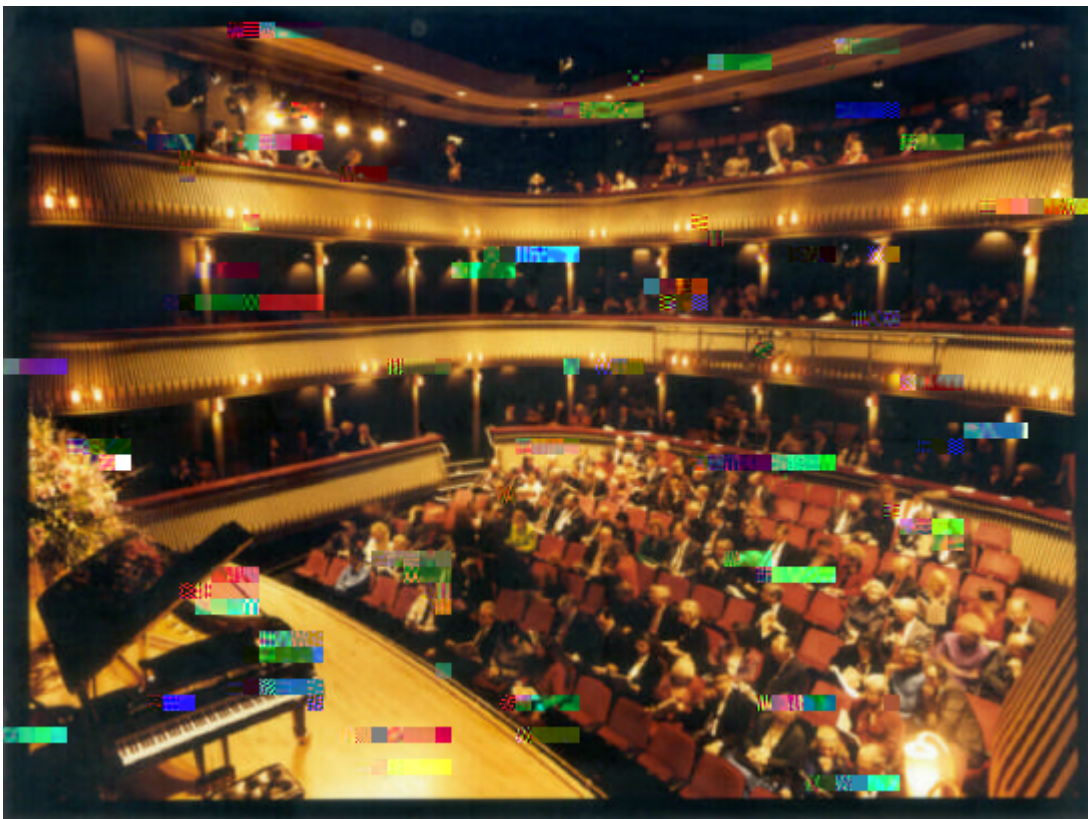




Royal College of Music Annual Accounts 2005-6



Report and Accounts
Royal College of Music

31 July 2006

Royal College of Music

PATRON

Her Majesty The Queen

PRESIDENT

His Royal Highness The Prince of Wales KG KT GCB QSO ADC

VICE-PRESIDENTS

The Most Revd and Rt Hon the Lord Archbishop of Canterbury

The Most Revd and Rt Hon the Lord Archbishop of York

The Rt Hon the Lord Mayor of London

Mr Michael Gough Matthews FRCM (Appointed 1997)

Lady Middleton FRCM (Appointed 2004)

Mr Humphrey Norrington OBE FRCM (Appointed 2004)

Dame Janet Ritterman DBE (Appointed 2005)

Mr Leopold de Rothschild CBE FRCM (Appointed 1986)

Mr Ian Stoutzker OBE FRCM (Appointed 1999)

Sir David Willcocks CBE MC FRCM (Appointed 1982)

LIFE GOVERNORS

Mr John Cruft FRCM

COUNCIL

The President

Sir Anthony Cleaver (Chairman)

Mr Peter Ellwood CBE (Deputy Chairman) (resigned Thursday 23 March 2006)

Mr Nicholas Ward (Honorary Treasurer & Chairman of Investment Committee)

Sir Thomas Allen CBE FRCM

Mrs Sally Bott (appointed March 2006)

Ms Jennifer Cramb (retired July 2005)

Professor Geoffrey Crossick (appointed July 2005)

Mr Vernon Ellis

Mrs Rosalind Gilmore CB

Mr John Hall

Mr James Joll

Dr John Lill OBE FRCM

Mr Richard Price (Chairman of Audit Committee)

Ms Janis Susskind (retired July 2005)

Sir Richard Sykes

Professor Sir David Watson (retired July 2005)

Mr Nigel Woolner (Chairman of Estates Committee)

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CHAIRMANS STATEMENT

REPORT OF THE DIRECTOR

The academic year 2005-06, my first as Director, was characterised by outstanding achievements academically and musically, both in the College and in the wider world.

For entry in September 2005, 1394 applications were received, a small rise on the previous year. Auditions held in London, New York, Boston, Singapore, Hong Kong, Taipei, Tokyo and Moscow proved that applicant standards were as high as ever and confirmed the RCM's position as the first-choice conservatoire for the majority of the world's most gifted musicians.

The student body for the year totalled 652, comprising 385 undergraduates, 244 in the Graduate School and 23 on other programmes. The RCM Graduate School has become internationally renowned for its philosophy of developing 'informed performers'. Since the inception of the Graduate School, numbers of students graduating with an MMus qualification have risen dramatically. A large number of these students

Access for all is high on the RCM's agenda. The annual Open Day held in April attracted more than 500 sixth form musicians who had the opportunity to see a conservatoire timetable in action, and to participate in a range of activities designed to encourage and support applications to higher education. Individual faculty open days throughout the year specifically helped applicants prepare for conservatoire audition. Two summer schools were held, one for 8-12 year olds, the second for 32 gifted and talented young musicians

Colin Lawson
Director

TREASURER'S REPORT

SCOPE AND FORMAT OF THE FINANCIAL ACCOUNTS

The accounts comprise the consolidated results of the Royal College of Music (College), the Prince Consort Foundation (PCF) and the College's dormant subsidiary, RCM Development Fund limited ("RCMDF"), for the financial year 1 August 2005 to 31 July 2006. The College is a registered charity.

PCF receives donations and investment income and makes grants mainly for furthering musical education in the United Kingdom. As the income that PCF receives arises from assets gifted by, or appeals made in the past on behalf of, the College, the majority of the grants are made to support the College's activities.

The financial accounts have been prepared according to the Statement of Recommended Practice: Accounting for Further and Higher Education (SORP 2003) and other relevant Accounting Standards.

During the year the College recognised that the accounts of the Prince Consort Foundation should be consolidated with those of the College in accordance with FRS 2 and the accounts for the year ended 31 July 2005 have been restated accordingly.

During the year, the College has also fully adopted Accounting Standard FRS 17 'Retirement Benefits' which requires that the difference between the fair value of assets held by the RCM Pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method should be recognised in the College's balance sheet. Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the College are charged to the income & expenditure account or the statement of total recognised surpluses and deficits. The effect of this change is that there is an additional charge to the Income and Expenditure account of £53,000 (2005:£18,000) and the actuarial deficit at 31 July 2006 of £1,948,000 (2005:£1,975,000) has been taken on to the Balance Sheet.

MISSION & PRINCIPAL OBJECTIVES

The Royal College of Music is committed to being a world leader in practical education and research by and for musicians working primarily in the field of Western art music. It seeks to ensure the continuing dynamism of this tradition through innovation, the expansion of cultural boundaries and widening the relevance of this music to all groups of society.

The College strives to offer fair access for talented performers and composers from all backgrounds to an environment which encourages musicians to realise their potential, not only as skilled artists but also as individuals with the vision, intelligence and resourcefulness needed to contribute significantly to musical life in this country and internationally.

RESERVE POLICY

The total reserves of the College consist of 67% held in the form of investments, 10% in cash and 23% in other assets. The investments are held in a diversified portfolio of assets, including equities, fixed interest securities and property. The investments are measured at fair value and the fair value is determined by reference to the market price of the assets at the reporting date. The investments are held in the name of the College and are not subject to any restrictions. The investments are held in the name of the College and are not subject to any restrictions. The investments are held in the name of the College and are not subject to any restrictions.

CORPORATE GOVERNANCE & RESPONSIBILITIES OF THE GOVERNING
BODY

CORPOR

Royal College of Music

CORPORATE GOVERNANCE & RESPONSIBILITIES OF THE GOVERNING BODY (Continued)

Bentley Jennison were the Royal College of Music Internal Auditors during the year. The HEFCE Assurance Service last carried out a review of the College's corporate governance arrangements in January 2004 and concluded that they provided a 'high level of assurance'.

Our review of the effectiveness of the system of internal control is also informed by the work of the senior management team within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

DISABILITY STATEMENT

The College is committed to its equal opportunities policy. As a leading British conservatoire, it aims to provide musical education and professional training at the highest international level to meet the aspirations of as many as possible of those who it deems to have the ability and motivation to benefit. Students are recruited on the basis of their musical merits, abilities and potential.

The Royal College of Music aims to ensure that no student, member of staff or visitor to performances and other events is subjected to unfair discrimination.

The College has a disability statement that is intended to provide information to prospective students, current students and staff of the College about its arrangements to support students with disabilities. It is

Royal College of Music

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

1. ACCOUNTING CONVENTION

The accounts have been prepared under the historical cost convention as modified by the revaluation of endowment asset investments, musical instruments and certain land and buildings for which a cost is not readily ascertainable, and in accordance with both the Statement of Recommended Practice: Accounting for Further and Higher Education, published in July 2003, and guidance published by the Higher Education Funding Council for England (HEFCE).

2. BASIS OF CONSOLIDATION

The consolidated accounts consist of the accounts of the College, its subsidiary undertaking, RCM Development Fund Limited and the charity, Prince Consort Foundation (PCF), for the financial year to 31 July 2006. It is considered, in accordance with FRS 2, that Prince Consort Foundation is effectively controlled by the College and therefore the accounts of Prince Consort Foundation have been consolidated with the accounts of the College for the current year and the figures for 2004/5 restated.

3. STUDENTS' ASSOCIATION

In accordance with FRS 2, the accounts do not include those of the Royal College of Music Students' Association as it is a separate legal entity in which the College has no financial interest and no control or significant influence over policy decisions.

4. RECOGNITION OF INCOME

Grants received from HEFCE during the year have been included in income for the year unless specifically designated. Amounts applied to capital expenditure are included in a separate capital reserve.

Grants received for specific purposes are released to income as the related expenditure is incurred. Unspent grants are treated as deferred income.

All income from short term deposits and endowments is credited to the income and expenditure account in the period in which it is earned. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to specific endowments.

Donations, bequests or gifts with no specific terms attached to its use, are recorded as income in the income and expenditure account. The expenditure incurred using these donations, bequests or gifts is accounted for in the period when it is incurred as either capital or revenue expenditure depending on the nature of the expenditure.

5. PENSION SCHEMES

The three pension schemes for the College's staff are the Teachers' Pension Scheme (TPS), the Universities Superannuation Scheme Limited (USS) and the Royal College of Music Pension and Assurance Scheme (RCM Pension Scheme). The schemes are defined benefit schemes, which are externally funded and contracted out of the State Earnings Related Pension Scheme.

Under the definitions set out in FRS 17 'Retirement Benefits', the TPS and the USS are multi-employer pension Schemes. The College is unable to identify its share of the underlying assets and liabilities of the schemes. Accordingly, the College has accounted for its contributions as if they were defined contribution schemes.

The College has fully adopted FRS17 'Retirement Benefits' for the RCM Pension Scheme during the year. The impact of this standard has been reflected throughout the financial accounts. Prior year comparatives have been restated where appropriate. The difference between the fair value of the assets held in the RCM Pension Scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the College's balance sheet as a pension scheme asset or liability as appropriate.

Royal College of Music

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES (Continued)

8 FIXED ASSET INVESTMENTS

(a) Heritable Property

In addition to the museum's collection of instruments, the College has a number of instruments that may be made available to musicians within the College and the profession. These instruments have been classified as "heritable property" within Investments, and have been included at their insurance valuation (the nearest approximation to open market value) of £1,334,000. The transitional rules set out in FRS15 Tangible Fixed Assets have been applied on implementing FRS15. Accordingly, the book values at implementation have been retained. They are not depreciated and are in general maintained in their original condition.

(b) Associated Board of the Royal Schools of Music (ABRSM)

The Foundation's interest in the ABRSM is carried at the trustees valuation which equates to the donations made by the RCM and retained by the ABRSM to 31 July 1995 to fund that charity. The Foundation's trustees consider that the carrying value of the interest in ABRSM is not overstated.

9. INVESTMENTS

Endowment asset investments are included in the balance sheet at market value.

10. MAINTENANCE OF PREMISES

The cost of maintenance is charged to the income and expenditure account as incurred.

11. TAXATION STATUS

The College is a registered charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506(1) of the Income and Corporation Taxes Act (ICTA) 1988. The College 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 Charitable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The College receives no similar exemption in respect of Value Added Tax.

12. FOREIGN CURRENCY TRANSLATION

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

13. LEASED ASSETS

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

14 ENDOWMENT FUNDS

Endowment funds represent funds held by the College.

Specific endowment funds do not allow the capital to be used and require the income generated to be used for the purpose for which the money was originally given or donated.

General endowments held by the College allow the use of the funds to be used, with the approval of the Council, for the benefit of the College provided that the expenditure is in keeping with the College's charitable status and constitution.

15 LIQUID RESOURCES


In the context of the consolidated statement of cash flows, liquid resources comprise cash held on deposit which, in normal circumstances, is not immediately available for use by the College.

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 July 2006

Consolidated		2005		2006	
(restated)		£		£	
				Notes	
					2006
					£
		455,504	Surplus after depreciation and tax		381,097
		651,207	New endowments	20	177,936
		4,534,322	Increase in value of endowment asset investments	20	2,696,759
		(71,969)	Transfer of endowment funds to income	20	(34,106)
			Revaluation reserve release on disposal of fixed asset	25	17,700
		3,269,386			5,209,064
			Total recognised gains relating to the year		
		11,758,792	Prior year adjustment re consolidation of Prince Consort Foundation	30	
		(1,975,000)	Prior year adjustment re adoption of FRS17 concerning RCM pension scheme liabilities	25	
		13,056,178			13,056,178
			Total gains and losses recognised in the year		
			Reconciliation:		
		45,070,409	Opening reserves and endowments		30,829,513
		(1,624,000)	Prior year adjustment re adoption of FRS17 concerning RCM pension scheme liabilities	25	
			Prior year adjustment re consolidation of Prince Consort Foundation	30	10,666,832
			Closing reserves and endowments		48,339,795
					45,070,409

Royal College of Music

BALANCE SHEET		as at 31 July 2006							
College	(restated) 2005	Notes	2006	Consolidated	(restated) 2005	2006			
	£		£		£	£			£
FIXED ASSETS									
100	15,364,649	Tangible assets	17	15,102,246	15,364,649	15,102,246			
	1,134,100	Investments	13	1,334,000	1,334,000	1,134,100			
346	16,898,749			16,436,246	16,898,649	16,436,246			
ENDOWMENT ASSETS									
107	26,717,796	Fixed asset investments	14	35,936,631	33,510,041	28,722,222			
452	672,455	Other endowment assets	15	1,721,936	1,307,937	1,102,222			
569	27,390,251			37,658,567	34,817,978	29,824,444			
CURRENT ASSETS									
1,089	300,747	Cash at bank and in hand		291,089	300,747	29			
5,315	839,586	Cash on deposit		985,315	839,586	98			
0,432	1,829,255			1,949,573	1,835,471	1,92			
CREDITORS: amounts falling due within one year									
4,359	(2,615,433)		17	(2,300,947)	(2,599,228)	(2,38			
3,927	(786,178)	NET CURRENT LIABILITIES		(351,374)	(763,757)	(46			
NET ASSETS, EXCLUDING PENSION LIABILITY									
	49,395,439		16	41,448,978	48,463,870	43,206,039			
	(1,948,000)			(1,948,000)	(1,975,000)				
NET PENSION LIABILITY									
NET ASSETS INCLUDING PENSION LIABILITY	49,395,439		16	41,448,978	48,463,870	43,206,039			



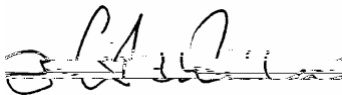
	2005	2006	2007	2008	2009	2010	2011	2012
General	17,688,827	10,757,652	10,261,100	18,591,66				
Reserves								
Income								
Expenditure								
Surplus/Deficit								
Balance								

Approved by Council on 29 November 2006 and signed on its behalf by:



Sir Anthony Cleaver

Chairman



Dr Colin Lawson

Director

Consolidated		College			
(restated)					
2006	2005	2006	2005		
£	£	£	£		
15. OTHER ENDOWMENT FUND ASSETS					
Cash at bank		17,258	315,456	11,281	60,614
Cash on deposit		1,977,834	1,239,000	1,268,834	837,000
Debtors		55,795	49,625	55,795	49,625
Creditors		(228,951)	(126,144)	(228,452)	(274,794)
Total		1,721,936	1,307,937	1,102,452	672,455

Endowment creditors include amounts owed to the College by College endowment funds of £228,302 (2005: £156,332)

Consolidated endowment creditors include amounts owed to the College by the Prince Consort Foundation of £66,885 (2005: £10,490)

Consolidated		College			
(restated)					
2006	2005	2006	2005		
£	£	£	£		
16. DEBTORS					
Amounts falling due within one year:					
Debtors		294,479	491,644	294,379	485,428
Debtors with related parties				66,885	10,490
Prepayments and accrued income		695,130	668,922	644,026	673,169
Total		989,609	1,161,566	985,290	1,169,087

Debtors include amounts owed to the College by College endowment funds of £228,302 (2005: £156,332)

Consolidated prepayments and accrued income include amounts owed to the College by the Prince Consort Foundation of £66,885 (2005: £10,490)

Consolidated prepayments and accrued income include amounts owed to the College by the Prince Consort Foundation of £66,885 (2005: £10,490)

Consolidated		College			
(restated)					
2006	2005	2006	2005		
£	£	£	£		
17. DEFERRED INCOME					
Deferred income		675,113	432,948	752,833	467,121
Total		2,300,947	2,599,228	2,384,359	2,615,433
The balances with related parties relate to RCM Development Limited.					

NOTES TO THE ACCOUNTS for the year ended 31 July 2006

	Notes	HEFCE £	Private funding £	Consolidated Total £
At 1 August 2005 (restated)		891,116	216,345	1,107,461
Cash received		27,782	45,049	72,831
Released to income and expenditure	4	(97,476)	(27,172)	(124,648)
Balance at 31 July 2006		821,422	234,222	1,055,644

	HEFCE £	Private funding £	College Total £
At 1 August 2005	891,116	4,541,192	5,432,308
Cash received	27,782	661,009	688,791
Released to income and expenditure	(97,476)	(35,255)	(132,731)
Balance at 31 July 2006	821,422	666,946	1,488,368

	Specific £	General £	Consolidated Total £	
Balance reported 1 August 2005 (restated)	17,129,151	17,688,827	34,817,978	Balance
New endowments	177,936	-	177,936	New
Gains in market value of investments	1,377,722	1,319,037	2,696,759	Gains
Capital movements	1,565,658	1,319,037	2,884,695	Capital
	19,066,907	18,591,660	37,658,567	
	Specific £	General £	College Total £	
	17,129,151	10,261,100	27,390,251	Balance reported 1 August 2005
	177,936	-	177,936	New endowments
	1,377,722	912,766	2,290,478	Gains in market value of investments
	1,565,658	912,766	2,478,424	Capital movements
	19,066,907	10,757,652	29,824,559	Balance at 31 July 2006
	1,361,651	422,343	1,783,994	Income for year
	(979,553)	(838,547)	(1,818,100)	Transferred to income and expenditure account
	382,098	(416,204)	(34,106)	Transfer from / (to) accumulated revenue
	19,066,907	10,757,652	29,824,559	Balance at 31 July 2006

The Income and Expenditure Account includes income from specific endowments and the amounts paid out on general expenses and building projects. The latter included preparatory works on a possible major project which has now been shelved. A total of £416,204 (2005: £355,243) is shown as a transfer to specific endowments.

The Income and Expenditure Account also includes income from general endowments and amounts paid out on general expenses and building projects. The latter included preparatory works on a possible major project which has now been shelved. A total of £416,204 (2005: £427,212) was transferred from general endowments to meet the portion of these specific costs not covered by income designated for this

NOTES TO THE ACCOUNTS
For the year ended 31 July 2006

25. PENSION SCHEMES

The College has employees participating in and contributing towards the Royal College of Music

NOTES TO THE ACCOUNTS
For the year ended 31 July 2006

25. PENSION SCHEMES

FRS 17

The following information is based upon a full actuarial valuation of the fund at 31 July 2006, by a qualified independent actuary.

	At 31 July 2006	At 31 July 2005	At 31 July 2004
Inflation	3.10%		

NOTES TO THE ACCOUNTS
For the year ended 31 July 2006

25. PENSION SCHEMES

Analysis of the amount charged to income and expenditure account

	Year Ended 31 July 2006 £'000	Year Ended 31 July 2005 £'000
Service cost	302	232
Past service cost	19	120
	<hr/>	<hr/>
Total Operating Charge	321	352
	<hr/>	<hr/>

Analysis of net return on pension return

	Year Ended 31 July 2006 £'000	Year Ended 31 July 2005 £'000
Expected return on pension scheme assets	269	205
Interest on pension liabilities	(301)	(257)
	<hr/>	<hr/>
Net return	(32)	(52)
	<hr/>	<hr/>

Amount recognised in the statement of total recognised gains and losses (STRGL)

	Year Ended 31 July 2005 £'000	Year Ended 31 July 2005 £'000
Actual return less expected return on pension scheme assets	105	395
Experience gains and losses arising on the scheme liabilities	327	46
Changes in financial and demographic assumptions underlying the present value of liabilities	(352)	(774)
	<hr/>	<hr/>
Actuarial loss to be recognised in STRGL	80	(333)
	<hr/>	<hr/>

Royal College of Music

NOTES TO THE ACCOUNTS For the year ended 31 July 2006

25. PENSION SCHEMES

Movement In Deficit During The Year	Year Ended 31 July 2006 £'000	Year Ended 31 July 2005 £'000
Deficit in scheme at 1 August	(1,975)	(1,624)
Movement in year:		
Current service charge	(302)	(232)
Contributions	300	386
Past service costs	(19)	(120)
Net interest / return on assets	(32)	(52)
Actuarial gain or loss	80	(333)
Deficit In Scheme At 31 July	<u>(1,948)</u>	<u>(1,975)</u>

History Of Experience Gains And Losses	2006	2005	2004	2003
Difference between the expected and actual return on assets	105	395	(126)	(120)
% Of scheme assets	2.3%	10.6%	(4.5%)	(5.1%)
Experience gains and losses on scheme liabilities	327	46	4	(151)
% Of scheme liabilities	5.1%	0.8%	0.1%	(4.0%)
Total amount recognised in STRGL	80	(333)	(243)	(676)
% of scheme liabilities	1.2%	(5.8%)	(5.5%)	(17.9%)

As this scheme was established in 2002/3, comparatives for the 2001/2 financial year are unavailable.

NOTES TO THE ACCOUNTS
For the year ended 31 July 2006

25. PENSION SCHEMES

Employers and employees total contributions

	Year Ended 31 July 2006 £	Year Ended 31 July 2005 £
Contributions to TPS	288,320	283,349
Contributions to RCM /(L&G)	408,461	390,105
Contributions to USS	27,220	3,250

Following judgements of the European Court of Justice (ECJ) that excluding part-timers from pension schemes amounted to sexual discrimination, most part-timers being women, the DFES and the department of environment, transport and the regions (DETR) removed restrictions on the eligibility of part-time lecturers to join the teachers' pension scheme and part-time staff to join the local government pension scheme in May 1995.

As a result of those announcements, the judgements of the ECJ and resulting changes in United Kingdom legislation, a liability in respect of providing backdated pension benefits for those part-time staff who have or may elect for retrospective membership of the two occupational pension schemes may arise in the College. Some 50,000 claims nationally to date have been lodged. A series of test cases have been taken through the various courts, and following appeals lodged by a group of Trade Unions subsequently referred to the House of Lords and then on points of law referred again to the ECJ. The ECJ ruled in May 2000 that a two-year restriction on granting arrears of service is incompatible with European law. It also ruled that provided there was a stable employment relationship resulting from a succession of short term contracts the time limit for bringing a claim should not begin until that stable relationship is "interrupted". The time limit is currently six months. The ECJ also ruled that six months will be a lawful period for a claim under EU law only if this is no less favourable than the limitation period for a similar claim based on domestic law. This issue was referred to the House of Lords. In February 2001, a definitive ruling on some key points was made:

? There was no time limit on compensation claims in pension cases subject to the cut off date of 8 April 1976;

? Claims must be, or must have been, registered with the tribunal within six months of the ending of the employment in question.

The TPS has accepted the part played by the rules of the scheme in excluding part-timers in the past and has agreed to absorb the employers' costs of backdating pensionable service in successful cases.

The College has now settled one case and made provision for 2 administrative staff.

	2019	2018
28. PENSION PROVISIONS		
Defined contribution	1,111	1,111
Defined benefit	1,111	1,111
29. CAPITAL COMMITMENTS		
Capital commitments	1,111	1,111

	2019	2018
30. FOUNDATION COMMITMENTS		
Operating leases	6,000	6,000
Other Operating Leases		
Expiring within one year	2,444	9,486
Expiring in more than one year		

31. RELATED PARTY TRANSACTIONS

As far as the College is aware, there were no related party transactions during the year, other than normal transactions with Prince Consort Foundation.

