

**ROYAL CONSERVATOIRE OF SCOTLAND  
(FORMERLY 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 2011**

**Company Registration No. 4703**



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**REPORT AND ANNUAL ACCOUNTS  
FOR THE YEAR ENDED 31 JULY 2011**

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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 CBE FRSAMD
Secretary	Alan Smith
Registered Office	100 Renfrew Street Glasgow G2 3DB



**ROYAL CONSERVATOIRE OF SCOTLAND  
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**REPORT OF THE GOVERNORS**

The Governors present their report together with the accounts for the year ended 31 July 2011.

***Constitution***

The Royal Conservatoire of Scotland (formerly 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 Conservatoire is in the process of submitting amendments to these provisions to reflect the change of name and several changes to the membership due to changes to the management structure.

The Conservatoire 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.*

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***Operating and Financial Review***

***Overview***

The past year has seen many of the key strategic objectives of recent years come to fruition, such as the integration of the second campus at Speirs Locks, the enhancement of building infrastructure and equipment at Renfrew St to provide better support for teaching and learning needs and embedding the new programmes in Musical Theatre, Modern Ballet and Jazz into the academic community. It has also been an important year in setting out the future strategic direction and positioning of the institution with our ambitious curriculum reform project entering the important programme writing phase and the change of name of the institution on 1 September 2011 to reflect the increased diversity of activities in which the students and staff of the Conservatoire are now engaged. The Board has also been looking at the options to develop new income streams which will assist the Conservatoire in sustaining the high quality of its provision in the context of an uncertain future for public funding support.

***Results for the year***

The surplus for the year is £358,000 (2010: a surplus of £360,000). Accounting for the full implementation of Financial Reporting Standard 17 resulted in a net increase in the surplus for the year of £67,000. The result is therefore broadly in line with the budgeted surplus for the year of £300,000.

Due to a shortfall in overseas recruitment and revenue income from sponsors and donors the Conservatoire sought efficiencies across departmental expenditure budgets in order to protect the operating position. This followed on from a similar exercise in the prior year and through close monitoring has achieved the necessary savings. At the year end there was no long term debt on the Academy's Balance Sheet and bank and cash at 31 July 2011 amounted to £1,959,000 (2010: £1,857,000).

**Outlook for 2011-12 and beyond**

The Board has set an operational budget surplus of £250,000 for 2011-12. In the context of a cut in recurrent grant-funding for on-going activities of 6% and reduced reliance on generating income from fundraising, this was a challenging target. The Conservatoire aims to achieve it by consolidating departmental savings already achieved over the past two years, identifying further savings during the transition to the new curriculum, together with modest pay settlements and an increase in overseas recruitment.

The proposals to de-regulate tuition fees for Rest of UK students from 2012-13 have added a significant new variable to a future funding environment that is already uncertain. The Board continues to view Curriculum Reform as an opportunity to improve the cost effectiveness of programmes and to develop new markets for the Conservatoire's core offerings. Commercial options are also being identified and evaluated as a means of lessening dependence on public funding in the longer-term.

**Summary of investment performance**

The Academy's investments are managed on a discretionary basis by a professional stockbroker on behalf of the Board and monitored by the Finance Committee. The recovery experienced in the previous financial year continued throughout the year. The total return for the year across the managed portfolio was +15.46% compared with a benchmark of +11.14%. The Board considers this performance to be satisfactory. The portfolios have suffered a general fall since the financial year-end but the mix of stocks has mitigated the severity of the impact.



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National and International Profile and Status

The launch of the new name on 1<sup>st</sup> September 2011 provided an excellent opportunity to raise our national and international profile and communicate and emphasise our unique brand and range of programme offerings to a wide variety of stakeholders. A series of public events through the month of September concluded with a final celebration at the beginning of October to welcome the returning and new students to the Conservatoire.

There has been a strong focus on international recruitment and, backed up by an increase in scholarship support, there is an encouraging growth of intake in both Music and Drama for the coming year.

The range of International Fellows continues to develop across both Schools. This past year Ian Bousfield (Vienna Philharmonic) and Peter Manning (Covent Garden) have been appointed. 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 Conservatoire.

The Composition Department has signed a collaboration agreement with its counterpart at the Paris Conservatoire, reflecting the high quality of partnerships the Conservatoire seeks to nurture.

The achievements of students and alumni continue to play an important part in maintaining a high profile for the Conservatoire. This past year has included: a Royal Overseas League Gold medal, a solo role for a ballet student in Scottish Ballet's production of *Sleeping Beauty*, a BAFTA for an alumnus' short film, a Royal Philharmonic Society nomination for *War and Peace* and a Musical Theatre Matters award for the musical theatre production at the Edinburgh Festival Fringe.

The year-long celebration of Drama @ 60 allowed the Conservatoire to engage with a wider audience and to re-engage with alumni and generate a new scholarship fund in the process.

Curricular Activity and Quality Enhancement

The design of the new undergraduate curriculum continues to be the most important ongoing project within the Conservatoire. During the year a new Academic Framework was designed and scrutinised by an independent external panel. The Academic Framework which, for the first time, aligns the academic processes and management of both Schools, includes the adoption of a trimesterised system whereby the year will be split into three learning and teaching periods. An International Advisory Panel consisting of highly regarded professionals from the artistic and education communities met again during the year and endorsed the latest phase of the new curriculum project. Nine undergraduate programme design teams are now engaged in writing the new programmes, due for external validation in February 2012. The other major focus of the work plan is detailed planning for the implementation of the new curriculum, which is to be introduced in 2012-13.

The second year of the Modern Ballet and Musical Theatre programmes commenced and were able to benefit from the new specialist facilities at Speirs Locks. The range and number of summer programmes offered continues to grow and forms the foundation for more comprehensive activity during the summer trimester.

Both the BEd Music and the BA Scottish Music (including Piping) were reviewed in session 2010/11 and were approved for a further five years. The programmes are delivered through partnerships with the University of Glasgow and the National Piping Centre respectively and

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both reviews concluded that those partnerships were operating effectively and to the significant benefit of the students involved. The Conservatoire conducted an internal pilot of the National Student Survey and its postgraduate equivalent. The results of those pilots will be addressed by Deans and academic colleagues in the first instance and the Conservatoire will run the surveys again internally in session 2011/12.

Research and Enterprise

One of the major challenges facing research-active staff in the Conservatoire is setting aside dedicated time for research and knowledge exchange projects alongside other institutional activities. This year the Conservatoire was able to support its researchers via a specially designed in-house 'mini sabbatical' scheme known as the Athenaeum Award. Three awards were made which funded staff for 3 months paid leave, enabled by research funds resulting from the previous Research Assessment Exercise and formula Knowledge Exchange funds from the Scottish Funding Council. Two projects were in the research area (funding a major music theatre compositional project and a research fellowship to Princeton University) and one in Knowledge Exchange (funding further development work in an existing drama in prisons project with HMP Perth). Research activity is more fully developed in the School of Music than in the School of Dance and Drama, and to redress this balance a new post of Research Lecturer was created to develop a research culture in the School of Dance and Drama as well as staff supervisory training and student research training. Both these initiatives are part of early planning for the forthcoming Research Excellence Framework (REF 2013) exercise in which the Conservatoire plans to submit both music and drama outputs.

Estates and Infrastructure

The Speirs Locks Studios were completed in time for the commencement of the 2010-11 academic year and facilities have been well-received by students and staff alike. The project architect won a Royal Institute of British Architects' Award for 2011 for the development.

The Conservatoire took a major step forward in realising its estate development plans during the past year. With assistance of a capital grant from the Horizon Fund of £2.5M it was possible to undertake an extensive refurbishment and re-development programme within the Renfrew St campus and to purchase two industrial units adjoining Speirs Locks Studios for future expansion.

The space vacated in Renfrew St by the move of the technical and production facilities to Speirs Locks was substantial and the opportunity has been taken to convert the vacated space into additional teaching and rehearsal facilities in a variety of configurations and to enhance electronic media and recording studio capacity. Student ICT facilities have also been increased and are now located within the Alexander Gibson Opera School to make more effective use of that space.

In addition, sufficient funds are in place to finance the future capital development phase at Speirs Locks which is currently being planned.

The sustainability campaign launched with the support of the Students' Union last autumn has been successful. One of the results has been a saving in utility charges.

Human Resources

During this academic year we have been working with staff and students on a set of core values, with a view to embedding these values into our policies and performance outcomes. An extensive staff development programme is being planned to support and prepare the academic

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staff to implement the new curriculum. Work with managers continues on a range of staffing, efficiency and change management issues.

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 1.5% came from FOCUS West schools (2010: 1%).

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 Conservatoire 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 Conservatoire 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 Conservatoire has produced an operating surplus for the current year and is forecasting a surplus of a similar level for the coming year which takes into account cuts in recurrent grant funding. There are currently no borrowings and the liquidity and cash generation position are also outlined in the Review and the cash flow statement. Our Financial Sustainability Group continues to review plans to deal with possible future funding cuts. The Governors believe that the Conservatoire is well placed to manage its business risks successfully despite the current uncertain economic outlook and have a reasonable expectation that the Conservatoire 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 Conservatoire including the Board of Governors and the Academic Board.

Payment of creditors

It is the Conservatoire'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 Conservatoire endeavours to include and abide by specific payment terms. The creditors' balance at 31 July 2011 represented 5% of total purchases for the year, equivalent to 17 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 Conservatoire's activities. These include:

	%
Student progression/graduation rate (UG/PG all years)	95.8
2009/10 music undergraduates in employment or further study (based on respondents)	95.5
2009/10 drama undergraduates in employment or further study (based on respondents)	87.5

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

The Conservatoire Executive is presently undertaking a review across the range of the Conservatoire'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		2010-11	2009-10
School of Music	Full-time students (including BEd)	455	456
	Part-time students	20	18
	Research students	11	15
	Youthworks students	891	910
School of Drama	Full-time students	312	305
	Research students	1	-
	Youthworks students	<u>942</u>	<u>920</u>
		<u>2,632</u>	<u>2,624</u>

The number of applications for full-time courses commencing in the academic year 2010-11 was 3,011 (2009-10: 2,162). The overall ratio of applicants to places was 8:1 (2009-10: 6:1).

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

The following received honorary doctorates during the academic session 2010-11

Doctor of Music

Moira Anderson  
Judith Howarth

Doctor of Drama

John Barrowman  
David MacLennan

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***Governors***

The Governors set out in the table below have held office during the whole of the period from 1 August 2010 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  
Chris Parr (appointed 20 October 2010)  
Jean Urquhart (resigned 28 January 2011)

*Core Governors ex officio*

The Principal, Professor John Wallace CBE FRSAMD  
The President, Students' Union, Stephen Phillips (to 30 June 2011)  
Rachael Brimley (from 1 July 2011)

*Staff Governors-elected*

Professor Maggie Kinloch (Academic Board)  
Rose-Anne Healy (Academic Support Staff)  
Gordon Munro (Academic Staff)

*Co-opted Governors*

Norman Gillies (appointed 29 October 2010)  
Chris Gorman OBE (retired 27 April 2011)  
Paul Jourdan (appointed 29 October 2010)  
Louise Mitchell (resigned 27 April 2011)  
Donald Runnicles OBE  
Norman Sharp OBE

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

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

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***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 Conservatoire 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***

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 28 OCTOBER 2011  
AND SIGNED ON THEIR BEHALF BY

Lord Vallance of Tummel  
Chairman



A handwritten signature in cursive script, reading "Lord Vallance of Tummel", with a horizontal line underneath it.

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**CORPORATE GOVERNANCE STATEMENT**

The Royal Conservatoire of Scotland is committed to exhibiting best practice in all aspects of corporate governance. This statement summarises the manner in which the Conservatoire has applied the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council in 2010. The Conservatoire 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 Conservatoire 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 Conservatoire 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.

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 academic support staff
4. Governors who have experience of local government, education and other relevant sectors who may be co-opted.

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

The business of the Conservatoire 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 Conservatoire are delegated to the Academic Board. The Board of Governors is responsible for the Conservatoire'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 on page 45. 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 Conservatoire'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 three 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 Conservatoire's assets
- the economy, efficiency and effectiveness of the Conservatoire's activities
- corporate governance and the conduct of the Conservatoire'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 Conservatoire'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 Finance and Corporate Resources Group 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 Conservatoire 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 Conservatoire Senior Management Team also reviews the risk register on a regular basis to ensure that there is appropriate linkage with the strategic planning process.

The internal audit function reviewed risk management processes during the past year which included facilitating a risk workshop for Governors and senior staff. One of the objectives was to create a simpler and more dynamic risk register and management process. Development work is on-going in this area.

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 further to enhance the control environment have been identified, appropriate action has been defined and completion dates scheduled, so that progress can be monitored closely.

In summary, a suitable process for identifying, evaluating and managing the significant risks faced by the Conservatoire 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 2010-11.

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 members of the Conservatoire 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 Conservatoire of Scotland, 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 Conservatoire 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 Conservatoire 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 Conservatoire will continue in operation. The Governors are satisfied that the Conservatoire 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 Conservatoire and hence to take reasonable steps to prevent and detect fraud and other irregularities
- \* secure the economical, efficient and effective management of the Conservatoire's resources and expenditure and
- \* ensure sound corporate governance and the proper conduct of the Conservatoire's operations

The key elements of the Conservatoire'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 Conservatoire and an opinion on the adequacy and effectiveness of the Conservatoire'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

**28 October 2011**

**ROYAL CONSERVATOIRE OF SCOTLAND  
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**Independent auditor's report to the Board of Governors of the Royal  
Conservatoire of Scotland**

We have audited the financial statements of the Royal Conservatoire of Scotland ('the Conservatoire') for the year ended 31 July 2011 which comprise the income and expenditure account, the statement of total recognised gains and losses, the statement of historical cost surpluses and deficits, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the 2007 Statement of Recommended Practice: Accounting for Further and Higher Education.

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 Conservatoire's governors those matters we are required to state to them 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 Conservatoire and its governors, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of the Board of Governors and auditor**

As explained more fully in the Statement of Governors' Responsibilities set out on pages 14 and 15, the Board of Governors (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Companies Act 2006 and report in accordance with that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

We also report to you whether income from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the Conservatoire 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 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 institution's corporate governance procedures or its risk and control procedures.

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

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Conservatoire's affairs as at 31 July 2011 and of the incoming resources and application of resources, including its income and expenditure, for the year then ended;

**ROYAL CONSERVATOIRE OF SCOTLAND  
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- 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters**

In all material respects:

- income from the Scottish Funding Council, grants and income for specific purposes and from other restricted funds administered by the Conservatoire during the year ended 31 July 2011 have been applied for the purposes for which they were received; and
- income during the year ended 31 July 2011 has been applied in accordance with the Conservatoire's statutes and, where appropriate, with the Financial Memorandum with the Scottish Funding Council.

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

In our opinion the information given in the Report of Governors for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from Branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of the governing body's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Grant Thornton UK LLP.*

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

~~28 October 2011~~  
*7 November 2011*

**ROYAL CONSERVATOIRE OF SCOTLAND  
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**INCOME AND EXPENDITURE ACCOUNT  
FOR THE YEAR ENDED 31 JULY 2011**

	Note	2011 £'000	2010 £'000
<b><i>INCOME</i></b>			
Funding body grants	2	9,698	9,281
Tuition fees and education contracts	3	3,988	3,834
Research grants and contracts	4	-	8
Other income	5	1,766	1,439
Endowment and investment income	6	<u>196</u>	<u>187</u>
<b>Total Income</b>		<b><u>15,648</u></b>	<b><u>14,749</u></b>
<b><i>EXPENDITURE</i></b>			
Staff costs	7	10,170	9,349
Other operating expenses	9	4,149	4,327
Depreciation	10	<u>949</u>	<u>659</u>
<b>Total Expenditure</b>		<b><u>15,268</u></b>	<b><u>14,335</u></b>
<b>Surplus on continuing operations</b>		<b>380</b>	<b>414</b>
Transfer to accumulated income in endowment funds	17	<u>(22)</u>	<u>(54)</u>
<b>Surplus for the year credited to revenue reserves</b>	20	<b><u>358</u></b>	<b><u>360</u></b>

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

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**NOTE OF HISTORICAL COST SURPLUS  
FOR THE YEAR ENDED 31 JULY 2011**

	Note	2011 £'000	2010 £'000
Surplus on continuing operations		380	414
Transfer to endowment funds		<u>(22)</u>	<u>(54)</u>
Surplus for the year credited to revenue reserves	20	358	360
Difference between historical cost depreciation and the actual charge for the year calculated on the revalued amount	19	<u>8</u>	<u>8</u>
Historical cost surplus for the year		<u>366</u>	<u>368</u>

**ROYAL CONSERVATOIRE OF SCOTLAND  
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**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 JULY 2011**

	Note	2011 £'000	2010 £'000
Surplus on continuing operations		380	414
Transfer to endowment funds	17	<u>(22)</u>	<u>(54)</u>
Surplus for the year credited to revenue reserves	20	358	360
Pension Reserve	27	362	-
Increase in valuation of investments	19	<u>177</u>	<u>115</u>
		897	475
Increase/(decrease) in endowment and restricted funds	17	<u>4,211</u>	<u>(1,209)</u>
Total recognised gains/(losses) relating to the year		<u>5,108</u>	<u>(734)</u>
Reconciliation			
Opening reserves and endowments		7,085	7,819
Total recognised gains/(losses) relating to the year		<u>5,108</u>	<u>(734)</u>
Closing reserves and endowments		<u>12,193</u>	<u>7,085</u>



ROYAL CONSERVATOIRE OF SCOTLAND  
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BALANCE SHEET AS AT 31 JULY 2011

(Company Registration No. 4703)

	Note	2011 £'000	2010 £'000
Tangible assets	10	31,581	27,878
Investments	11	<u>1,595</u>	<u>1,451</u>
<b>Total fixed assets</b>		<b><u>33,176</u></b>	<b><u>29,329</u></b>
<b>Pension Asset</b>	27	429	-
<b>Endowment assets</b>	12	7,528	3,317
Debtors	13	717	730
Cash at bank and in hand		<u>1,959</u>	<u>1,857</u>
Total current assets		<u>2,676</u>	<u>2,587</u>
<b>Less: Creditors - amounts falling due within one year</b>	14	<b><u>(1,604)</u></b>	<b><u>(5,144)</u></b>
<b>Net current assets/(liabilities)</b>		<b><u>1,072</u></b>	<b><u>(2,557)</u></b>
<b>Total assets less current liabilities</b>		<b>42,205</b>	<b>30,089</b>
<b>Less: Provisions for liabilities and charges</b>	15	<b><u>(646)</u></b>	<b><u>(632)</u></b>
<b>NET ASSETS</b>		<b><u>41,559</u></b>	<b><u>29,457</u></b>
<b>Deferred capital grants</b>	16	29,359	22,365
<b>Endowment funds</b>	17		
Permanent		1,415	1,325
Expendable		<u>6,113</u>	<u>1,992</u>
		7,528	3,317
<b>Share capital</b>	18	7	7
Revaluation reserve	19	1,024	855
Capital reserve	20	505	633
Revenue reserves	20	<u>2,707</u>	<u>2,280</u>
<b>Reserves excluding pension reserve</b>		<b>4,236</b>	<b>3,768</b>
Pension Reserve		<u>429</u>	-
<b>Total Reserves</b>		<b><u>4,665</u></b>	<b><u>3,768</u></b>
<b>TOTAL</b>		<b><u>41,559</u></b>	<b><u>29,457</u></b>

The accounts on pages 18 to 44 were approved by the Board of Governors on 28 October 2011 and were signed on its behalf by:

Professor John Wallace  
Designated Officer

A Smith  
Director of Finance

Lord Vallance of Tummel  
Chairman





**ROYAL CONSERVATOIRE OF SCOTLAND  
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**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 JULY 2011**

	Note	2011 £'000	2010 £'000
Net cash inflow from operating activities	23	795	1,808
Returns on investments and servicing of finance	24	167	44
Capital expenditure and financial investment	25	<u>3,393</u>	<u>(1,223)</u>
Increase in cash in the year	26	<u>4,355</u>	<u>629</u>

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

	Note	2011 £'000	2010 £'000
Increase in cash in the year and movement in net funds	26	4,355	629
Net funds at 1 August	26	<u>4,074</u>	<u>3,445</u>
Net funds at 31 July	26	<u>8,429</u>	<u>4,074</u>

**ROYAL CONSERVATOIRE OF SCOTLAND  
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**NOTES TO THE ACCOUNTS  
AT 31 JULY 2011**

**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 Conservatoire'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. The main Conservatoire freehold buildings are depreciated over their expected useful economic life to the institution of 100 years. Speirs Locks Studios which is built on leasehold is depreciated over 30 years.

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 phase 2 of 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

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**NOTES TO THE ACCOUNTS  
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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.

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

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 Conservatoire'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 Conservatoire 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 Conservatoire participates in two pension schemes providing benefits based on final pensionable pay, the Scottish Teachers Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF). Both schemes are available to staff of more than one employer, are contracted out of the State Earnings-Related Pension Scheme, and the assets of the schemes are held separately from those of the Conservatoire. The Funds are valued by actuaries, the rates of contributions being determined by the trustees on the advice of the actuaries.

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

h Pension Costs (Continued)

Strathclyde Pension Fund

The scheme is a defined benefit scheme and is accounted for under Financial Reporting Standard 17, Retirement Benefits (FRS17). In prior years, due to the uncertainty as to whether individual contributors' share of the underlying assets could be identified on a reasonable and consistent basis that is in accordance with FRS 17, contributions to the scheme were accounted for as if it were a defined contribution scheme. From 2010-11, sufficient information has been supplied by the Fund's actuaries to allow the scheme to be accounted for as a defined benefit scheme.

Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between the income and expenditure account and, in the statement of total recognised gains and losses, actuarial gains and losses.

Scottish Teachers' Superannuation Scheme

The Conservatoire also participates in the Scottish Teachers' Superannuation Scheme. The scheme is available to staff of more than one employer and it is not possible to identify each participating institution's share of the underlying assets and liabilities on a consistent and reasonable basis. Accordingly, the Conservatoire has utilised the provisions of FRS 17 whereby the contributions to the scheme are recognised as if it were a defined contribution scheme. The cost recognised within the Conservatoire's income and expenditure account will be equal to the contribution payable to the scheme 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 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 Conservatoire 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 Conservatoire 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 Conservatoire is

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**NOTES TO THE ACCOUNTS  
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i Taxation Status (Continued)

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 Conservatoire 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.

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**NOTES TO THE ACCOUNTS  
AT 31 JULY 2011**

**2 FUNDING BODY GRANTS**

	2011 £'000	2010 £'000
SFC		
Recurrent grant for teaching	6,790	6,322
Recurrent grant for Junior Conservatoire	319	319
Specific initiative grants:		
Wider Access retention	35	35
Disabled student premium	52	52
Research Grant - Sistema Project	-	40
Horizon Fund	94	-
Research development foundation	166	162
Research postgraduate grant	100	99
Knowledge Exchange Innovations	2	1
Learning and Teaching Infrastructure Fund	-	248
Stage & Screen Network	1,483	1,470
Part-time Incentive	4	6
Capital Investment Funding	33	46
SSI Grant	5	-
Employability	30	15
Technical Theatre Skills Network	15	-
Deferred capital grants released in year: (Including SOEID)		
Buildings (Note 16)	252	212
Equipment (Note 16)	<u>318</u>	<u>254</u>
	<u>9,698</u>	<u>9,281</u>

**3 TUITION FEES AND EDUCATION CONTRACTS**

UK higher education students	522	557
European Union (EU) (excluding UK) students	66	40
Non-EU students	1,233	1,133
UK further education students *	<u>1,052</u>	<u>975</u>
Total fees paid by or on behalf of individual students	2,873	2,705
Higher Education contracts	1,080	1,060
Other contracts	<u>35</u>	<u>69</u>
Total	<u>3,988</u>	<u>3,834</u>

\* relates to youthworks programmes

**4 RESEARCH GRANTS AND CONTRACTS**

	2011 £'000	2010 £'000
Miscellaneous research grants and contracts	-	<u>8</u>



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**NOTES TO THE ACCOUNTS  
AT 31 JULY 2011**

**5 OTHER INCOME**

	2011 £'000	2010 £'000
Income from front of house	235	218
Sundry income	119	71
Increase in market value of investments	-	50
Esmee Fairbairn project	47	14
Scottish Institute for Enterprise grant	5	5
European Funded Projects	15	14
RCS Works	27	26
Sponsorship and donations	498	339
Ambition project	8	-
Rostov Project (EU funded)	5	123
Rent received	36	-
Student residences	485	470
Release of Opera School appeal donations (Note 16)	54	54
Release of Deferred Capital Grants (non SFC):		
Buildings	137	-
Equipment	38	-
FOCUS West project grant	<u>57</u>	<u>55</u>
	<u>1,766</u>	<u>1,439</u>

**6 INVESTMENT AND ENDOWMENT INCOME**

Investment income	56	38
Bank interest	14	6
Pension Fund net interest	<u>97</u>	<u>-</u>
	167	44
Endowment Income	<u>29</u>	<u>143</u>
	<u>196</u>	<u>187</u>

**7 STAFF COSTS**

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

	2011 Number	2010 Number
Senior management	5	5
Teaching staff	143	131
Teaching support	17	19
Research grants and contracts	2	2
Other support services	15	14
Administration and central services	50	52
Premises	31	15
Other income generating activities	<u>2</u>	<u>2</u>
	<u>265</u>	<u>240</u>

During the year the Conservatoire in-sourced the cleaning contract which resulted in the creation of ten new posts.

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**NOTES TO THE ACCOUNTS  
AT 31 JULY 2011**

7 STAFF COSTS (continued)

Staff costs for the above persons:

	2011 £'000	2010 £'000
Wages and salaries	8,534	7,911
Social security costs	626	550
Other pension costs (Note 27)	912	780
Other staff costs	<u>98</u>	<u>108</u>
	<u>10,170</u>	<u>9,349</u>
Senior management	488	499
Teaching staff	6,154	5,601
Teaching support	482	532
Research grants and contracts	88	63
Other support services	635	531
Administration and central services	1,659	1,715
Premises	640	385
Other income generating activities	<u>24</u>	<u>23</u>
	<u>10,170</u>	<u>9,349</u>
Governors' salaries (included therein)		
Salaries (staff members)	296	290
Pension contributions	<u>43</u>	<u>42</u>
	<u>339</u>	<u>332</u>

The number of Governors accruing benefits under pension schemes during the year was 4 (2010: 5).

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

	2011 £'000	2010 £'000
Salary	122	122
Pension contributions	<u>18</u>	<u>18</u>
	<u>140</u>	<u>140</u>
Accrued pension as at 31 July	15	13
Accrued lump sum as at 31 July	44	39

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.

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**NOTES TO THE ACCOUNTS  
AT 31 JULY 2011**

7 STAFF COSTS (continued)

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

	2011 Number	2010 Number
Nil	19	16
£1 - £10,000	1	1
£10,001 - £20,000	1	1
£20,001 - £30,000	1	3
£50,001 - £60,000	1	-
£70,001 - £80,000	-	1
£80,001 - £90,000	1	-
£120,001 - £130,000	1	1

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

8 TRAVEL AND SUBSISTENCE

	2011 £'000	2010 £'000
Travel and subsistence - Board members	3	5
Staff	42	57
Hospitality - Board members	2	2
Staff	<u>19</u>	<u>29</u>
	<u>66</u>	<u>93</u>

9 OTHER OPERATING EXPENSES

Teaching departments	1,091	1,211
Contracted-out lecturing services	316	349
Teaching support services	64	65
Other support services	140	118
Administration and central services	730	627
General education	168	191
Premises costs	340	605
Repairs, renewals and maintenance	414	507
Other income generating activities	125	110
Residences	494	477
Other expenses	<u>267</u>	<u>67</u>
	<u>4,149</u>	<u>4,327</u>

Other operating expenses include:

Auditors' remuneration	External audit	17	12
	FFELP Contract	10	-
	Internal audit	17	17
Fees for non-audit services	External auditors	-	1
Loss on disposal of assets		10	4
(Gain)/loss on sale of investments		(9)	11

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**NOTES TO THE ACCOUNTS  
AT 31 JULY 2011**

10 TANGIBLE ASSETS

	Buildings	Speirs Locks Studios	Work- in- Progress	Furn/Fixt Fitt/Equip	Stringed Instr'n'ts	Other Musical Instr'n'ts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<i>Cost/Valuation</i>							
At 1 August 2010	27,134	-	4,034	3,077	873	162	35,280
Additions	1,140	1,717	966	845	10	-	4,678
Transfers	(16)	3,930	(4,034)	104	-	-	(16)
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(234)</u>	<u>-</u>	<u>-</u>	<u>(234)</u>
At 31 July 2011	<u>28,258</u>	<u>5,647</u>	<u>966</u>	<u>3,792</u>	<u>883</u>	<u>162</u>	<u>39,708</u>
<i>Aggregate Depreciation</i>							
At 1 August 2010	5,020	-	-	2,221	63	98	7,402
Depreciation charge	283	188	-	459	9	10	949
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(224)</u>	<u>-</u>	<u>-</u>	<u>(224)</u>
At 31 July 2011	<u>5,303</u>	<u>188</u>	<u>-</u>	<u>2,456</u>	<u>72</u>	<u>108</u>	<u>8,127</u>
<i>Net Book Value</i>							
At 1 August 2010	<u>22,114</u>	<u>-</u>	<u>4,034</u>	<u>856</u>	<u>810</u>	<u>64</u>	<u>27,878</u>
At 31 July 2011	<u>22,955</u>	<u>5,459</u>	<u>966</u>	<u>1,336</u>	<u>811</u>	<u>54</u>	<u>31,581</u>
<i>Financed by :</i>							
SFC capital grants and receipts	22,506	-	966	1,026	48	62	24,608
Other grants	-	4,576	-	175	-	-	4,751
Other	<u>449</u>	<u>883</u>	<u>-</u>	<u>135</u>	<u>763</u>	<u>(8)</u>	<u>2,222</u>
	<u>22,955</u>	<u>5,459</u>	<u>966</u>	<u>1,336</u>	<u>811</u>	<u>54</u>	<u>31,581</u>

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

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

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**11 INVESTMENTS**

	General Fund	Early Retirement Fund	Total 2011 £'000	Total 2010 £'000
Market value at 1 August 2010	992	459	1,451	1,304
Transfers	459	(459)	-	-
Additions	121	-	121	130
Disposals	(142)	-	(142)	(129)
Increase in market value	<u>165</u>	<u>-</u>	<u>165</u>	<u>146</u>
Market value at 31 July 2011	<u>1,595</u>	<u>-</u>	<u>1,595</u>	<u>1,451</u>

	2011 Market Value £'000	2011 Cost £'000	2010 Market Value £'000	2010 Cost £'000
Listed investments				
Fixed interest stocks	653	464	581	434
Equities	<u>942</u>	<u>838</u>	<u>870</u>	<u>901</u>
	<u>1,595</u>	<u>1,302</u>	<u>1,451</u>	<u>1,335</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	2011 Total £'000	2010 Total £'000
Market value at 1 August 2010	385	-	715	-	1,100	3,012
Additions	45	628	-	-	673	59
Disposals	(47)	-	(715)	-	(762)	(2,190)
Increase in market value as at 31 July	<u>49</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>47</u>	<u>219</u>
Market value at 31 July 2011	432	626	-	-	1,058	1,100
Cash and debtors (Note 27)	<u>345</u>	<u>12</u>	<u>6,073</u>	<u>40</u>	<u>6,470</u>	<u>2,217</u>
	<u>777</u>	<u>638</u>	<u>6,073</u>	<u>40</u>	<u>7,528</u>	<u>3,317</u>
Fixed interest stocks	201	241	-	-	442	155
Equities	231	385	-	-	616	945
Cash and debtors	<u>345</u>	<u>12</u>	<u>6,073</u>	<u>40</u>	<u>6,470</u>	<u>2,217</u>
	<u>777</u>	<u>638</u>	<u>6,073</u>	<u>40</u>	<u>7,528</u>	<u>3,317</u>

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

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**NOTES TO THE ACCOUNTS  
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13	DEBTORS		
		2011	2010
		£'000	£'000
	Amounts falling due within one year:		
	Trade debtors	89	96
	Debts due from students	34	117
	VAT	-	57
	Other debtors	51	67
	Prepayments and accrued income	<u>451</u>	<u>282</u>
		<u>625</u>	<u>619</u>
	Amounts falling due after one year:		
	Other debtors	<u>92</u>	<u>111</u>

14 CREDITORS: AMOUNTS FALLING DUE  
WITHIN ONE YEAR

Trade creditors	266	184
Other creditors	428	242
Accruals and deferred income	437	394
Deferred grant receipts	<u>473</u>	<u>4,324</u>
	<u>1,604</u>	<u>5,144</u>

Deferred grant receipts refer to monies received from the Scottish Funding Council, the RSAMD Endowment Trust, and Estate Development Fund for estates development and other capital projects.

15 PROVISIONS FOR LIABILITIES AND CHARGES

	Pensions
	£'000
Balance at 1 August 2010	632
Increase in provision	60
Paid/released	<u>(46)</u>
Balance at 31 July 2011	<u>646</u>

A valuation of the existing pension provision was carried out by Hymans Robertson, an independent firm of actuaries at 6 September 2011.

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16 DEFERRED CAPITAL GRANTS AND RECEIPTS

	SFC GRANTS £'000	SOEID GRANTS £'000	OPERA SCHOOL DONATIONS £'000	OTHER £'000	TOTAL £'000
Balance at 1 August 2010					
Buildings	1,925	14,990	4,714	-	21,629
Equipment	<u>736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>736</u>
Total	<u>2,661</u>	<u>14,990</u>	<u>4,714</u>	<u>-</u>	<u>22,365</u>
Received during the year					
Buildings	2,971	-	-	3,892	6,863
Equipment	722	-	-	213	935
Equipment disposals	(3)	-	(2)	-	(5)
Released to income and expenditure					
Buildings depreciation	(62)	(190)	(54)	(137)	(443)
Equipment depreciation	<u>(318)</u>	<u>-</u>	<u>-</u>	<u>(38)</u>	<u>(356)</u>
Total	<u>5,971</u>	<u>14,800</u>	<u>4,658</u>	<u>3,930</u>	<u>29,359</u>
Balance at 31 July 2011					
Buildings	4,834	14,800	4,658	3,755	28,047
Equipment	<u>1,137</u>	<u>-</u>	<u>-</u>	<u>175</u>	<u>1,312</u>
Total	<u>5,971</u>	<u>14,800</u>	<u>4,658</u>	<u>3,930</u>	<u>29,359</u>

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17 ENDOWMENT FUNDS - PERMANENT

	PRIZE FUND CAPITAL £'000	PRIZE FUND ACCUMULATED INCOME £'000	PIANO FUND CAPITAL £'000	TOTAL £'000
Balance at 1 August 2010	497	188	640	1,325
<i>Income</i>				
Funds introduced	37	1	-	38
Investment income	-	17	7	24
Gain on sale of investments	3	-	-	3
Increase in value of Investments	<u>51</u>	<u>-</u>	<u>(2)</u>	<u>49</u>
	588	206	645	1,439
<i>Expenditure</i>				
Transfer to income and expenditure account to meet expenditure incurred	<u>-</u>	<u>(17)</u>	<u>(7)</u>	<u>(24)</u>
Balance at 31 July 2011	<u>588</u>	<u>189</u>	<u>638</u>	<u>1,415</u>

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

ENDOWMENT FUNDS – EXPENDABLE

	INTERNATIONAL CHAIR/FELLOWS FUND £'000	CAPITAL CAMPAIGN FUND £'000	TOTAL £'000
Balance at 1 August 2010	50	1,942	1,992
<i>Income</i>			
Funds introduced	-	4,809	4,809
Investment income	<u>-</u>	<u>6</u>	<u>6</u>
	50	6,757	6,807
<i>Expenditure</i>			
Transfer to income and expenditure account to meet expenditure incurred	<u>(10)</u>	<u>(684)</u>	<u>(694)</u>
Balance at 31 July 2011	<u>40</u>	<u>6,073</u>	<u>6,113</u>
<i>Of which:</i>			
Capital	40	5,917	5,957
Accumulated Income	<u>-</u>	<u>156</u>	<u>156</u>
	<u>40</u>	<u>6,073</u>	<u>6,113</u>



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18 SHARE CAPITAL

	2011	2010
<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 2010	115	740	855
Transfer to revaluation reserve			
Revaluation of investments	177	-	177
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 2011	<u>292</u>	<u>732</u>	<u>1,024</u>

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

20 GENERAL RESERVES

	CAPITAL £'000	REVENUE £'000	PENSION £'000	TOTAL £'000
Balance at 1 August 2010	633	2,280	-	2,913
Surplus for the year before transfers from revaluation reserve	-	358	-	358
Transfer from revaluation reserve	-	8	-	8
Pension reserve	-	-	362	362
Transfer between reserves	<u>(128)</u>	<u>61</u>	<u>67</u>	<u>-</u>
Balance at 31 July 2011	<u>505</u>	<u>2,707</u>	<u>429</u>	<u>3,641</u>

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21	LEASE OBLIGATIONS		
		2011 £'000	2010 £'000
	Operating lease commitments in respect of lease of Premises expiring:		
	Over five years	<u>599</u>	<u>488</u>
	Operating lease commitments in respect of lease of musical instruments expiring:		
	Within one year	<u>-</u>	<u>21</u>
	Within two and five years inclusive	<u>73</u>	<u>-</u>
	Over five years	<u>-</u>	<u>73</u>

22	CAPITAL COMMITMENTS		
		2011 £'000	2010 £'000
	Commitments contracted at 31 July	370	1,900
	Authorised but not contracted at 31 July	68	292

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

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

		2011 £'000	2010 £'000
	Surplus before transfers	380	414
	Transfers to endowments	(22)	(54)
	Pension costs less contribution payable	(67)	-
	Loss on sale of assets	26	4
	Gain on sale of investments	(163)	(720)
	Increase in value of investments	(35)	(250)
	Depreciation charge (Note 10)	949	659
	Transfer from deferred grant (Note 16)	(750)	(468)
	Transfer from Opera School appeal donations (Note 5)	(54)	(54)
	(Decrease)/Increase in creditors	(3,540)	3,499
	Decrease in debtors	13	39
	Net cash inflow from investments	(167)	(44)
	Net Increase/(decrease) in endowment funds	4,211	(1,209)
	Net transfers to/(from) provisions	<u>14</u>	<u>(8)</u>
		<u>795</u>	<u>1,808</u>

**ROYAL CONSERVATOIRE OF SCOTLAND  
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24 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2011 £'000	2010 £'000
Investment income	56	38
Other interest received	14	6
Pension fund net interest	<u>97</u>	<u>-</u>
	<u>167</u>	<u>44</u>

25 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2011 £'000	2010 £'000
Capital and special initiative grants	7,798	263
Additions to tangible fixed assets - excluding donated assets (Note 10)	(4,678)	(4,342)
Proceeds - sale of investments	1,067	3,039
Proceeds - sale of assets	-	6
Purchase of fixed asset investments (Note 11)	(121)	(130)
Purchase of endowment asset investments (Note 12)	<u>(673)</u>	<u>(59)</u>
	<u>3,393</u>	<u>(1,223)</u>

26 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2010 £'000	Cash Flows £'000	At 31 July 2011 £'000
Cash in hand and at bank	1,857	102	1,959
Endowment asset cash and debtors	<u>2,217</u>	<u>4,253</u>	<u>6,470</u>
TOTAL	<u>4,074</u>	<u>4,355</u>	<u>8,429</u>

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**27 PENSION COMMITMENTS**

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

The total pension cost for the year was:

	2011 £'000	2010 £'000
Contributions to STSS	349	335
Contributions to SPF	<u>503</u>	<u>422</u>
	852	757
Increase in pension provision	<u>60</u>	<u>23</u>
	<u>912</u>	<u>780</u>

The actual cost of contributions paid by the Conservatoire during the year for the LGSS was £473,000. Contributions for 2012 for the SPF are estimated to be £546,000.

There were no outstanding contributions payable at 31 July 2011.

**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 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 Conservatoire is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly the Conservatoire 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 2010 to 31 July 2011 was 14.9% of pay. The employee contribution rate was 6.4% during 2010-11. 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.

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27 PENSION COMMITMENTS (continued)

**Strathclyde Pension Fund (SPF)**

The Strathclyde Pension Fund provides benefits on final pensionable salary for employees of local government and some other institutions. This scheme, a multi-employer defined benefit scheme, covers past and present employees. The Conservatoire is now accounting for the scheme on a defined benefit basis. During 2009/10 and in prior years the scheme was accounted for on a defined contribution basis.

The employer contribution rate for the period from 1 August 2010 to 31 March 2011 was 18.2% of pay and 19.3% thereafter. The employee contribution rate for the period from 1 August 2010 to 31 March 2011 was a variable rate dependent upon the level of salary ranging from 5.5% to 12%.

A valuation of the Conservatoire's benefit obligations in respect of its members has been estimated by a qualified independent actuary based on the 31 March 2008 valuation results, rolled forward onto the FRS 17 assumptions at 31 July 2011.

The major assumptions used are shown below.

Principal actuarial assumptions (expressed as weighted averages) at the end of the year were as follows:

**Financial assumptions**

	2011
Pension increase	2.7%
Salary increase rate	5.0%
Expected return on assets	6.4%
Discount rate	5.3%

**Mortality assumptions**

The life expectancies used to determine benefit obligations are as follows:

	Male	Female
Current pensioners	20.6 years	23.9 years
Future pensioners	22.6 years	26.0 years

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27 PENSION COMMITMENTS (continued)

The fair value of the plan assets and the return on those assets were as follows:

	2011 Long term rate of return %	Value £'000
Equities	7.0	7,974
Bonds	4.7	1,364
Property	5.1	629
Cash	4.0	525
		<u>10,492</u>

	2011 £000
Fair value of plan assets	10,492
Present value of funded defined benefit obligations	(10,063)
Present value of unfunded defined benefit obligations	-
Net Asset	<u>429</u>

<b>Movements in fair value of plan assets</b>	2011 £000
At 1 August 2010	9,019
Expected return on plan assets	611
Actuarial gains/(losses)	371
Contributions by the employer	473
Contributions in respect of unfunded benefits	-
Contributions by members	173
Unfunded benefits paid	-
Benefits paid	<u>(155)</u>
At 31 July 2011	<u>10,492</u>

<b>Movements in present value of defined benefit obligations</b>	2011 £'000
At 1 August 2010	9,254
Current service cost	503
Past service costs	-
Loss on curtailments	-
Interest cost	514
Actuarial (gains)/losses	(226)
Contributions by members	173
Estimated unfunded benefits paid	-
Benefits paid	<u>(155)</u>
At 31 July 2011	<u>10,063</u>

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27 PENSION COMMITMENTS (continued)

<b>Expense recognised in the income and expenditure account</b>	2011 £'000
Current service cost	503
Past service cost	-
Loss on curtailments	-
Total operating charge	<u>503</u>
Expected return pension scheme assets	(611)
Interest cost	<u>514</u>
Total net finance return	<u>(97)</u>
Total pension cost recognised in the income and expenditure account	<u>406</u>

	2011 £'000
Statement of total recognised gains and losses (STRGL)	226
Actuarial gain in present value of defined benefit obligations	371
Actuarial gain in fair value of plan assets	<u>(235)</u>
Pension liability opening balance at 1 August 2010	<u>362</u>
Cumulative Actuarial gains/ (losses) (STRGL)	<u>(1,285)</u>

The history of the plan for the current period is as follows:

	2011 £'000
Balance sheet	
Present value of scheme liabilities	(10,063)
Fair value of scheme assets	10,492
Present value of unfunded liabilities	-
Net Asset	<u>429</u>

28 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 July 2011 (2010: Nil).

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**29 RELATED PARTY TRANSACTIONS**

Due to the nature of the Conservatoire'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 Conservatoire's financial regulations and normal procurement procedures. The Conservatoire incurred no such transactions during the financial year (2010: £nil). The outstanding balance at 31 July 2011 was nil (2010: £nil).

**30 DISCRETIONARY AND CHILDCARE FUNDS**

	Discretionary £'000	Childcare £'000	Total £'000
Balance unspent at 1 August 2010	2	2	4
Repayment to SAAS	-	(1)	(1)
Funds received in year	55	9	64
Transfer between funds	6	(6)	-
Expenditure	<u>(65)</u>	<u>(1)</u>	<u>(66)</u>
Balance unspent at 31 July 2011	<u>(2)</u>	<u>3</u>	<u>1</u>

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



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**MEMBERSHIP OF COMMITTEES**

Members of main committees reporting to the Board of Governors served during the whole of the year to 31 July 2011 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 – Gavin Reid  
Co-opted - drama profession – Andy Arnold (from 10 November 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

***Buildings***

Thomas Gilchrist (Convenor)  
Sandy Crombie  
Philip Oppenheim  
Louise Mitchell (resigned 27 April 2011)  
Chair of the Board  
Convenor of the Finance Committee  
Principal

***Nominations***

Chair of the Board  
Principal  
Bridget McConnell  
Sandy Crombie  
Brian McMaster

***Health and Safety***

Director of Finance  
Chris Parr – (Convenor - from 13 January 2011)  
Performance and Musical Events Manager  
Music Librarian  
Human Resources Manager  
Head of Estates  
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)  
Dean – School of Music  
Dean – School of Drama  
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  
Academy Secretary

**ROYAL CONSERVATOIRE OF SCOTLAND  
(FORMERLY THE ROYAL SCOTTISH ACADEMY OF MUSIC AND DRAMA)  
A COMPANY LIMITED BY GUARANTEE**

**PROFESSIONAL ADVISERS**

*Bankers*

The Royal Bank of Scotland plc  
10 Gordon Street  
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*

KPMG  
191 West George Street  
Glasgow G2 2LJ

*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