

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

REPORT BY THE GOVERNORS

AND

ANNUAL ACCOUNTS

FOR THE YEAR ENDED 31 JULY 2009

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 2009**

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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 2009.

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 the Inland Revenue 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.

As the Academy moves towards realising its strategic vision 'Investing in Creativity' it is guided by 8 strategic aims:

The Learning Experience

To create a relevant, contemporary and flexible learning experience for our students which will transform them into effective, resourceful and creative arts practitioners.

Students

To attract a diverse range of applicants and students of the highest quality to all of the Academy's programmes, from Youthworks to PhD, from Scotland, the UK and internationally.

Staff

To attract, develop and retain the highest quality of staff from both the UK and internationally.

Partnerships

To develop a range of external partnerships which will better help the Academy achieve its objectives.

Governance, Organisation and Management

To develop a governance, organisation and management structure which will support and take forward our view of the ideal learning experience and enable the Academy to meet its various governance and statutory obligations.

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Financial Model

To create a new financial model which grows sufficient flexibility to resource the Academy's ambitious mission and hence reduces the Academy's reliance upon the Scottish Funding Council to fund developments.

Momentum

To progress towards the full realisation of Investing in Creativity through planned and sustainable growth both in terms of student numbers and in the development of the Academy's portfolio of programmes and related activities.

Communication Strategy

Create an internal and external communications strategy which will get the message across about what the Academy is and is aiming for in the future.

Operating and Financial Review

Overview

This has been a year of significant progress, laying the foundations for the implementation of Investing in Creativity:

- an improved recurrent funding model from 2009-10 with an uplift in funding for drama coming as part of the introduction by SFC of New Horizons
- continued growth in funded student places
- development and validation of, and recruitment to, new undergraduate programmes in Modern Ballet and Musical Theatre and undergraduate and postgraduate programmes in Jazz which commence in 2009-10
- acquisition of a site and development of building proposals as the first phase of the provision of additional specialised estate for the expansion of the Academy's activities
- launch of the RSAMD Foundation as the fundraising vehicle to support the development of the Academy into the 21st Century.

The Academy has been appointed by the Scottish Funding Council to establish a Scottish Stage and Screen Network for Drama Training (SSSNDT). The Network is a coherent and collaborative network of tertiary education partners with a formally recognised complementary range of expertise in stage and screen professional practice, education and training. The Network aims to be the portal through which enhanced opportunities, shared knowledge, experience and facilities can be reached. It will actively encourage collaboration between those who create and deliver the courses and will, through a carefully constructed programme of events, support and strengthen all aspects of Drama Training across Scotland.

During the year the Board approved an ambitious project to undertake a comprehensive review and evaluation of the Academy's entire credit-bearing curriculum over the coming two academic sessions.

In order to further strengthen the management team to underpin the implementation of Investing in Creativity two new senior appointments, Dean of Music and Dean of Drama have been made.

Results for the year

The deficit for the year is £461,000 (2008: a deficit of £289,000). At the year end there was no long term debt on the Academy's Balance Sheet and bank and cash at 31 July 2009 amounted to £1,931,000 (2008: £1,806,000). During the year the Academy received an anonymous

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donation to the value of £1,890,000 for the purpose of estate development. This has been included in the Capital Campaign Fund within specific endowments (see note 12 to the accounts).

Summary of investment performance

The past twelve months have been characterised by extreme volatility in the markets. The portfolio content has tended to focus on high quality, dividend paying companies with strong balance sheets and moderate gearing. This served well during the sharp market downturn of the last two years but it meant that the portfolio has lagged behind the rally since the beginning of March 2009. Cash was also held for a period due to the market instability. As a result of these factors the portfolios have under-performed against agreed benchmarks. There have been relatively few dividend reductions from the stocks held. Indeed, many companies have not only maintained their dividend payments during the last year but have increased their distributions. This bodes well for the future income generation from the portfolio.

National and International Profile and Status

The relationship with the Rachmaninov Conservatoire in Rostov continues to flourish alongside the fruitful collaboration with Scottish Opera, which saw the staging of Prokofiev's *The Love of Three Oranges* this year and preparation for the very ambitious staging in 2010 of *War and Peace*. Several more International Chairs have been appointed during the year including Angela de Castro (clowning), Ilya Gringolts (violin) and Steven Osborne (piano).

This rising international standards have been fuelled by initiatives such as *Stringfest*, *Plug*, *Scottish Cello Mini-Festival*, *PianoFest* and *Summerfest* which have attracted international artists of repute to the Academy.

The School of Drama sits at number three in the Guardian's UK 2010 league table for drama provision. A team of staff and students from the School was awarded the accolade of 'Best Design Team' at the World Stage Design event held in South Korea in September 2009. This award will be extremely beneficial in raising the profile of the technical and production arts training at the Academy.

Curricular Activity

In addition to the new course developments and curriculum reform project referred to above, other curricular activity during the year has included the launch of a new masters programme in Classical and Contemporary Text and the re-launch of the undergraduate programme in Digital Film and Television as a three-year ordinary degree.

The BMus and PGDip/MMus programmes were re-approved through a process of internal review for a period of five years and one year respectively.

Quality Enhancement

Enhancement Led Institutional Review (ELIR) occurred in Spring 2009. The result was an expression of confidence in the Academy's current and future management of Academic standards and quality. In respect of the latter judgement the Academy was requested to decouple the schedule of programme reviews from the curriculum reform project noted above, which the Academy has agreed to do.

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Research and Enterprise

The Research Assessment Exercise (RAE) is the most important indicator of research quality in UK Higher Education. The outcome of the 2008 RAE for Music at the RSAMD was excellent. The result, which rated 85% of the Academy's research output in music as of international quality and 40% of that at either world-leading or internationally-excellent level, is testament to the very high quality of our staff and their cutting-edge work. We look forward to developing further our research profile in drama alongside music, especially in the context of the recently-announced Scottish Stage and Screen Network.

Externally-funded projects have included 'Investigating Musical Performance' for the European Social Research Council and a collaborative project with the Universities of Edinburgh and Stirling working with Sistema Scotland, the Venezuelan-inspired orchestral project funded by the Scottish Funding Council.

Estates and Infrastructure

The Academy estates team has been strengthened this year in readiness to deliver the very ambitious development plan over the coming years. This commenced with substantial projects funded by Learning and Teaching Infrastructure Fund and Capital Investment Fund Grants including the creation of a new centralised student support facility for the start of the 2008-09 session which has proved an outstanding success. Over the 2009 summer recess the New Athenaeum Theatre has been renovated, two large rehearsal rooms have been converted and showering facilities created to provide accommodation for the commencement of the new undergraduate programmes in Modern Ballet and Musical Theatre. The main toilet facilities have also undergone a complete refurbishment.

The Academy also undertook a review of estate development options in the autumn of 2008. As a result, the Board decided to acquire and develop, on a long leasehold basis, 4 industrial units in Garscube Road as a first phase of the expansion necessary to accommodate the growing diversity of programmes and increasing student numbers. The site, which was acquired on 1 October 2009 is some 15 minutes walk from the main campus on Renfrew St. A design team has been appointed and plans to re-locate the technical training and workshop facilities and to create four large rehearsal studios are well advanced. The target completion date is mid-August 2010.

RSAMD Foundation

The RSAMD Foundation was established during the year with a non-executive Advisory Board to channel fundraising effort in support of the future development of the Academy. Initially fundraising will focus on the needs in relation to estates. The Foundation Board reports through an executive director to the Board of Governors.

Human Resources

This year saw the introduction of pro rata contracts for some selected part time hourly paid staff. The offer of these particular contracts was seen as a very positive move by the staff concerned and allowed the integration of the excellent work of these staff more fully into the departments concerned.

Term Time only contracts have also been established as a regular feature of Academy practice, ensuring that staff are only employed on year round contracts if they meet specific requirements.

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In June of 2009 the roles of Principal and Vice Principal were redefined, with revised responsibilities and the roles of Deans of Music and Drama were established.

Staff development and awareness raising programmes across a range of issues such as Equality and Diversity, and Managing Staff and Recruitment have been run and organised by the Human Resources Department.

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 2009 5% came from FOCUS West schools (2008: 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.

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 2009 represented 6% of total purchases for the year, equivalent to 22 creditor days. No interest was paid in terms of the Late Payments of Commercial Debts (interest) Act 1998.

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)	%
2007/08 music undergraduates in employment or further study (based on respondents)	92
2007/08 drama undergraduates in employment or further study (based on respondents)	99
	89

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

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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.

Student enrolments and applications

Enrolments		2008-09	2007-08
School of Music	Full-time students (including BEd)	449	459
	Part-time students	19	10
	Research students	12	16
	Youthworks students	1,086	1,169
School of Drama	Full-time students	289	269
	Research students	2	-
	Youthworks students	<u>812</u>	<u>511</u>
		<u>2,669</u>	<u>2,436</u>

The number of applications for full-time courses commencing in the academic year 2008-09 was 1,953 (2007-08: 1,929). The overall ratio of applicants to places was 6:1 (2007-08: 5.3:1).

Honorary doctorates of the Royal Scottish Academy of Music and Drama

The following received honorary doctorates during the academic session 2008-09

Doctor of Music

Kenna Campbell
Sir Peter Maxwell Davies
Hester Dickson

Doctor of Drama

Lord Attenborough
Nikki Milican

Governors

The Governors set out in the table below have held office during the whole of the period from 1 August 2008 to the date of this report unless otherwise stated:-

External Core Governors

Lord Vallance of Tummel (Chairman)
Sir Sandy Crombie (Vice Chairman)
George Edwards (to 26 October 2008)
Vicky Featherstone
Thomas Gilchrist
Lady Joyce Goodwin
Professor Niall Lothian
Bridget McConnell (Vice Chairman)
Eileen Mackay
Sir Brian McMaster
James Miller
Philip Oppenheim
Alan Scott (to 26 October 2008)
Jean Urquhart

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Core Governors ex officio

The Principal, Professor John Wallace OBE FRSAMD
The President, Students' Union, Barry McAleer (to 26 June 2009)
Christopher Hann (from 26 June 2009)

Staff Governors-elected

Professor Maggie Kinloch (Academic Board)
Caroline Cochrane (Non-Academic Staff) (to 26 October 2008)
Rose-Anne Healy (Non-Academic Staff) (from 26 October 2008)
Hugh Hodgart (Academic Staff)

Co-opted Governors

Chris Gorman OBE
Louise Mitchell
Professor Joseph Thomson (to 26 October 2008)

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.

Fixed assets

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

Auditors

The quinquennial review took place during the year and, as a result, Mazars LLP resigned as external auditors and Grant Thornton UK LLP were appointed as external auditors on 18 May 2009 to fill the residual vacancy.

Scott-Moncrieff completed a five-year term as internal auditors on 31 July 2009 and KPMG were appointed in their place with effect from 1 August 2009.

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 30 OCTOBER 2009
AND SIGNED ON THEIR BEHALF BY

Mr A Smith
Secretary

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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, whistleblowing 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 pages 8 and 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 officis – 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 13 and 14.

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 five 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 review 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 2008-09.

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 Acts 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.

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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 for the year ended 31 July 2009 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 Board of Governors, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Board of Governors 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 Governors' (who are also directors for the purposes of company law) responsibilities for preparing the Report by Governors and the financial statements in accordance with the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education, applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Responsibilities on page 13 and 14.

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, have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice and 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 whether the information in the Report by Governors is consistent with the financial statements.

In addition we report to you if in our opinion the Academy has not kept adequate 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 other information contained in the financial statements and consider whether it is consistent with the audited financial statements. This information comprises only the Report by the Governors and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements 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

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form an opinion on the effectiveness of the Academy's corporate governance procedures or its risk and control procedures. Our responsibilities do not extend to other information.

Basis of opinion

We 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 judgments made by the Board of Governors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Academy's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or 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 of the state of the Academy's affairs as at 31 July 2009 and of the Academy's deficit of expenditure over income for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education;
- the financial statements have been prepared in accordance with the Companies Act 2006;
- the information given in the Report by Governors is consistent with the financial statements for the year ended 31 July 2009;
- 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 2009 have been applied for the purposes for which they were received;
- in all material respects, income during the year ended 31 July 2009 has been applied in accordance with the Academy's statutes and, where appropriate, with the financial memorandum with the Scottish Funding Council.

David Barnes .

David Barnes, Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
95 Bothwell Street,
Glasgow, G2 7JZ
30th October 2009

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**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 JULY 2009**

	Note	2009 £'000	2008 £'000
INCOME			
Funding body grants	2	7,244	6,697
Tuition fees and education contracts	3	3,564	3,543
Research grants and contracts	4	33	167
Other income	5	2,029	1,994
Endowment and investment income	6	<u>299</u>	<u>389</u>
Total Income		<u>13,169</u>	<u>12,790</u>
EXPENDITURE			
Staff costs	7	8,715	8,173
Other operating expenses	9	4,205	4,045
Depreciation	10	<u>635</u>	<u>583</u>
Total Expenditure		<u>13,555</u>	<u>12,801</u>
Deficit before exceptional items		(386)	(11)
Exceptional items		<u>-</u>	<u>234</u>
Deficit on continuing operations		(386)	(245)
Transfer to accumulated income in endowment funds	17	<u>(75)</u>	<u>(44)</u>
Deficit for the year charged to revenue reserves	20	<u>(461)</u>	<u>(289)</u>

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 2009**

	Note	2009 £'000	2008 £'000
Deficit on continuing operations		(386)	(245)
Transfer to endowment funds		<u>(75)</u>	<u>(44)</u>
Deficit for the year charged to revenue reserves	20	(461)	(289)
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19	8	6
Difference between historical cost gain on sale of investments and gain on sale of investments calculated by reference to the market value at the beginning of the year		-	33
Transfer from revaluation reserve in respect of stringed instruments removed from tangible assets	10	<u>85</u>	<u>-</u>
Historical cost deficit for the year		<u>(368)</u>	<u>(250)</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 2009**

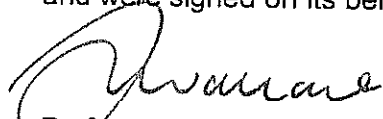
	Note	2009 £'000	2008 £'000
Deficit on continuing operations		(386)	(245)
Transfer to endowment funds		<u>(75)</u>	<u>(44)</u>
Deficit for the year charged to revenue reserves	20	(461)	(289)
Increase in valuation of tangible assets		229	-
Decrease in valuation of investments		<u>-</u>	<u>(162)</u>
		(232)	(451)
Increase in endowment and restricted funds	17	<u>2,649</u>	<u>610</u>
Total recognised gains relating to the year		2,417	159
Prior year adjustment	20	<u>-</u>	<u>1,188</u>
Total gains recognised since the last annual accounts		<u>2,417</u>	<u>1,347</u>

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


BALANCE SHEET AS AT 31 JULY 2009

	Note	2009 £'000	2008 £'000
Tangible assets	10	24,205	24,273
Investments	11	<u>1,304</u>	<u>1,399</u>
Total fixed assets		<u>25,509</u>	<u>25,672</u>
Endowment assets	12	4,526	1,877
Debtors	13	769	960
Cash at bank and in hand		<u>1,931</u>	<u>1,806</u>
Total current assets		<u>2,700</u>	<u>2,766</u>
Less: Creditors - amounts falling due within one year	14	<u>(1,645)</u>	<u>(1,534)</u>
Net current assets		<u>1,055</u>	<u>1,232</u>
Total assets less current liabilities		31,090	28,781
Less: Provisions for liabilities and charges	15	<u>(640)</u>	<u>(630)</u>
NET ASSETS		<u>30,450</u>	<u>28,151</u>
Deferred capital grants	16	22,624	22,742
Endowment funds	17		
Permanent		1,230	1,211
Expendable		<u>3,296</u>	<u>666</u>
		4,526	1,877
Share capital	18	7	7
Revaluation reserve	19	748	612
Capital reserve	20	605	505
Revenue reserves	20	<u>1,940</u>	<u>2,408</u>
Total reserves		<u>3,293</u>	<u>3,525</u>
TOTAL		<u>30,450</u>	<u>28,151</u>

The accounts on pages 17 to 39 were approved by the Board of Governors on 30 October 2009 and were signed on its behalf by:


Professor John Wallace
Designated Officer


A Smith
Director of Finance


Lord Vallance
Chairman

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

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 JULY 2009**

	Note	2009 £'000	2008 £'000
Net cash inflow from operating activities	24	172	461
Returns on investments and servicing of finance	25	120	223
Capital expenditure and financial investment	26	<u>(184)</u>	<u>(98)</u>
Increase in cash in the year	27	<u>108</u>	<u>586</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Note	2009 £'000	2008 £'000
Increase in cash in the year and movement in net funds	27	108	586
Net funds at 1 August	27	<u>3,337</u>	<u>2,751</u>
Net funds at 31 July	27	<u>3,445</u>	<u>3,337</u>

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

**NOTES TO THE ACCOUNTS
AT 31 JULY 2009**

1 ACCOUNTING POLICIES

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.

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 2009**

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.

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.

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.

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

**NOTES TO THE ACCOUNTS
AT 31 JULY 2009**

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 two pension schemes for the Academy's staff are the Scottish Teachers' Superannuation Scheme and the Local Government Superannuation Scheme. The schemes are defined benefit schemes. The cost of providing pensions, as calculated annually by professionally qualified actuaries, is charged to the income and expenditure account in the year in which it is incurred unless there is a material variation in which case the cost would be spread over the expected average remaining working lifetime of members of the scheme. The liabilities for early retirement costs are calculated as the present value of future installments of pensions in payment, calculated on assumptions consistent with FRS17.

i Taxation Status

The Academy has been granted charitable status by the Inland Revenue. Accordingly the Academy is exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the Taxes Act 1988 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 ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA
A COMPANY LIMITED BY GUARANTEE**

**NOTES TO THE ACCOUNTS
AT 31 JULY 2009**

i Taxation Status (continued)

The Academy has partially exempt status for the purposes of value added tax. Non-recoverable value added tax arising from expenditure is charged to the income and expenditure account through the appropriate cost heading.

2 FUNDING BODY GRANTS

	2009 £'000	2008 £'000
SFC		
Recurrent grant for teaching	5,868	5,611
Recurrent grant for Junior Academy	313	305
Specific initiative grants:		
FE/HE Collaboration	-	15
Disabled student premium	51	50
Research Grant - Sistema Project	29	-
STSS Compensation	21	42
Research development foundation	42	27
Research postgraduate grant	87	65
Knowledge Exchange Innovations	5	-
Investing in Creativity Research Grant	75	75
Learning and Teaching Infrastructure Fund	29	68
Science and Research Infrastructure Fund	-	14
Part-time Incentive	9	10
Capital Investment Funding	197	-
Additional Resources	66	60
Employability	30	-
Deferred capital grants released in year: (Including SOEID)		
Buildings (Note 16)	212	212
Equipment (Note 16)	<u>210</u>	<u>143</u>
	<u>7,244</u>	<u>6,697</u>

3 TUITION FEES AND EDUCATION CONTRACTS

UK higher education students	511	403
European Union (EU) (excluding UK) students	38	55
Non-EU students	1,121	1,278
UK further education students	<u>869</u>	<u>897</u>
Total fees paid by or on behalf of individual students	2,539	2,633
Higher Education contracts	950	838
Other contracts	<u>75</u>	<u>72</u>
Total	<u>3,564</u>	<u>3,543</u>

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

**NOTES TO THE ACCOUNTS
AT 31 JULY 2009**

4	RESEARCH GRANTS AND CONTRACTS		
		2009	2008
		£'000	£'000
	Arts and Humanities Research Council	-	46
	Miscellaneous research grants and contracts	<u>33</u>	<u>121</u>
		<u>33</u>	<u>167</u>
5	OTHER INCOME		
	Income from front of house	159	148
	Sundry income	62	45
	Scottish Institute for Enterprise grant	9	7
	European Funded Projects	21	8
	RSAMD Works	31	51
	Sponsorship and donations	1,231	1,115
	Rostov Project (EU funded)	52	-
	Rent received	17	25
	Student residences	335	491
	Release of Opera School appeal donations (Note 16)	54	54
	FOCUS West project grant	<u>58</u>	<u>50</u>
		<u>2,029</u>	<u>1,994</u>
6	INVESTMENT AND ENDOWMENT INCOME		
	Investment income	66	66
	Bank interest	<u>54</u>	<u>157</u>
		120	223
	Endowment Income	<u>179</u>	<u>166</u>
		<u>299</u>	<u>389</u>

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

**NOTES TO THE ACCOUNTS
AT 31 JULY 2009**

7 STAFF COSTS

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

	2009 Number	2008 Number
Senior management	6	8
Teaching staff	125	130
Teaching support	24	28
Research grants and contracts	3	7
Other support services	12	11
Administration and central services	44	37
Premises	14	12
Other income generating activities	<u>2</u>	<u>2</u>
	<u>230</u>	<u>235</u>

Staff costs for the above persons:

	2009 £'000	2008 £'000
Wages and salaries	7,286	6,905
Social security costs	504	464
Other pension costs (Note 28)	753	650
Other staff costs	<u>172</u>	<u>154</u>
	<u>8,715</u>	<u>8,173</u>
Senior management	526	653
Teaching staff	5,043	4,617
Teaching support	695	761
Research grants and contracts	131	216
Other support services	410	348
Administration and central services	1,491	1,204
Premises	389	328
Other income generating activities	<u>30</u>	<u>46</u>
	8,715	8,173
Exceptional restructuring costs	<u>-</u>	<u>186</u>
	<u>8,715</u>	<u>8,359</u>

Governors' salaries (included therein)

Salaries (staff members)	286	393
Pension contributions	<u>39</u>	<u>47</u>
	<u>325</u>	<u>440</u>

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

**NOTES TO THE ACCOUNTS
AT 31 JULY 2009**

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:

	2009 £'000	2008 £'000
Salary	117	112
Pension contributions	<u>16</u>	<u>15</u>
	<u>133</u>	<u>127</u>
Accrued pension as at 31 July	10	9
Accrued lump sum as at 31 July	29	28

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:

	2009 Number	2008 Number
Nil	17	17
£10,001 - £20,000	2	1
£20,001 - £30,000	1	-
£40,001 - £50,000	-	2
£50,001 - £60,000	1	-
£70,001 - £80,000	1	2
£110,001 - £120,000	1	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
A COMPANY LIMITED BY GUARANTEE**

**NOTES TO THE ACCOUNTS
AT 31 JULY 2009**

8 TRAVEL AND SUBSISTENCE

	2009 £'000	2008 £'000
Travel and subsistence - Board members	3	2
Staff	59	58
Hospitality - Board members	3	4
Staff	<u>25</u>	<u>41</u>
	<u>90</u>	<u>105</u>

9 OTHER OPERATING EXPENSES

Teaching departments	1,146	1,015
Contracted-out lecturing services	348	321
Teaching support services	65	58
Other support services	103	93
Administration and central services	519	601
General education	175	127
Premises costs	644	581
Repairs, renewals and maintenance	421	437
Other income generating activities	62	140
Residences	343	536
Other expenses	<u>379</u>	<u>136</u>
	<u>4,204</u>	<u>4,045</u>

Other operating expenses include:

Auditors' remuneration	External audit	12	12
	Internal audit	14	15
Fees for non-audit services	External auditors	2	-
	Internal auditors	1	11
Loss on disposal of assets		18	13
Loss/(gain) on sale of investments		12	(8)
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
A COMPANY LIMITED BY GUARANTEE**

**NOTES TO THE ACCOUNTS
AT 31 JULY 2009**

10 TANGIBLE ASSETS

	Academy Buildings £'000	Furn/Fixt Fitt/Equipt £'000	Stringed Instruments £'000	Other Musical Instruments £'000	Total £'000
<i>Cost/Valuation</i>					
At 1 August 2008	27,134	2,751	704	331	30,920
Additions	4	445	23	9	481
Disposals	-	(160)	(95)	(185)	(440)
Revaluations	-	-	229	-	229
At 31 July 2009	<u>27,138</u>	<u>3,036</u>	<u>861</u>	<u>155</u>	<u>31,190</u>
<i>Aggregate Depreciation</i>					
At 1 August 2008	4,478	1,892	55	222	6,647
Depreciation charge	271	345	9	10	635
Disposals	-	(142)	(10)	(145)	(297)
At 31 July 2009	<u>4,749</u>	<u>2,095</u>	<u>54</u>	<u>87</u>	<u>6,985</u>
<i>Net Book Value</i>					
At 1 August 2008	<u>22,656</u>	<u>859</u>	<u>649</u>	<u>109</u>	<u>24,273</u>
At 31 July 2009	<u>22,389</u>	<u>941</u>	<u>807</u>	<u>68</u>	<u>24,205</u>
<i>Financed by :</i>					
Capital grants and receipts	21,895	634	27	34	22,563
Other	<u>494</u>	<u>307</u>	<u>780</u>	<u>34</u>	<u>1,642</u>
	<u>22,389</u>	<u>941</u>	<u>807</u>	<u>68</u>	<u>24,205</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 July 2009 revaluation of stringed instruments revealed that duplicate entries existed in the records of the Academy which originated from a period prior to the 2003/04 revaluation process. A small number of instruments could not be located. The value of stringed instruments has therefore been reduced by £85,000 to reflect these circumstances.

An adjustment reducing the net book value of musical instruments by £40,000 was made during the year to agree to the value held in the fixed asset register.

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

**NOTES TO THE ACCOUNTS
AT 31 JULY 2009**

11 INVESTMENTS

	2009 £'000	2008 £'000
Market value at 1 August 2008	1,399	1,699
Additions	77	144
Disposals	(66)	(256)
Decrease in market value as at 31 July	<u>(106)</u>	<u>(188)</u>
Market value at 31 July 2009	<u>1,304</u>	<u>1,399</u>

	2009 Market Value £'000	2009 Cost £'000	2008 Market Value £'000	2008 Cost £'000
Listed investments				
Fixed interest stocks	519	416	507	416
Equities	<u>785</u>	<u>938</u>	<u>892</u>	<u>1010</u>
	<u>1,304</u>	<u>1,354</u>	<u>1,399</u>	<u>1,426</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

	Consolidated Trust Fund £'000	Piano Fund £'000	Capital Campaign £'000	Other £'000	2009 Total £'000	2008 Total £'000
Market value at 1 August 2008	346	-	-	-	346	451
Additions	59	-	1,890	-	1,949	23
Disposals	(25)	-	-	-	(25)	(64)
(Decrease)/increase in market value as at 31 July	<u>(38)</u>	<u>-</u>	<u>780</u>	<u>-</u>	<u>742</u>	<u>(64)</u>
Market value at 31 July 2009	342	-	2,670	-	3,012	346
Cash and debtors (Note 27)	<u>298</u>	<u>590</u>	<u>539</u>	<u>87</u>	<u>1,514</u>	<u>1,531</u>
	<u>640</u>	<u>590</u>	<u>3,209</u>	<u>87</u>	<u>4,526</u>	<u>1,877</u>
Fixed interest stocks	89	-	-	-	89	49
Equities	253	-	2,670	-	2,923	297
Cash and debtors	<u>298</u>	<u>590</u>	<u>539</u>	<u>87</u>	<u>1,514</u>	<u>1,531</u>
	<u>640</u>	<u>590</u>	<u>3,209</u>	<u>87</u>	<u>4,526</u>	<u>1,877</u>

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

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

**NOTES TO THE ACCOUNTS
AT 31 JULY 2009**

13	DEBTORS		
		2009	2008
		£'000	£'000
	Amounts falling due within one year:		
	Trade debtors	102	181
	Debts due from students	105	79
	VAT	47	60
	Other debtors	77	86
	Prepayments and accrued income	<u>308</u>	<u>405</u>
		<u>639</u>	<u>811</u>
	Amounts falling due after one year:		
	Other debtors	<u>130</u>	<u>149</u>
14	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
	Trade creditors	225	292
	Other creditors	177	319
	Social security and other taxation payable	176	151
	Accruals and deferred income	438	312
	Deferred grant receipts	<u>629</u>	<u>460</u>
		<u>1,645</u>	<u>1,534</u>
15	PROVISIONS FOR LIABILITIES AND CHARGES		
		Pensions	
		£'000	
	Balance at 1 August 2008	630	
	Increase in provision	55	
	Paid/released	<u>(45)</u>	
	Balance at 31 July 2009	<u>640</u>	

A valuation of the existing pension provision was carried out by Hymans Robertson, an independent firm of actuaries at 11 September 2009.

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

**NOTES TO THE ACCOUNTS
AT 31 JULY 2009**

16 DEFERRED CAPITAL GRANTS AND RECEIPTS

	SFC GRANTS £'000	SOEID GRANTS £'000	OPERA SCHOOL DONATIONS £'000	TOTAL £'000
Balance at 1 August 2008				
Buildings	1,969	15,370	4,822	22,161
Equipment	<u>581</u>	-	-	<u>581</u>
Total	<u>2,550</u>	<u>15,370</u>	<u>4,822</u>	<u>22,742</u>
Received during the year				
Equipment	358	-	-	358
Released to income and expenditure				
Buildings depreciation	(22)	(190)	(54)	(266)
Equipment depreciation	<u>(210)</u>	-	-	<u>(210)</u>
Total	<u>126</u>	<u>(190)</u>	<u>(54)</u>	<u>(118)</u>
Balance at 31 July 2009				
Buildings	1,947	15,180	4,768	21,895
Equipment	<u>729</u>	-	-	<u>729</u>
Total	<u>2,676</u>	<u>15,180</u>	<u>4,768</u>	<u>22,624</u>

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

**NOTES TO THE ACCOUNTS
AT 31 JULY 2009**

17 ENDOWMENT FUNDS - PERMANENT

	FUNDS HELD IN TRUST CAPITAL £'000	FUNDS HELD IN TRUST ACCUMULATED INCOME £'000	PIANO FUND CAPITAL £'000	TOTAL £'000
Balance at 1 August 2008	490	181	540	1,211
<i>Income</i>				
Funds introduced	5	1	50	56
Investment income	-	22	16	38
Gain on sale of investments	(3)	-	-	(3)
Increase in value of Investments	<u>(38)</u>	<u>-</u>	<u>-</u>	<u>(38)</u>
	454	204	606	1,264
<i>Expenditure</i>				
Transfer to income and Expenditure account to meet expenditure incurred	<u>-</u>	<u>(18)</u>	<u>(16)</u>	<u>(34)</u>
Balance at 31 July 2009	<u>454</u>	<u>186</u>	<u>590</u>	<u>1,230</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 CHAIRS FUND £'000	CAPITAL CAMPAIGN FUND £'000	TOTAL £'000
Balance at 1 August 2008	100	75	491	666
<i>Income</i>				
Funds introduced	-	-	1,885	1,885
Investment income	-	-	53	53
Revaluation of Investments	<u>-</u>	<u>-</u>	<u>780</u>	<u>780</u>
	100	75	3,209	3,384
<i>Expenditure</i>				
Transfer to income and expenditure account to meet expenditure incurred	<u>(50)</u>	<u>(38)</u>	<u>-</u>	<u>(88)</u>
Balance at 31 July 2009	<u>50</u>	<u>37</u>	<u>3,209</u>	<u>3,296</u>
Of which:				
Capital	50	37	3,106	3,193
Accumulated Income	<u>-</u>	<u>-</u>	<u>103</u>	<u>103</u>
	<u>50</u>	<u>37</u>	<u>3,209</u>	<u>3,296</u>

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**NOTES TO THE ACCOUNTS
AT 31 JULY 2009**

18 SHARE CAPITAL

	2009	2008
<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

	TANGIBLE ASSETS £'000
Balance 1 August 2008	612
Transfer to revaluation reserve Revaluation of stringed instruments	229
Transfer from revaluation reserve to general reserve in respect of: Depreciation on revalued assets	(8)
Write down on revalued assets	<u>(85)</u>
Balance at 31 July 2009	<u>748</u>

Note: Certain 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 2008	505	2,408	2,913
Deficit for the year before transfers from revaluation reserve	-	(461)	(461)
Transfer from revaluation reserve	-	93	93
Transfer between reserves	<u>100</u>	<u>(100)</u>	<u>-</u>
Balance at 31 July 2009	<u>605</u>	<u>1,940</u>	<u>2,545</u>

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21	LEASE OBLIGATIONS		
		2009	2008
		£'000	£'000
	Operating lease commitments in respect of lease of Premises expiring:		
	Over five years	<u>476</u>	<u>346</u>
	Operating lease commitments in respect of lease of musical instruments expiring:		
	Within two and five years inclusive	<u>21</u>	<u>43</u>
	Over five years	<u>73</u>	<u>70</u>

22 POST BALANCE SHEET EVENTS

The Academy acquired an interest in a long leasehold in property for future estate development on 1 October 2009 at a cost of £1,650,000.

23 CAPITAL COMMITMENTS

		2009	2008
		£'000	£'000
	Commitments contracted at 31 July	301	200
	Authorised but not contracted at 31 July	203	113

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

24 RECONCILIATION OF OPERATING SURPLUS
TO NET CASH FLOW FROM OPERATING ACTIVITIES

		2009	2008
		£'000	£'000
	Deficit before transfers	(386)	(245)
	Transfers to endowments	(75)	(44)
	Loss on sale of assets	18	13
	Write down of assets	125	-
	Loss/(gain) on sale of investments	16	(10)
	Write-down of investments	106	26
	Depreciation charge (Note 10)	635	583
	Transfer from deferred grant (Note 16)	(422)	(355)
	Transfer from Opera School appeal donations (Note 5)	(54)	(54)
	Increase in creditors	111	156
	Decrease/(increase) in debtors	191	(44)
	Net cash inflow from investments	(120)	(223)
	Net Increase in endowment funds	17	674
	Net transfers to/(from) provisions	<u>10</u>	<u>(16)</u>
		<u>172</u>	<u>461</u>

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

	2009 £'000	2008 £'000
Investment income	66	66
Other interest received	<u>54</u>	<u>157</u>
	<u>120</u>	<u>223</u>

26 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2009 £'000	2008 £'000
Capital and special initiative grants	358	562
Additions to tangible fixed assets - excluding donated assets (Note 10)	(481)	(823)
Proceeds - sale of investments	75	330
Purchase of fixed asset investments (Note 11)	(77)	(144)
Purchase of endowment asset investments (Note 12)	<u>(59)</u>	<u>(23)</u>
	<u>(184)</u>	<u>(98)</u>

27 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2008 £'000	Cash Flows £'000	At 31 July 2009 £'000
Cash in hand and at bank	1,806	125	1,931
Endowment asset			
Cash and debtors	<u>1,531</u>	<u>(17)</u>	<u>1,514</u>
TOTAL	<u>3,337</u>	<u>108</u>	<u>3,445</u>

28 PENSION COMMITMENTS

All members of the academic staff have the option to be covered by the Scottish Teachers' Superannuation Scheme (STSS) to which the Academy contributes. Other staff of the Academy are covered by the Local Government Superannuation Scheme (LGSS) through Strathclyde Pension Fund. The Academy contributes as the employer.

STSS

This scheme is a defined benefit scheme, which provides benefits based on final pensionable salary. The contributions payable by the Academy during the accounting period were 13.5% from 1 August 2008 to 31 March 2009 and 14.9% thereafter of pensionable salaries. The scheme is unfunded and its benefits are paid by Her Majesty's Government and financed by the contributions paid by serving teachers and employers. There are therefore no assets and it is not possible to identify the institution's share of the underlying liabilities of the scheme and hence contributions to the scheme are accounted for as if it were a defined contribution scheme.

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**NOTES TO THE ACCOUNTS
AT 31 JULY 2009**

28 PENSION COMMITMENTS (Continued)

The cost recognised within the deficit for the year in the income and expenditure account is equal to the contributions paid to the scheme for the year. The pension costs are assessed using the projected unit method. The assumptions and other data which have the most significant effect on the determination of the contribution levels are as follows:

	STSS
Last actuarial valuations	31 March 2001
Gross rate of return	7.0%
Real rate of return in excess of:	
Prices	3.5%
Earnings	2.0%
Rate of real earnings growth	1.5%
Market value of notional securities	£11,879 million
Notional investments to be credited as at 31 March 2001 such that the total assets equal the total liabilities	£10,769 million

LGSS

The scheme is a defined benefit scheme, which provides benefits based on final salary. The Academy paid contributions of 16.8% from 1 August 2008 to 31 March 2009 and 17.3% thereafter of pensionable salaries for the accounting period as recommended by the actuary.

The Strathclyde Pension Fund is a multi-employer scheme where the share of assets and liabilities applicable to each employer is not identified. The Academy therefore accounts for its pension costs on a defined contribution basis as permitted by FRS 17.

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

The total pension cost for the year was:

	2009 £'000	2008 £'000
Contributions to STSS	290	300
Contributions to LGSS	<u>408</u>	<u>321</u>
	698	621
Increase in pension provision	<u>55</u>	<u>29</u>
	<u>753</u>	<u>650</u>

29 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 July 2009 (2008: Nil).

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**NOTES TO THE ACCOUNTS
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30 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 (2008: £nil). The outstanding balance at 31 July 2009 was nil (2008: £nil).

31 HARDSHIP AND CHILDCARE FUNDS

	Hardship £'000	Childcare £'000	Total £'000
Balance unspent at 1 August 2008	1	-	1
Funds received in year	35	7	42
Expenditure	<u>(18)</u>	<u>(7)</u>	<u>(25)</u>
Balance unspent at 31 July 2009	<u>18</u>	-	<u>18</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 2009 unless otherwise stated.

Academic Board

Principal/Director of Music (Convenor)
Deputy Principal - School of Drama
President of the Students' Union
Head of Information Services
Convenor of Academic Standards Committee – Ewan Hainey
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
Co-opted – music profession – Nigel Osbourne
Co-opted - drama profession – James Brining

Finance

James Miller (Convenor)
Sandy Crombie
Chair of the Board
Principal
Eileen Mackay
Louise Mitchell
Phillip Oppenheim

Honorary Awards

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

Audit

Professor Niall Lothian (Convenor)
Eileen Mackay
Jean Urquhart

Staff Review Board

Principal/Director of Music (Convenor)
Director of Finance
Deputy Principal - School of Drama
Director of Human Resources

Buildings

Thomas Gilchrist (Convenor)
Sandy Crombie
Phillip Oppenheim
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 Advisor
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/Director of Music
Deputy Principal - School of Drama
Registrar
Finance Manager
Head of Information Services
IT Manager
Head of Human Resources
CPU Manager
Health and Safety Advisor
Academy Secretary
Head of Estates
Head of Dramaworks

Strategy Committee

Chair of the Board
Vice-chairs of the Board (2)
Thomas Gilchrist
Eileen Mackay
Brian McMaster
Phillip 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

Bankers

The Royal Bank of Scotland plc
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Glasgow G1 3PL
Adam & Company plc
238 West George Street
Glasgow G2 4QY

External Auditors

Grant Thornton UK LLP
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