationally.*
- 3. To attract and retain the best people and to improve effectiveness in every aspect of our business, including entrepreneurship and income generation, making us internationally competitive with the best in the world.*
- 4. To develop partnerships which will enrich our artistic and academic activities; enhance the student experience; improve our operational effectiveness and, as a consequence, develop our national and international profile and reputation.*
- 5. To enhance internal and external communication thereby capitalising upon our successes and engendering support and understanding internally and externally – nationally and internationally.*

# THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA A COMPANY LIMITED BY GUARANTEE

## *Operating and Financial Review*

### **Overview**

Reflecting the extent of its ambition, the Academy's previous strategic plan, Investing in Creativity, covered the period up until 2013. This past year has been one of significant advancement for the Academy on a number of fronts with many of the key strategic objectives outlined in 'Investing in Creativity' achieved or coming to fruition as detailed in the sections below. As from next year the Academy will revert to a three-year planning cycle, with a new plan, 'Building on Success', reflecting the rapidly changing environment.

### **Results for the year**

2009-10 saw an enhancement to the recurrent funding for the Academy through a new stream of income from the Scottish Funding Council's Horizon Fund which also encompassed the establishment of a Scottish Drama Training Network (SDTN) on which the Academy leads. The Network already has three other partner institutions: Edinburgh Napier University, Queen Margaret University and Sabhal Mor Ostaig.

Due to a shortfall in reaching budgeted numbers of overseas students and achieving revenue targets from sponsorship and donations the generation of an operating surplus for the year required tight control of expenditure. Departmental budgets have been closely monitored throughout the year and, as a result, the shortfall in income has been more than offset by savings in expenditure to produce a surplus for the year of £360,000 (2009: a deficit of £461,000) which has exceeded the original budget target of £173,000. At the year end there was no long term debt on the Academy's Balance Sheet and bank and cash at 31 July 2010 amounted to £1,857,000 (2009: £1,931,000).

Against the background of a modest funding settlement and increasing cost pressures, a budget surplus of £300,000 has been set for 2010-11.

Looking beyond the coming year to the prospect of significant reductions in public expenditure from 2011-12 the Board of Governors has established a Financial Sustainability Group. The Sustainability Group is an *ad hoc* group of the Board comprising three lay Governors. Its role is to help assure the Board that the Academy Executive puts in place plans to secure the Academy's sustainability by developing operating capacity for efficiency, productivity and thrift in the Academy's operations.

An income generation group is also being established to explore options to develop new sources of income for the Academy.

### Summary of investment performance

The Academy's investments are managed on a discretionary basis by a professional stockbroker and the performance is measured against an agreed benchmark and regularly monitored on behalf of the Board by the Finance Committee. During the year the portfolios recovered when compared with the previous year-end albeit starting from a low base point. The total return for the year across the managed portfolio was +16.22% compared with a benchmark of +13.1%. The Board considers this performance to be satisfactory.

# **THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA A COMPANY LIMITED BY GUARANTEE**

## National and International Profile and Status

The commencement of Dance as a core discipline within the Academy has triggered a review of the name of the institution. A number of proposals have been debated internally and a preferred option has emerged. The next stage in the process is a wide-ranging consultation during 2010-11 as required by the Privy Council. This will be an important opportunity for the Academy to establish its unique brand identity within the conservatoire market place.

January 2010 saw the world premiere of the original version of the Prokofiev opera War and Peace which the Academy staged to international acclaim in partnership with the Rachmaninov Conservatoire in Rostov-on-Don and Scottish Opera.

A Memorandum of Understanding with the BBC was signed. The two organisations have agreed to develop and foster artistic collaboration in order to strengthen the links between Scotland's national conservatoire and the BBC (and, in particular, BBC Scotland). In so doing, the collaboration will seek to enhance the reputation of the Royal Scottish Academy of Music and Drama with the professions which it exists to serve and will seek to provide the BBC with access to a vibrant artistic and academic resource.

The School of Drama renewed its partnership with the Citizens' Theatre with a 'Springboard' initiative allowing students and professionals to work together on two joint productions each year.

In October some 60 Academy staff and students accompanied the Glasgow Commonwealth Games delegation to Delhi where they played an integral part in the handover ceremony which enjoyed a worldwide television audience.

The range of International Fellows continues to develop across both Schools. These appointments are regularly reviewed to ensure that they are adding value to the student experience and that the appointees continue to act as ambassadors for the Academy.

Sustainable growth of international student numbers is a key element in the Academy's future plans. A comprehensive marketing and recruitment strategy has been developed during the year and additional resource has been prioritised in order that this can be effectively delivered. This is all the more important as the Academy is not immune to the tightening of UK Borders Agency requirements which are likely to have an adverse impact on recruitment. The possibility of establishing international foundation courses is also being pursued with the University of Glasgow.

The School of Drama celebrates its 60<sup>th</sup> anniversary during 2010-11 and a full programme of events has been scheduled throughout the year which will boost national and institutional profile, provide a platform to showcase new work and engage with alumni and existing and prospective supporters.

## Curricular Activity

The Academy became the only UK conservatoire to offer provision in the full range of performing arts disciplines with the first intake of the new undergraduate programme in Modern Ballet in the autumn of 2009. Additional funded numbers were also provided by the Scottish Funding Council to allow the commencement of undergraduate Musical Theatre and elsewhere Jazz was also formally added to both the undergraduate and postgraduate offerings within the School of Music.

The Masters programmes within the School of Music were re-validated during the year.

## **THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA A COMPANY LIMITED BY GUARANTEE**

The Academy has embarked on a Curriculum Reform across all undergraduate and postgraduate programmes. This is a major undertaking, the aim of which is to exploit to best effect the breadth of activities now happening within the Academy and to ensure that future graduates are well equipped for a career in the increasingly complex performing arts environment of the 21<sup>st</sup> century. The next phase involving detailed work on the academic framework and course content will be undertaken over the course of the coming eighteen months with a view to new programmes commencing in September 2012.

### Quality Enhancement

The formal response to the Enhancement Led Institutional Review in spring 2009 was finalised and submitted to the Quality Assurance Agency during the year. The Academy has benefited from the reflection inherent in the process.

### Research and Enterprise

In the last two Research Assessment Exercises the Academy has submitted only in music. Building on the success of the 2008 submission the research profile in drama is being developed in working towards the next submission in 2013.

### Estates and Infrastructure

Four industrial units were purchased in October 2009 at Speirs Locks, North Glasgow to develop the first phase of the Academy's second campus and the main focus this year has been on the timely delivery of this project. To ensure that the facilities would be available for the commencement of academic year 2010-11 and to accommodate the growth in student numbers, the timescale for this £6M development was extremely tight. Practical completion was achieved by 13<sup>th</sup> September 2010 to time and within budget. The Academy President, Sir Cameron Mackintosh, opened the building officially on 28<sup>th</sup> October 2010. The campus will provide four large rehearsal studios and will house the entire technical teaching and production workshop and storage facilities for props and wardrobe stock.

The Academy is presently in negotiation to acquire additional property at Speirs Locks on which to complete a second phase of the development. A fundraising campaign will be launched in support of the development.

The final component of the current estates strategy is an integrated series of re-development projects within the Renfrew St campus. These projects are being pursued incrementally subject to funding.

The Estates Team has been working with the Student Union to launch a sustainability campaign which seeks to engage the entire Academy community in energy-saving and re-cycling initiatives over the coming year.

### Human Resources

The structure of the Principal's Executive Office including the RSAMD Foundation, the Academy's fundraising arm, was reviewed during the year to ensure that it aligns with the evolving strategic fundraising requirements. An Academy-wide staff satisfaction survey was undertaken and focus groups have been established to analyse the results and assist in addressing the issues raised.

## **THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA A COMPANY LIMITED BY GUARANTEE**

### Equality, Diversity and Widening Participation

The Academy continues to recruit students from schools which are part of the access initiative involving higher education institutions in the West of Scotland (FOCUS West). Of the first year intake of students in 2010 1% came from FOCUS West schools (2009: 5%).

### Access and employment of disabled persons

The Academy's building and facilities are predominantly accessible within the terms of the Disability Discrimination Act and each refurbishment or new development improves the overall level of accessibility.

Applications from disabled persons for employment are always fully considered, the most suitable applicant for a post being selected whether or not that person is disabled. In the event of existing employees becoming disabled every effort is made to ensure that their employment within the academy continues and appropriate adjustments to the workplace and/or work patterns are made along with the provision of relevant training. It is the policy of the Academy that the training, career development and promotion of disabled persons should, as far as possible, provide equal opportunity to those available to other employees.

### Going Concern

As noted in the Operating and Financial Review the Academy has produced an operating surplus for the current year and is forecasting a surplus of a similar level for the coming year. There are currently no borrowings and the liquidity and cash generation position are also outlined in the Review and the cash flow statement. With the likelihood of significant cuts in funding from 2011-12 financial sustainability is foremost in the strategic thinking of the Board. Plans are being formulated to deal with this situation. The Governors believe that the Academy is well placed to manage its business risks successfully despite the current uncertain economic outlook and have a reasonable expectation that the Academy has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### Staff and student involvement

Staff and students are involved at all levels of the formal committee structure of the Academy including the Board of Governors and the Academic Board.

### Payment of creditors

It is the Academy's policy to obtain the best terms for all goods and services. There is thus no single policy as to the terms used. In agreements negotiated with suppliers, the Academy endeavours to include and abide by specific payment terms. The creditors' balance at 31 July 2010 represented 3% of total purchases for the year, equivalent to 12 creditor days. No interest was paid in terms of the Late Payments of Commercial Debts (interest) Act 1998.

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## *Monitoring of Performance*

A range of performance indicators is produced annually to assist the Board of Governors to monitor performance across the range of the Academy's activities. These include:

	%
Student progression/graduation rate (UG/PG all years)	95
2008/09 music undergraduates in employment or further study (based on respondents)	94
2008/09 drama undergraduates in employment or further study (based on respondents)	86

Any underperformance or negative trend in the key performance indicators is considered by the appropriate Academy committee.

The Academy Executive is presently undertaking a review across the range of the Academy's activities with a view to creating a more broadly-based set of indicators with which to monitor performance and report progress towards the achievement of strategic objectives to the Board.

### Student enrolments and applications

Enrolments		2009-10	2008-09
School of Music	Full-time students (including BEd)	456	449
	Part-time students	18	19
	Research students	15	12
	Youthworks students	910	1,086
School of Drama	Full-time students	305	289
	Research students	-	2
	Youthworks students	<u>920</u>	<u>812</u>
		<u>2,624</u>	<u>2,669</u>

The number of applications for full-time courses commencing in the academic year 2009-10 was 2,162 (2008-09: 1,953). The overall ratio of applicants to places was 6:1 (2008-09: 6:1).

### ***Honorary doctorates of the Royal Scottish Academy of Music and Drama***

The following received honorary doctorates during the academic session 2009-10

#### Doctor of Music

Margaret Bennett  
Martin Taylor

#### Doctor of Drama

Jackie Kay  
Francis Reid  
Oliver Stone

# THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA A COMPANY LIMITED BY GUARANTEE

## **Governors**

The Governors set out in the table below have held office during the whole of the period from 1 August 2009 to the date of this report unless otherwise stated:-

### *External Core Governors*

Lord Vallance of Tummel (Chairman)  
Sir Sandy Crombie (Vice Chairman)  
Vicky Featherstone  
Thomas Gilchrist  
Lady Joyce Goodwin  
Professor Niall Lothian  
Bridget McConnell (Vice Chairman)  
Eileen Mackay  
Sir Brian McMaster  
James Miller  
Philip Oppenheim  
Jean Urquhart

### *Core Governors ex officii*

The Principal, Professor John Wallace OBE FRSAMD  
The President, Students' Union, Christopher Hann (to 2 July 2010)  
Stephen Phillips (from 2 July 2010)

### *Staff Governors-elected*

Professor Maggie Kinloch (Academic Board)  
Rose-Anne Healy (Non-Academic Staff)  
Hugh Hodgart FRSAMD (Academic Staff) (to 31 December 2009)  
Gordon Munro (from 29 January 2010)

### *Co-opted Governors*

Chris Gorman OBE  
Louise Mitchell  
Donald Runnicles OBE (appointed 30 October 2009)  
Norman Sharp OBE (appointed 30 October 2009)

## **Directors' and Officers' liability insurance**

The Academy has arrangements for directors' and officers' liability insurance cover.

## **Governors' interests**

The Chairman holds 205 shares ex-officio. The Memorandum and Articles prohibit payment of any dividend on the shares, prohibit any distribution to the shareholders in the event of a liquidation and require the Chairman to vote in accordance with the wishes of the Governors on certain matters. The Academy maintains a register of governors' interests and a register of gifts to governors and staff.

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***Fixed assets***

The fixed asset movements for the year are detailed in Note 10 to the Accounts.

***Auditors***

In accordance with Section 485 of the Companies Act 2006 a resolution for the re-appointment of Grant Thornton UK LLP as auditors of the Academy is to be proposed at the forthcoming annual general meeting.

APPROVED BY THE GOVERNORS ON 29 OCTOBER 2010  
AND SIGNED ON THEIR BEHALF BY

Lord Vallance of Tummel  
Chairman

# THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA A COMPANY LIMITED BY GUARANTEE

## CORPORATE GOVERNANCE STATEMENT

The Royal Scottish Academy of Music and Drama is committed to exhibiting best practice in all aspects of corporate governance. This statement summarises the manner in which the Academy has applied the principles set out in the Combined Code on Corporate Governance issued by the London Stock Exchange in 2008. The Academy is fully compliant with the code as far as it applies to Higher Educational Institutions with the exception of section A1.2 regarding the disclosure of individual attendance by Governors at Board and committee meetings. In serving this academic institution individual Board members give of their time voluntarily and contribute greatly to the furtherance of the work of the Academy in a variety of ways that are not necessarily reflected through attendance at meetings. The Board is therefore of the view that it is inappropriate to disclose this information. The Board of Governors has adopted a Code of Practice for the Conduct of Public Business which sets out the corporate and individual responsibilities of Governors; the procedures for their appointment, induction and training; the role of the Chairman, Principal (as Designated Officer) and Secretary; guidelines for conflicts of interest and procedures for matters related to openness, whistle blowing and independent review.

The Academy is supportive of the principles embodied in the Guide for Members of Higher Education Governing Bodies in the UK issued by the Committee of University Chairmen in November 2004. The Board is presently undertaking a review of the provisions with a view to increasing the level of compliance.

Details of the Governors are set out on page 9.

The Board consists of

1. lay members with proven experience in industrial, commercial or employment matters or the practice of any profession
2. Governors ex officio – the Principal, the Director of one of the schools and the President of the Students' Union
3. a Governor appointed by the Academic Board, a Governor elected by academic staff and a Governor elected by a non-academic staff
4. Governors who have experience of local government, education and other relevant sectors may be co-opted.

The Board elects the Chairman and Vice-Chairmen from those in category 1 above.

The business of the company is overseen by the Board of Governors who may exercise all the powers of the company. The statement of Governors' responsibilities for preparing the accounts is set out on pages 14 and 15.

The Board may delegate any of its powers to any committee of one or more Governors. The functions of the Board of Governors relating to the overall planning, co-ordination, development and supervision of the academic work of the Academy are delegated to the Academic Board. The Board of Governors is responsible for the Academy's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve its business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

In respect of its strategic and development responsibilities the Governing Body receives recommendations and advice from the Strategy Committee and holds an annual off-site meeting to discuss the key issues.

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The Board meets four times per year and has several committees, membership of which is listed of page 41. All of these committees are formally constituted with terms of reference. Four of these committees are particularly important in ensuring that the Academy follows the code of Best Practice.

The **Finance Committee** inter alia recommends to the Governing Body the Academy's annual revenue and capital budgets and monitors performance in relation to the approved budgets. The membership comprises the Chairman of the Board of Governors, Principal and five lay Governors.

The **Remuneration Committee** is responsible for reviewing and advising on the remuneration levels and terms and conditions of employment of Senior Management. The membership comprises the Chairman of the Board of Governors, one of the Vice-Chairmen and two lay Governors experienced in employment matters.

The **Nominations Committee** receives and considers proposals from any source and makes recommendations to the Board of Governors. The current membership consists of the Chairman, Principal and two lay Governors.

The **Audit Committee** was established by the Board of Governors to ensure the effective discharge of its duties in respect of:

- proper financial management
- the effectiveness of the internal control and management systems
- safeguarding the Academy's assets
- the economy, efficiency and effectiveness of the Academy's activities
- corporate governance and the conduct of the Academy's operations
- the audit needs analysis
- risk management systems

It is responsible to the Board of Governors for reviewing and advising on the appointment, fees, scope and effectiveness of internal and external auditors, for receiving their reports and discussing appropriate action with senior management and the Board of Governors in relation to the effectiveness of the Academy's financial and other control systems and for ensuring that value for money is achieved and that risk management systems are in place. The Committee reviews relevant reports from the Scottish Funding Council-Governance and Management: Appraisal and Policy department and the National Audit Office. The Committee advises the Governing Body on its compliance with corporate governance requirements and good practice guidance.

The current membership of the Committee consists of two lay Governors who are not members of the Finance Committee and one lay Governor who may be a member but not the Convenor of the Finance Committee. The Convenor of the Finance Committee is in attendance. Whilst the Company Secretary attends meetings of the Audit Committee, he is not a member of the Committee. Once a year the Committee formally meets with the external auditor and the internal auditor for independent discussions.

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***Risk Control***

During the year the Academy continued to refine the risk register, which is prioritised in terms of the overall net impact each identified risk has on the achievement of the business objectives of the institution. The risk register is regularly reviewed by the Risk Management Group and by the Audit Committee. The Senior Management Team also reviews the risk register on a regular basis to ensure that there is appropriate linkage with the strategic planning process.

New areas of risk and/or weaknesses identified by the Risk Management Group, which reports through the Audit Committee to the Board of Governors, have been addressed. Where opportunities to enhance further the control environment have been identified, appropriate action has been defined and completion dates scheduled, so that progress may be monitored.

There is an on-going process for identifying, evaluating and managing the significant risks faced by the Academy that has been in place for the year under review and up to the date of approval of these financial statements. The process is regularly reviewed and accords with the guidance in the Accounts Direction for Scottish Higher Education Institutions for 2009-10.

The on-going review of risk and associated controls was compliant with the terms of the Turnbull Report.

Membership of the Risk Management Group includes the Senior Management Team. In October each year the Board of Governors receives an Annual Report, forwarded through the Audit Committee, which details changes in the control environment.

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## RESPONSIBILITIES OF THE GOVERNORS

In accordance with the Companies Act 2006 and the Financial Memorandum with the Scottish Funding Council, the Governors are responsible for the administration and management of the affairs of the Royal Scottish Academy of Music and Drama, including ensuring an effective system of internal control, and are required to present audited accounts for each financial year which disclose a true and fair view of the state of affairs of the Academy and of the surplus or deficit and cash flows for that year.

The Governors are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Academy and which enable them to ensure that the accounts are prepared in accordance with the Companies Acts, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and other relevant accounting standards.

In causing the accounts to be prepared, the Governors have ensured that:-

- \* suitable accounting policies are selected and applied consistently
- \* judgements and estimates are made that are reasonable and prudent
- \* applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts
- \* accounts are prepared on a going concern basis unless it is inappropriate to presume that the Academy will continue in operation. The Governors are satisfied that the Academy has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the accounts.

The Governors have taken reasonable steps to:-

- \* ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe
- \* ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- \* safeguard the assets of the Academy and hence to take reasonable steps to prevent and detect fraud and other irregularities
- \* secure the economical, efficient and effective management of the Academy's resources and expenditure and
- \* ensure sound corporate governance and the proper conduct of the Academy's operations

The key elements of the Academy's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- \* clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;

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- \* a comprehensive short and medium-term planning process, supplemented by detailed annual income, expenditure and capital budgets;
- \* regular reviews of key performance indicators and business risks and financial results involving variance reporting and updates of forecast outturns;
- \* clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board of Governors;
- \* comprehensive financial regulations, detailing financial controls and procedures, approved by the Audit Committee and Finance Committee;
- \* a firm of Chartered Accountants offering internal audit services, whose annual programme is approved by the Audit Committee and endorsed by the Board of Governors, provides the Board of Governors with a report on the internal audit activity within the Academy and an opinion on the adequacy and effectiveness of the Academy's system of internal controls, including internal financial control.

Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

### **Statements as to disclosure of information to auditors**

The Governors have taken all the necessary steps to make themselves aware, as Governors, of any relevant audit information and to establish that the auditors are aware of that information.

As far as the Governors are aware, there is no relevant audit information of which the company's auditors are unaware.

Lord Vallance of Tummel  
Chairman

**29 October 2010**

# **THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA A COMPANY LIMITED BY GUARANTEE**

## **Report of the independent auditors to the Board of Governors of the Royal Scottish Academy of Music and Drama**

We have audited the financial statements of the Royal Scottish Academy of Music and Drama (the Academy) for the year ended 31 July 2010 which comprise the income and expenditure account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the governing 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 governing body those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Governors for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Board of Governors and auditors**

The Board of Governor's responsibilities for preparing the Report of the Governors and the financial statements in accordance with the Accounts Direction issued by the Scottish Funding Council, the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Responsibilities on pages 14 and 15.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and the International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Accounts Direction and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education and have been prepared in accordance with the Companies Act 2006.

We also report to you whether income from the Scottish Funding Council, other grants and income for specific purposes and from other restricted funds administered by the Academy have been properly applied only for the purposes for which they were received. In addition, we report to you whether, in all material respects, income has been applied in accordance with the statutes and, where appropriate, the financial memorandum with the Scottish Funding Council.

We also report to you our opinion as to whether the information given in the Report of the Governors is consistent with the financial statements.

In addition we also report to you if, in our opinion, the Academy has not kept proper accounting records, if the Academy's financial statements are not in agreement with the accounting records and returns, or if we have not received all the information and explanations we require for our audit.

We read the Report of the Governors and the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements within them or material inconsistencies with the financial statements. We are not required to consider whether the statement of internal control (included as part of the Corporate Governance Statement) covers all risks and controls, or to form an opinion on the effectiveness of the Academy's corporate governance procedures or its risk and control procedures.

### **Basis of opinion**

We have conducted our audit in accordance with the International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the governing body in preparing the financial statements and whether the accounting policies are appropriate to the Academy's circumstances, consistently applied and adequately disclosed.

We planned and have performed our audit so as to obtain all the information and explanations we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or

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other irregularity or error. In forming our opinion we have also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Academy as at 31 July 2010 and of the surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 2006, the Accounts Direction issued by the Scottish Funding Council and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education;
- the information given in the Report of the Governors is consistent with the financial statements;
- in all material respects, income from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the Academy during the year ended 31 July 2010 have been applied for the purposes for which they were received;
- in all material respects, income during the year ended 31 July 2010 has been applied in accordance with the Academy's statutes and, where appropriate, with the financial memorandum with the Scottish Funding Council.

David Barnes FCA  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
GLASGOW  
29 October 2010

**THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA  
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**INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 JULY 2010**

	Note	2010 £'000	2009 £'000
<b>INCOME</b>			
Funding body grants	2	9,281	7,244
Tuition fees and education contracts	3	3,834	3,564
Research grants and contracts	4	8	33
Other income	5	1,439	2,029
Endowment and investment income	6	<u>187</u>	<u>299</u>
<b>Total Income</b>		<b><u>14,749</u></b>	<b><u>13,169</u></b>
<b>EXPENDITURE</b>			
Staff costs	7	9,349	8,715
Other operating expenses	9	4,327	4,205
Depreciation	10	<u>659</u>	<u>635</u>
<b>Total Expenditure</b>		<b><u>14,335</u></b>	<b><u>13,555</u></b>
<b>Surplus/(Deficit) on continuing operations</b>		<b>414</b>	<b>(386)</b>
Transfer to accumulated income in endowment funds	17	<u>(54)</u>	<u>(75)</u>
<b>Surplus/(Deficit) for the year charged to revenue reserves</b>	20	<b><u>360</u></b>	<b><u>(461)</u></b>

The income and expenditure account is in respect of continuing activities.

**THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA  
A COMPANY LIMITED BY GUARANTEE**

**NOTE OF HISTORICAL COST SURPLUS  
FOR THE YEAR ENDED 31 JULY 2010**

	Note	2010 £'000	2009 £'000
Surplus/(Deficit) on continuing operations		414	(386)
Transfer to endowment funds		<u>(54)</u>	<u>(75)</u>
Surplus/(Deficit) for the year credited/(charged) to revenue reserves	20	360	(461)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19	8	8
Transfer from revaluation reserve in respect of stringed instruments removed from tangible assets	10	<u>-</u>	<u>85</u>
Historical cost surplus/(deficit) for the year		<u>368</u>	<u>(368)</u>

**THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA  
A COMPANY LIMITED BY GUARANTEE**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 JULY 2010**

	Note	2010 £'000	2009 £'000
Surplus/(Deficit) on continuing operations		414	(386)
Transfer to endowment funds		<u>(54)</u>	<u>(75)</u>
Surplus/(Deficit) for the year credited/(charged) to revenue reserves	20	360	(461)
Increase in valuation of tangible assets		-	229
Increase in valuation of investments		<u>115</u>	<u>-</u>
		475	(232)
(Decrease)/Increase in endowment and restricted funds	17	<u>(1,209)</u>	<u>2,649</u>
Total recognised (losses)/gains relating to the year		<u>(734)</u>	<u>2,417</u>
Reconciliation			
Opening reserves and endowments		7,819	5,402
Total recognised (losses)/gains relating to the year		<u>(734)</u>	<u>2,417</u>
Closing reserves and endowments		<u>7,085</u>	<u>7,819</u>

**THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA  
A COMPANY LIMITED BY GUARANTEE**

**BALANCE SHEET AS AT 31 JULY 2010**

(Company Registration No. 4703)

	Note	2010 £'000	2009 £'000
Tangible assets	10	27,878	24,205
Investments	11	<u>1,451</u>	<u>1,304</u>
<b>Total fixed assets</b>		<u>29,329</u>	<u>25,509</u>
<b>Endowment assets</b>	12	3,317	4,526
Debtors	13	730	769
Cash at bank and in hand		<u>1,857</u>	<u>1,931</u>
Total current assets		2,587	2,700
<b>Less: Creditors - amounts falling due within one year</b>	14	<u>(5,144)</u>	<u>(1,645)</u>
<b>Net current (liabilities) assets</b>		<u>(2,557)</u>	<u>1,055</u>
<b>Total assets less current liabilities</b>		30,089	31,090
<b>Less: Provisions for liabilities and charges</b>	15	<u>(632)</u>	<u>(640)</u>
<b>NET ASSETS</b>		<u>29,457</u>	<u>30,450</u>
<b>Deferred capital grants</b>	16	22,365	22,624
<b>Endowment funds</b>	17		
Permanent		1,325	1,230
Expendable		<u>1,992</u>	<u>3,296</u>
		3,317	4,526
<b>Share capital</b>	18	7	7
Revaluation reserve	19	855	748
Capital reserve	20	633	605
Revenue reserves	20	<u>2,280</u>	<u>1,940</u>
<b>Total reserves</b>		<u>3,768</u>	<u>3,293</u>
<b>TOTAL</b>		<u>29,457</u>	<u>30,450</u>

The accounts on pages 18 to 40 were approved by the Board of Governors on 29 October 2010 and were signed on its behalf by:

Professor John Wallace  
Designated Officer

A Smith  
Director of Finance

Lord Vallance of Tummel  
Chairman

**THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA  
A COMPANY LIMITED BY GUARANTEE**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 JULY 2010**

	Note	2010 £'000	2009 £'000
Net cash inflow from operating activities	23	1,808	172
Returns on investments and servicing of finance	24	44	120
Capital expenditure and financial investment	25	<u>(1,223)</u>	<u>(184)</u>
Increase in cash in the year	26	<u>629</u>	<u>108</u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	Note	2010 £'000	2009 £'000
Increase in cash in the year and movement in net funds	26	629	108
Net funds at 1 August	26	<u>3,445</u>	<u>3,337</u>
Net funds at 31 July	26	<u>4,074</u>	<u>3,445</u>

**THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA  
A COMPANY LIMITED BY GUARANTEE**

**NOTES TO THE ACCOUNTS  
AT 31 JULY 2010**

**1 ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements:

**a Basis of Accounting**

The accounts have been prepared under the historical cost convention, modified to include investments at market value and the revaluation of certain musical instruments, and in accordance with the requirements of the Companies Act 2006, the Statement of Recommended Practice: Accounting for Further and Higher Education Institutions and applicable accounting standards, so far as these requirements are appropriate.

**b Tangible Fixed Assets**

**1. Land and Buildings**

The Academy's buildings are specialised buildings and therefore it is not appropriate to value them on the basis of open market value. Land and buildings are stated in the balance sheet at cost. Freehold buildings are depreciated over their expected useful economic life to the institution of 100 years. Freehold land is not depreciated.

Where land and buildings are acquired with the aid of specific grants or donations they are capitalised and depreciated as above. The related grants or donations are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Work-in-progress refers to buildings and equipment costs associated with the Speirs Locks Studios development which will be transferred to land and buildings and equipment as appropriate on completion of the project.

**2. Equipment**

Equipment costing less than £10,000 for a related group of items is written off to the income and expenditure account in the year of acquisition. All other equipment is normally capitalised at cost. Capitalised equipment is depreciated over its useful economic life as follows:

TV/Electronic Music Studio	20% per annum
Furniture, Fittings, Fixtures and Equipment	20% per annum

**THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA  
A COMPANY LIMITED BY GUARANTEE**

**NOTES TO THE ACCOUNTS  
AT 31 JULY 2010**

b Tangible Fixed Assets (continued)

3. Musical Instruments

Musical instruments costing less than £2,000 are written off to the income and expenditure account in the year of acquisition. All other musical instruments, with the exception of certain stringed instruments and pianos, are normally capitalised at cost.

Stringed instruments with a value of £2,000 and above have been incorporated at market value as at July 2009 as assessed by Mr Michael Byrd, an external professional valuation expert. There has been no diminution in the overall value of these instruments since the last valuation.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. A revaluation of stringed instruments will be carried out every five years.

Capitalised musical instruments are depreciated over their useful economic life as follows:

Stringed instruments	1% per annum
Other musical instruments	10% per annum

It is not possible to disclose the historical cost and depreciation for the stringed instruments as this relates to donated items, which do not have a cost attached to them.

4. Leased Assets

Costs in respect of operating leases are charged on a straight-line basis over the term of the lease.

5. Assets under construction

Assets under construction are not depreciated until they are completed and brought into use.

c Investments

Listed investments held as fixed assets are shown in the balance sheet at market value. Revaluation surpluses on general investments are carried to general reserves. Revaluation deficits are offset against any previous revaluation surpluses carried forward with any residual deficit being charged to the income and expenditure account. Revaluation surpluses or deficits on endowment asset investments are carried to endowments.

d Liquid Resources

Liquid resources represent sums on short-term deposits with recognised banks.

## **THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA A COMPANY LIMITED BY GUARANTEE**

### **e Provisions**

Provisions are recognised when the institution has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### **f Recognition of Income**

Grants for recurrent expenditure are credited to the income and expenditure account in the year in which they are received. Recurrent grants relating to specific projects are credited to the income and expenditure account in the year in which expenditure is incurred.

Capital grants, special initiative grants and other receipts relating to capital expenditure are credited to deferred capital grants and receipts. An amount is transferred to the income and expenditure account over the estimated useful life of the relevant fixed assets. Receipts relating to expenditure not yet incurred are held as deferred income.

Tuition fee and education contract income is recognised in the year to which it relates.

Income from investments, including tax credits, is recognised on a receivable basis.

General donations which are unrestricted are credited to the income and expenditure account in the year in which they are received. Donations received for a restricted revenue purpose are credited to expendable endowments and released to the income and expenditure account in the year in which the expenditure is incurred or over the number of years specified by the donor. The Academy's Capital Campaign Fund is classified as an expendable endowment which will be transferred to deferred capital grants to match expenditure upon the commencement of the building project. Capital donations received for a restricted purpose are credited to permanent endowments. The investment income from these endowments is credited to the income and expenditure account in the year in which it is earned with any excess over endowment expenditure carried forward as accumulated income within the endowment fund.

### **g Maintenance of Premises**

The Academy has a rolling long-term maintenance plan, which forms the basis of the ongoing maintenance of the estate. The cost of long-term and routine corrective maintenance is charged to the income and expenditure account as incurred.

### **h Pension Costs**

The Academy participates in two defined benefit schemes. Both schemes are available to staff of more than one employer and it is not possible in either case to identify each participating institution's share of the underlying assets and liabilities on a consistent and reasonable basis. Accordingly, the Academy has utilised the provisions of FRS 17 whereby the contributions to each scheme are recognised as if it were a defined contribution scheme. The cost recognised within the Academy's income and expenditure account will be equal to the contribution payable to the schemes for the year.

The schemes are defined benefit schemes which are externally funded and contracted out of the State Earnings-Related Pension Scheme. The Funds are valued by Actuaries, the rates of contribution payable being determined by the trustees on the advice of the Actuaries. Pension costs are assessed on the latest actuarial valuations of the Schemes and are accounted for on the basis of charging the cost of providing pensions over the

**THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA  
A COMPANY LIMITED BY GUARANTEE**

period during which the Institution benefits from the employee's services. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes after making allowances for future withdrawals.

The Academy also provides enhanced pensions to former employees who accepted early retirement and provision is made on an actuarial basis for the liability to those former employees at the time of their retirement.

i Taxation Status

The Academy is a charity within the meaning of the Charities and Trustee Investment (Scotland) Act 2005 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010 and is recorded on the index of charities maintained by the Office of the Scottish Charity Regulator (Charity NO. SC015855). Accordingly the Academy is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

The Academy receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the costs of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

2 FUNDING BODY GRANTS

	2010	2009
	£'000	£'000
SFC		
Recurrent grant for teaching	6,322	5,868
Recurrent grant for Junior Academy	319	313
Specific initiative grants:		
Wider Access retention	35	-
Disabled student premium	52	51
Research Grant - Sistema Project	40	29
STSS Compensation	-	21
Research development foundation	162	42
Research postgraduate grant	99	87
Knowledge Exchange Innovations	1	5
Investing in Creativity Research Grant	-	75
Learning and Teaching Infrastructure Fund	248	29
Stage & Screen Network	1,470	-
Part-time Incentive	6	9
Capital Investment Funding	46	197
Additional Resources	-	66
Employability	15	30
Deferred capital grants released in year: (Including SOEID)		
Buildings (Note 16)	212	212
Equipment (Note 16)	<u>254</u>	<u>210</u>
	<u>9,281</u>	<u>7,244</u>

**THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA  
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**NOTES TO THE ACCOUNTS  
AT 31 JULY 2010**

**3 TUITION FEES AND EDUCATION CONTRACTS**

UK higher education students	557	511
European Union (EU) (excluding UK) students	40	38
Non-EU students	1,133	1,121
UK further education students	<u>975</u>	<u>869</u>
Total fees paid by or on behalf of individual students	2,705	2,539
Higher Education contracts	1,060	950
Other contracts	<u>69</u>	<u>75</u>
Total	<u>3,834</u>	<u>3,564</u>

**4 RESEARCH GRANTS AND CONTRACTS**

	2010 £'000	2009 £'000
Miscellaneous research grants and contracts	<u>8</u>	<u>33</u>

**5 OTHER INCOME**

Income from front of house	218	159
Sundry income	71	62
Increase in market value of investments	50	-
Esmee Fairbairn project	14	-
Scottish Institute for Enterprise grant	5	9
European Funded Projects	14	21
RSAMD Works	26	31
Sponsorship and donations	339	1,231
Rostov Project (EU funded)	123	52
Rent received	-	17
Student residences	470	335
Release of Opera School appeal donations (Note 16)	54	54
FOCUS West project grant	<u>55</u>	<u>58</u>
	<u>1,439</u>	<u>2,029</u>

**6 INVESTMENT AND ENDOWMENT INCOME**

Investment income	38	66
Bank interest	<u>6</u>	<u>54</u>
	44	120
Endowment Income	<u>143</u>	<u>179</u>
	<u>187</u>	<u>299</u>

**THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA  
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**NOTES TO THE ACCOUNTS  
AT 31 JULY 2010**

**7 STAFF COSTS**

The average number of employees during the year expressed as full-time equivalents was:

	2010 Number	2009 Number
Senior management	5	6
Teaching staff	131	125
Teaching support	19	24
Research grants and contracts	2	3
Other support services	14	12
Administration and central services	52	44
Premises	15	14
Other income generating activities	<u>2</u>	<u>2</u>
	<u>240</u>	<u>230</u>

Staff costs for the above persons:

	2010 £'000	2009 £'000
Wages and salaries	7,911	7,286
Social security costs	550	504
Other pension costs (Note 28)	780	753
Other staff costs	<u>108</u>	<u>172</u>
	<u>9,349</u>	<u>8,715</u>

Senior management	499	526
Teaching staff	5,601	5,043
Teaching support	532	695
Research grants and contracts	63	131
Other support services	531	410
Administration and central services	1,715	1,491
Premises	385	389
Other income generating activities	<u>23</u>	<u>30</u>
	<u>9,349</u>	<u>8,715</u>

Governors' salaries (included therein)

Salaries (staff members)	290	286
Pension contributions	<u>42</u>	<u>39</u>
	<u>332</u>	<u>325</u>

The number of Governors accruing benefits under pension schemes during the year was 5 (2009: 5).

**THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA  
A COMPANY LIMITED BY GUARANTEE**

**NOTES TO THE ACCOUNTS  
AT 31 JULY 2010**

7 STAFF COSTS (continued)

The Chairman and other non-staff Governors received no remuneration. The Principal, who is also the highest paid Governor, received emoluments of:

	2010 £'000	2009 £'000
Salary	122	117
Pension contributions	<u>18</u>	<u>16</u>
	<u>140</u>	<u>133</u>
Accrued pension as at 31 July	13	10
Accrued lump sum as at 31 July	39	29

The pension contributions in respect of the Principal are in respect of employer's contributions to the Scottish Teachers' Superannuation Scheme and are paid at the same rate as for other employees.

The number of Governors receiving emoluments (excluding pension contributions) falls into the following ranges:

	2010 Number	2009 Number
Nil	16	17
£1 - £10,000	1	-
£10,001 - £20,000	1	2
£20,001 - £30,000	3	1
£50,001 - £60,000	-	1
£70,001 - £80,000	1	1
£110,001 - £120,000	-	1
£120,001 - £130,000	1	-

There was no remuneration in excess of £70,000, excluding employers' contributions to superannuation schemes, paid to other staff.

**THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA  
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**NOTES TO THE ACCOUNTS  
AT 31 JULY 2010**

8 TRAVEL AND SUBSISTENCE

	2010 £'000	2009 £'000
Travel and subsistence - Board members	5	3
Staff	57	59
Hospitality - Board members	2	3
Staff	<u>29</u>	<u>25</u>
	<u>93</u>	<u>90</u>

9 OTHER OPERATING EXPENSES

Teaching departments	1,211	1,146
Contracted-out lecturing services	349	348
Teaching support services	65	65
Other support services	118	103
Administration and central services	627	519
General education	191	175
Premises costs	605	644
Repairs, renewals and maintenance	507	421
Other income generating activities	110	62
Residences	477	343
Other expenses	<u>67</u>	<u>379</u>
	<u>4,327</u>	<u>4,205</u>

Other operating expenses include:

Auditors' remuneration	External audit	12	12
	Internal audit	17	14
Fees for non-audit services	External auditors	1	2
	Internal auditors	-	1
Loss on disposal of assets		4	18
Loss on sale of investments		11	12
Stringed instruments removed from tangible assets		-	85
Reduction in net book value of musical instruments		-	40
Decrease in market value of investments		-	106

**THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA  
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**NOTES TO THE ACCOUNTS  
AT 31 JULY 2010**

10 TANGIBLE ASSETS

	Academy Buildings	Work- in- Progress	Furn/Fixt Fitt/Equip	Stringed Instr'n'ts	Other Musical Instr'n'ts	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost/Valuation</i>						
At 1 August 2009	27,134	4	3,036	861	155	31,190
Additions	-	4,030	293	12	7	4,342
Disposals	-	-	(252)	-	-	(252)
At 31 July 2010	<u>27,134</u>	<u>4,034</u>	<u>3,077</u>	<u>873</u>	<u>162</u>	<u>35,280</u>
<i>Aggregate Depreciation</i>						
At 1 August 2009	4,749	-	2,095	54	87	6,985
Depreciation charge	271	-	368	9	11	659
Disposals	-	-	(242)	-	-	(242)
At 31 July 2010	<u>5,020</u>	<u>-</u>	<u>2,221</u>	<u>63</u>	<u>98</u>	<u>7,402</u>
<i>Net Book Value</i>						
At 1 August 2009	<u>22,385</u>	<u>4</u>	<u>941</u>	<u>807</u>	<u>68</u>	<u>24,205</u>
At 31 July 2010	<u>22,114</u>	<u>4,034</u>	<u>856</u>	<u>810</u>	<u>64</u>	<u>27,878</u>
<i>Financed by :</i>						
Capital grants and receipts	21,629	-	627	37	72	22,365
Other	<u>485</u>	<u>4,034</u>	<u>229</u>	<u>773</u>	<u>(8)</u>	<u>5,513</u>
	<u>22,114</u>	<u>4,034</u>	<u>856</u>	<u>810</u>	<u>64</u>	<u>27,878</u>

The Academy building may not be sold without the prior approval of the First Minister of the Scottish Government, to whom the Academy is accountable for the proceeds of sale.

The Alexander Gibson Opera School may not be sold without the written permission of the Scottish Arts Council. In the event of a sale or disposal the Scottish Arts Council's share of the proceeds shall be in direct proportion to the share of the project cost originally met from the Lottery.

**THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA  
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**NOTES TO THE ACCOUNTS  
AT 31 JULY 2010**

11 INVESTMENTS

	General Fund	Early Retirement Fund	Total	Total
	2010	2010	2010	2009
	£'000	£'000	£'000	£'000
Market value at 1 August 2009	895	409	1,304	1,399
Additions	113	17	130	77
Disposals	(111)	(18)	(129)	(66)
Increase/(decrease) in market value	<u>95</u>	<u>51</u>	<u>146</u>	<u>(106)</u>
Market value at 31 July 2010	<u>992</u>	<u>459</u>	<u>1,451</u>	<u>1,304</u>

  

	2010 Market Value £'000	2010 Cost £'000	2009 Market Value £'000	2009 Cost £'000
Listed investments				
Fixed interest stocks	581	434	519	416
Equities	<u>870</u>	<u>937</u>	<u>785</u>	<u>938</u>
	<u>1,451</u>	<u>1,371</u>	<u>1,304</u>	<u>1,354</u>

The fixed asset investments are held in individual funds, each of which is designated for a particular purpose. All the investments shown above are quoted on the UK Stock Exchange.

12 ENDOWMENT ASSETS

	Prize Fund £'000	Piano Fund £'000	Capital Campaign £'000	Other £'000	2010 Total £'000	2009 Total £'000
Market value at 1 August 2009	342	-	2670	-	3,012	346
Additions	59	-	-	-	59	1,949
Disposals	(54)	-	(2,136)	-	(2,190)	(25)
Increase in market value as at 31 July	<u>38</u>	<u>-</u>	<u>181</u>	<u>-</u>	<u>219</u>	<u>742</u>
Market value at 31 July 2010	385	-	715	-	1,100	3,012
Cash and debtors (Note 27)	<u>300</u>	<u>640</u>	<u>1,227</u>	<u>50</u>	<u>2,217</u>	<u>1,514</u>
	<u>685</u>	<u>640</u>	<u>1,942</u>	<u>50</u>	<u>3,317</u>	<u>4,526</u>
Fixed interest stocks	155	-	-	-	155	89
Equities	230	-	715	-	945	2,923
Cash and debtors	<u>300</u>	<u>640</u>	<u>1,227</u>	<u>50</u>	<u>2,217</u>	<u>1,514</u>
	<u>685</u>	<u>640</u>	<u>1,942</u>	<u>50</u>	<u>3,317</u>	<u>4,526</u>

All the investments shown above are quoted on the UK Stock Exchange.

**THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA  
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**NOTES TO THE ACCOUNTS  
AT 31 JULY 2010**

13	DEBTORS		
		2010	2009
		£'000	£'000
	Amounts falling due within one year:		
	Trade debtors	96	102
	Debts due from students	117	105
	VAT	57	47
	Other debtors	67	77
	Prepayments and accrued income	<u>282</u>	<u>308</u>
		<u>619</u>	<u>639</u>
	Amounts falling due after one year:		
	Other debtors	<u>111</u>	<u>130</u>

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Trade creditors	184	225
Other creditors	242	177
Social security and other taxation payable	-	176
Accruals and deferred income	394	438
Deferred grant receipts	<u>4,324</u>	<u>629</u>
	<u>5,144</u>	<u>1,645</u>

Deferred grant receipts refer to monies received from the RSAMD Endowment Trust and Estate Development Trust for the Speirs Locks Studios development and will be transferred to Deferred Capital Grants and Receipts on completion of the project.

15 PROVISIONS FOR LIABILITIES AND CHARGES

	Pensions
	£'000
Balance at 1 August 2009	640
Dividend income received	15
Increase in provision	23
Paid/released	<u>(46)</u>
Balance at 31 July 2010	<u>632</u>

A valuation of the existing pension provision was carried out by Hymans Robertson, an independent firm of actuaries at 3 September 2010.

**THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA  
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**NOTES TO THE ACCOUNTS  
AT 31 JULY 2010**

16 DEFERRED CAPITAL GRANTS AND RECEIPTS

	SFC GRANTS £'000	SOEID GRANTS £'000	OPERA SCHOOL DONATIONS £'000	TOTAL £'000
Balance at 1 August 2009				
Buildings	1,947	15,180	4,768	21,895
Equipment	<u>729</u>	<u>-</u>	<u>-</u>	<u>729</u>
Total	<u>2,676</u>	<u>15,180</u>	<u>4,768</u>	<u>22,624</u>
Received during the year				
Equipment	263	-	-	263
Equipment disposals	(2)	-	-	(2)
Released to income and expenditure				
Buildings depreciation	(22)	(190)	(54)	(266)
Equipment depreciation	<u>(254)</u>	<u>-</u>	<u>-</u>	<u>(254)</u>
Total	<u>2,661</u>	<u>14,990</u>	<u>4,714</u>	<u>22,365</u>
Balance at 31 July 2010				
Buildings	1,925	14,990	4,714	21,629
Equipment	<u>736</u>	<u>-</u>	<u>-</u>	<u>736</u>
Total	<u>2,661</u>	<u>14,990</u>	<u>4,714</u>	<u>22,365</u>

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**NOTES TO THE ACCOUNTS  
AT 31 JULY 2010**

17	ENDOWMENT FUNDS - PERMANENT	PRIZE FUND CAPITAL £'000	PRIZE FUND ACCUMULATED INCOME £'000	PIANO FUND CAPITAL £'000	TOTAL £'000
	Balance at 1 August 2009	454	186	590	1,230
	<i>Income</i>				
	Funds introduced	-	9	50	59
	Investment income	-	16	1	17
	Gain on sale of investments	5	-	-	5
	Increase in value of Investments	<u>38</u>	<u>-</u>	<u>-</u>	<u>38</u>
		497	211	641	1,349
	<i>Expenditure</i>				
	Transfer to income and Expenditure account to meet expenditure incurred	<u>-</u>	<u>(23)</u>	<u>(1)</u>	<u>(24)</u>
	Balance at 31 July 2010	<u>497</u>	<u>188</u>	<u>640</u>	<u>1,325</u>

Funds held in trust are used to make awards, scholarships and prizes to students of the RSAMD.

**ENDOWMENT FUNDS – EXPENDABLE**

	OPERA FUND £'000	INTERNATIONAL CHAIR/FELLOWS FUND £'000	CAPITAL CAMPAIGN FUND £'000	TOTAL £'000
Balance at 1 August 2009	50	37	3,209	3,384
<i>Income</i>				
Funds introduced	-	50	714	764
Investment income	-	-	38	38
Revaluation of Investments	<u>-</u>	<u>-</u>	<u>181</u>	<u>181</u>
	50	87	4,142	4,279
<i>Expenditure</i>				
Transfer to income and expenditure account to meet expenditure incurred	<u>(50)</u>	<u>(37)</u>	<u>(2,200)</u>	<u>(2,287)</u>
Balance at 31 July 2010	<u>-</u>	<u>50</u>	<u>1,942</u>	<u>1,992</u>
Of which: Capital	-	50	1,904	1,954
Accumulated Income	<u>-</u>	<u>-</u>	<u>38</u>	<u>38</u>
	<u>-</u>	<u>50</u>	<u>1,942</u>	<u>1,992</u>

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**NOTES TO THE ACCOUNTS  
AT 31 JULY 2010**

18 SHARE CAPITAL

	2010	2009
<u>Authorised:</u>		
15,000 Ordinary Shares of £1 each	<u>£15,000</u>	<u>£15,000</u>
<u>Allotted, Issued and Fully Paid:</u>		
7,284 Ordinary Shares of £1 each	<u>£7,284</u>	<u>£7,284</u>

19 REVALUATION RESERVE

	INVESTMENTS £'000	TANGIBLE ASSETS £'000	TOTAL £'000
Balance 1 August 2009	-	748	748
Transfer to revaluation reserve			
Revaluation of investments	115	-	115
Transfer from revaluation reserve to general reserve in respect of:			
Depreciation on revalued assets	<u>-</u>	<u>(8)</u>	<u>(8)</u>
Balance at 31 July 2010	<u>115</u>	<u>740</u>	<u>855</u>

Note: Stringed instruments are included at valuation. These instruments have been valued by a professional valuer.

20 GENERAL RESERVES

	CAPITAL £'000	REVENUE £'000	TOTAL £'000
Balance at 1 August 2009	605	1,940	2,545
Surplus for the year before transfers from revaluation reserve	-	360	360
Transfer from revaluation reserve	-	8	8
Transfer between reserves	<u>28</u>	<u>(28)</u>	<u>-</u>
Balance at 31 July 2010	<u>633</u>	<u>2,280</u>	<u>2,913</u>

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**NOTES TO THE ACCOUNTS  
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21	LEASE OBLIGATIONS	2010 £'000	2009 £'000
	Operating lease commitments in respect of lease of Premises expiring:		
	Over five years	<u>488</u>	<u>476</u>
	Operating lease commitments in respect of lease of musical instruments expiring:		
	Within one year	<u>21</u>	<u>-</u>
	Within two and five years inclusive	<u>-</u>	<u>21</u>
	Over five years	<u>73</u>	<u>73</u>

22	CAPITAL COMMITMENTS	2010 £'000	2009 £'000
	Commitments contracted at 31 July	1,900	301
	Authorised but not contracted at 31 July	292	203

Capital commitments are in respect of building works and expenditure on equipment.

23	RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES	2010 £'000	2009 £'000
	Surplus/(Deficit) before transfers	414	(386)
	Transfers to endowments	(54)	(75)
	Loss on sale of assets	4	18
	Write down of assets	-	125
	(Gain)/Loss on sale of investments	(720)	16
	(Increase)/decrease in value of investments	(250)	106
	Depreciation charge (Note 10)	659	635
	Transfer from deferred grant (Note 16)	(468)	(422)
	Transfer from Opera School appeal donations (Note 5)	(54)	(54)
	Increase in creditors	3,499	111
	Decrease in debtors	39	191
	Net cash inflow from investments	(44)	(120)
	Net Increase in endowment funds	(1,209)	17
	Net transfers (from)/to provisions	<u>(8)</u>	<u>10</u>
		<u>1,808</u>	<u>172</u>

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**NOTES TO THE ACCOUNTS  
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24 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2010 £'000	2009 £'000
Investment income	38	66
Other interest received	<u>6</u>	<u>54</u>
	<u>44</u>	<u>120</u>

25 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2010 £'000	2009 £'000
Capital and special initiative grants	263	358
Additions to tangible fixed assets - excluding donated assets (Note 10)	(4,342)	(481)
Proceeds - sale of investments	3,039	75
Proceeds – sale of assets	6	-
Purchase of fixed asset investments (Note 11)	(130)	(77)
Purchase of endowment asset investments (Note 12)	<u>(59)</u>	<u>(59)</u>
	<u>(1,223)</u>	<u>(184)</u>

26 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2009 £'000	Cash Flows £'000	At 31 July 2010 £'000
Cash in hand and at bank	1,931	(74)	1,857
Endowment asset			
Cash and debtors	<u>1,514</u>	<u>703</u>	<u>2,217</u>
TOTAL	<u>3,445</u>	<u>629</u>	<u>4,074</u>

27 PENSION COMMITMENTS

The Academy's employees belong to two principal pension schemes; the Scottish Teachers' Superannuation Scheme (STSS) and a Local Government Pension Scheme administered by the Strathclyde Pension Fund (SPF) which are of the defined benefit type, the assets of the schemes being held in separate trustee administered funds.

The total pension cost in 2009-10 was £780,000.

**Scottish Teachers' Superannuation Scheme (STSS)**

The scheme is an unfunded multi employer defined benefit scheme. Contributions, on a pay as you go basis, are credited to the exchequer under

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27 PENSION COMMITMENTS (continued)

arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the Scheme for the purpose of determining contribution rates. Under the definitions set out in the Financial Reporting Standard 17 'Retirement Benefits', the STSS is a multi-employer pension scheme. The Academy is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly the Academy has accounted for its contributions as if it were a defined contribution scheme. The pensions cost is assessed every five years in accordance with the advice of the Government Actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:-

Latest actuarial valuation at: 31 March 2005  
Valuation Method: Prospective benefits  
Investment return per annum: 6.5%  
Rate of real earnings growth: 1.5%  
Notional value of assets at date of valuation: £18,474 million  
Present value of liabilities at date of valuation: £19,310 million

The employer contribution rate for the period from 1 August 2009 to 31 July 2010 was 14.9% of pay. The employee contribution rate was 6.4% during 2009-10. The scheme is an unfunded scheme and it is not intended that the scheme will have a level of financial assets which match the liabilities of the scheme. The full actuarial review of the scheme is available from the Government Actuary's Department.

**Strathclyde Pension Fund (SPF)**

The Academy have determined that, due to the uncertainty as to whether individual contributors' share of the underlying assets can be identified on a reasonable and consistent basis that is in accordance with FRS 17, contributions to the scheme are accounted for as if it were a defined contribution scheme. A full actuarial valuation was carried out as at 31 March 2008. Assumptions that have the most significant effect on the valuation and other relevant data are as follows:

Actuarial method: Projected Unit Method  
Assumed rate of return on equities: 7.3%  
Assumed rate of return on bonds: 5.3%  
Assumed rate of increase in salaries: 5.2%  
Assumed price inflation: 3.7%  
Market value of the assets at the date of the last valuation: £6,930 million

The actuarial valuation of the scheme showed a deficit of £3,741 million with fund assets equal to 65% of fund actuarial valuation.

The employer contribution rate for the period from 1 August 2009 to 31 March 2010 was 17.3% of pay and 18.2% thereafter. The employee contribution rate for the period from 1 August 2009 to 31 March 2010 was a variable rate dependent upon the level of salary ranging from 5.5% to 12%.

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27 PENSION COMMITMENTS (Continued)

The Academy also makes pension payments to former employees who have taken early retirement.

The total pension cost for the year was:

	2010 £'000	2009 £'000
Contributions to STSS	335	290
Contributions to LGSS	<u>422</u>	<u>408</u>
	757	698
Increase in pension provision	<u>23</u>	<u>55</u>
	<u>780</u>	<u>753</u>

Contributions for 2011 are estimated to be £820,000.

28 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 July 2010 (2009: Nil).

29 RELATED PARTY TRANSACTIONS

Due to the nature of the Academy's operations and the composition of the Board of Governors (being drawn from public and private sector organisations in Scotland) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the Academy's financial regulations and normal procurement procedures. The Academy incurred no such transactions during the financial year (2009: £nil). The outstanding balance at 31 July 2010 was nil (2009: £nil).

30 HARDSHIP AND CHILDCARE FUNDS

	Hardship £'000	Childcare £'000	Total £'000
Balance unspent at 1 August 2009	18	-	18
Repayment to SAAS	(14)	-	(14)
Funds received in year	36	6	42
Transfer between funds	3	(3)	-
Expenditure	<u>(41)</u>	<u>(1)</u>	<u>(42)</u>
Balance unspent at 31 July 2010	<u>2</u>	<u>2</u>	<u>4</u>

Grants for hardship and childcare funds are available solely for students: the Academy acts only as paying agent. The grants and related disbursements are therefore excluded from the income and expenditure account.

# THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA A COMPANY LIMITED BY GUARANTEE

## MEMBERSHIP OF COMMITTEES

Members of main committees reporting to the Board of Governors served during the whole of the year to 31 July 2010 unless otherwise stated.

### **Academic Board**

Principal (Convenor)  
Vice Principal  
President of the Students' Union  
Head of Information Services  
Convenor of Academic Standards Committee – Ewan Hailey  
Elected - academic staff- School of Music – Gordon Munro  
Elected - academic staff- School of Drama- Adam McIlwaine  
Elected - student body  
Co-opted – other academic institution – Trevor Hart (University of St Andrews)  
Co-opted – music profession – Nigel Osbourne (until 10 March 2010)  
Co-opted - music profession – Gavin Reid (from 9 June 2010)  
Co-opted - drama profession – James Brining (until 21 April 2010)

### **Finance**

James Miller (Convenor)  
Sandy Crombie  
Chair of the Board  
Principal  
Lady Joyce Goodwin  
Eileen Mackay  
Philip Oppenheim

### **Honorary Awards**

Principal (Convenor)  
Chair of the Board  
Vice-chair of the Board  
Dean - School of Music  
Dean – School of Drama  
Director of Finance

### **Audit**

Professor Niall Lothian (Convenor)  
Eileen Mackay  
Norman Sharp (from 26 March 2010)  
Jean Urquhart (to 26 March 2010)

### **Buildings**

Thomas Gilchrist (Convenor)  
Sandy Crombie  
Philip Oppenheim  
Louise Mitchell  
Chair of the Board  
Convenor of the Finance Committee  
Principal

### **Nominations**

Chair of the Board  
Principal  
Bridget McConnell  
Sandy Crombie

### **Health and Safety**

Director of Finance  
Performance and Musical Events Manager  
Music Librarian  
Human Resources Manager  
Head of Estates (Convenor)  
Health and Safety Advisor  
IT Manager  
Events and Operations Manager  
Head of Musicworks  
Lecturer – TPA  
Tutor - TPA

### **Remuneration Committee**

Chair of the Board  
Sandy Crombie  
Eileen Mackay  
James Miller

### **Risk Management Group**

Director of Finance (Convenor)  
Principal  
Vice Principal  
Registrar  
Finance Manager  
Head of Information Services  
IT Manager  
Director of Human Resources  
CPU Manager  
Health and Safety Advisor  
Academy Secretary  
Head of Estates  
President of the Students' Union  
Head of Dramaworks

### **Strategy Committee**

Chair of the Board  
Vice-chairs of the Board (2)  
Thomas Gilchrist  
Eileen Mackay  
Brian McMaster  
Philip Oppenheim  
Principal  
Vice-Principal  
Director of Finance  
Director of Human Resources  
Director of Academic Development  
Director of RSAMD Foundation  
Academy Secretary

**THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA  
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**PROFESSIONAL ADVISERS**

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Adam & Company plc  
238 West George Street  
Glasgow G2 4QY

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95 Bothwell Street  
Glasgow G2 7JZ

*Internal Auditors*

Scott-Moncrieff  
25 Bothwell Street  
Glasgow G2 6NL

*Solicitors*

MacRoberts  
152 Bath Street  
Glasgow G2 4TB

Pinsent Masons  
123 St Vincent Street  
Glasgow G2 5EA

*Investment Advisers*

Deutsche Bank Private Wealth Management  
130 St Vincent Street  
Glasgow G2 5SE