

ROYAL ACADEMY TRUST

Registered Charity No. 1067270

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 AUGUST 2021

Royal Academy Trust
Reference and Administrative Details

Honorary President

HRH The Prince of Wales

Trustees in the financial year and at the date of signing:

Lady Myners (Chair)

Robert Suss (Deputy Chair)

President of The Royal Academy of Arts (Ex officio) - Rebecca Salter PRA

Treasurer of The Royal Academy of Arts (Ex officio) - Chris Wilkinson OBE RA (retired 31 October 2020)

Treasurer of The Royal Academy of Arts (Ex officio) - Peter St. John (appointed 1 November 2020)

Secretary & Chief Executive of The Royal Academy of Arts (Ex officio) - Axel Rüger

Petr Aven

Stefan Bollinger (appointed 13 July 2021)

Aryeh Bourkoff

Varun Chandra (appointed 23 September 2020)

Richard Chang

Adrian Cheng

Melanie Clore

Lady Deighton

Sir Lloyd Dorfman CBE

Pesh Framjee

Stephen Fry (retired 26 February 2021)

Stephen Gosztony

Lady Heywood

Clive Humby

Philip Marsden (retired 3 December 2020)

Dame Carolyn Julia McCall DBE

Scott Mead

Batia Ofer

Duru Olowu (retired 5 January 2021)

Christina Ong (retired 23 September 2020)

Ina Sandmann (appointed 7 September 2020)

Sian Westerman

Peter Williams (retired 3 December 2020)

Iwan Wirth (retired 6 October 2020)

Andrea Wong

The Hon William Yerburch

Emeritus and Honorary Trustees

Lord Aldington

Susan Burns

Sir James Butler CBE DL

Sir David Cannadine FBA

Sir Richard Carew Pole Bt OBE DL

Sir Trevor Chinn CVO

John Coombe

Ambassador Edward E Elson

John Entwistle OBE

Michael Gee

The Rt. Hon. The Earl of Gowrie

HRH Princess Marie-Chantal of Greece

C. Hugh Hildesley

Royal Academy Trust
Reference and Administrative Details

Emeritus and Honorary Trustees (continued)

Anya Hindmarch CBE
Susan Ho
Lady Lever
Sir Sydney Lipworth
The Rt. Hon. The Lord Luce, GCVO DL
Sir Keith Mills GBE DL
Ludovic de Montille
Lord Davies of Abersoch
Minori Mori
John Raisman CBE
John A. Roberts FRIBA
Sir Simon Robertson
Lord Rose of Monewden
Sir Evelyn de Rothschild
Maryam Sachs
Richard Sharp
David Stileman
Peter Williams (appointed 3 December 2020)

Executive Committee

Lady Myners (Chair)
Robert Suss (Deputy Chair)
Chris Wilkinson OBE RA (retired 31 October 2020)
Peter St. John (appointed 1 November 2020)
Axel Rüger
Rebecca Salter PRA
Pesh Framjee
Stephen Gosztony
Lady Heywood
Philip Marsden (retired 3 December 2020)
Peter Williams (retired 3 December 2020)

Investment Sub-committee membership in the financial year and at the date of signing:

Peter Williams (Chair) (retired 18 November 2020)
Stephen Gosztony (Chair) (appointed to Committee 1 September 2020; appointed as Chair 18 November 2020)
Adam Bennett
Richard Milliken (retired 18 November 2020)
Stephen Nelson
Alice Ryder (appointed 2 June 2021)
Robert Suss
Nigel Thomas
Andrew Threadgold

Registered Office

Burlington House
Piccadilly
London W1J 0BD

Royal Academy Trust
Reference and Administrative Details

Advisers:

Auditors

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

Bankers

Lloyds Bank Plc
4th Floor
25 Gresham Street
London EC2V 7HN

Solicitors

Macfarlanes LLP
20 Cursitor Street
London EC4A 1LT

Withers LLP
16 Old Bailey
London EC4M 7EG

Investment Managers

Partners Capital LLP
5th Floor
5 Young Street
London W8 5EH

Sarasin & Partners LLP
Juxon House
100 St Paul's Churchyard
London EC4M 8BU

Evenlode Investment Management Limited
The Long Barn
Chalford Park Barns
Oxford Road
Chipping Norton
Oxfordshire OX7 5QR

Royal Academy Trust

Trustees' Report

For the year ended 31 August 2021

The trustees present their report and financial statements for the year ended 31 August 2021.

CONSTITUTION AND CHARITABLE OBJECTIVES

Constitution

Royal Academy Trust ("the Charity" or "the Trust") was established under a Trust Deed dated 11 February 1981 to serve the public benefit by providing funds for the support of The Royal Academy of Arts ("the Royal Academy"). The Trust became separately registered as a charity on 8 January 1998. The Trust Deed has been amended several times, including in June 2019, to change the name of the Trust from Royal Academy Development Trust to Royal Academy Trust and to amend term limits for appointed trustees (see below under "Governance and management").

Governance and management

The Charity is governed by trustees, who are men and women of distinction from business and the wider community.

The maximum number of trustees is 35 at any one point in time. The trustees consist of the President, Treasurer and the Secretary and Chief Executive of the Royal Academy, *ex officio*, and other trustees who shall serve a three year initial term, after which they are eligible for a three year renewal term, and in exceptional circumstances further terms each of no more than three years.

The trustees and officers who served during the year ended 31 August 2021 and at the date of signing are shown on pages 1 and 2 of the annual report and financial statements.

The management of the funds and distributions to the Royal Academy up to £1.0m per annum has been delegated to the Charity's Executive Committee, chaired by the Chair of the Trust. Other distributions to the Royal Academy in excess of this must be approved by the full Trustee Board. The timing and execution of such distributions may be delegated to the Charity's Executive Committee.

The trustees are responsible for approving adequate arrangements for induction and training for new trustees and to this end a programme has been arranged to include formal inductions by the Chair and by the Royal Academy General Counsel, together with an informative welcome pack and an introductory tour. Key documents and information are re-circulated to current trustees on an annual basis.

The trustees have a risk management process. Risks are recorded in a Risk Register and mitigating actions implemented and monitored. The major risk for the Charity is exposure to a volatile financial market. This is mitigated by the frequent monitoring and broad spread of the funds to managed investments. This risk, along with any other is considered by the trustees and is part of the Risk Register reviewed by the Charity's Investment Sub-committee and Executive Committee on an annual basis.

The main investment portfolio is managed by the trustees, through the Investment Sub-committee, based on advice from Partners Capital LLP ("Partners Capital"). Further investment funds are held with Sarasin & Partners LLP ("Sarasin") and Evenlode Investment Management Limited ("Evenlode"). These managers are similarly overseen by the Investment Sub-committee.

The Investment Sub-committee advises the board of trustees on investment policy and risk. The Investment Sub-committee comprises trustees with investment experience and non-trustees chosen for their experience of investment management.

Charity Governance Code

The Charity and its trustees take good governance seriously and are aware of the Charity Governance Code, including its seven main principles.

During the financial year the Charity:

- Continued to provide its recently enhanced induction information to new trustees, including a "questions and answers" document, authored by the Charity's Chair. The document provides information on: the Royal Academy's history; its wider governance structure (as well as the Charity's, more specifically); roles and responsibilities across the Royal Academy and how these interact with the role of the Charity and its trustees; and key challenges facing the Charity;
- Arranged induction meetings for new trustees with the Secretary & Chief Executive and key members of the Senior Leadership Team of the Royal Academy, to better understand their work and the role of the Charity in the wider Royal Academy context;
- Continued to review appointments and develop the constitution of the trustee Board, to comply with term limits and good governance practice.

The Charity continued to work to specific policies and procedures, such as those relating to gift acceptance, which apply across the Royal Academy.

**Royal Academy Trust
Trustees' Report
For the year ended 31 August 2021**

OBJECTIVES, ACTIVITIES AND PUBLIC BENEFIT

The object of the Charity is the maintenance, development, advancement and preservation of the Royal Academy, a legally separate charity based in London, through which the arts of design are promoted by its charitable objects, which are stated as:

- The promotion of the arts of design
- The education of the public in the creation, enjoyment, appreciation and understanding of the arts, through exhibitions, educational programmes, and debate by all charitable means as the members of Council may think fit.

Current year objectives

- To provide revenue support for the activities of the Royal Academy through an annual donation funded by the Charity's investment funds and to support the objectives of the Royal Academy.
- To provide support to the Royal Academy's Coronavirus Emergency Support Fund fundraising initiatives to mitigate the financial impact of the Covid-19 pandemic to the Royal Academy.
- To manage the growth of the Charity's investment funds and maintain a reasonable level of risk.

In setting these objectives, the trustees confirm that they comply with their duty in section 17 of the Charities Act 2011 to have regard to the guidance on public benefit published by the Charity Commission in exercising their powers and duties.

FINANCIAL REVIEW, ACHIEVEMENTS AND PERFORMANCE

Financial review

Income for the year ended 31 August 2021 totalled £0.9m (2020: £1.2m). There were donations of £0.3m in support of Royal Academy cultural activities (2020: £0.6m). There was also £0.6m of investment income (2020: £0.6m). Net gains on investments were £8.0m (2020: £1.4m).

Donations to the Royal Academy of £3.0m (2020: £2.4m) were made up of £1.0m (2020: £0.9m) in support of revenue projects and £2.0m (2020: £1.5m) in support of capital projects. The former comprises £0.9m (2020: £0.8m) as an annual donation and £0.1m (2020: £0.1m) for specific projects. £0.3m (2020: £0.3m) of the annual donation relates to designated/restricted funds, whilst £0.6m (2020: £0.5m) relates to a just under 4% distribution from unrestricted and general-purpose endowment/restricted funds broadly in line with the target annual distribution rate of 4% set by the trustees for year ended 31 August 2020 and future financial years.

During the year ended 31 August 2018, the remaining \$17.2m (£13.2m) of a \$23.0m pledge from a donor, who wished to remain publicly anonymous, was received; \$5.8m (£4.0m) having been received in the year ended 31 August 2016. Of the £17.2m (\$23.0m) received, £12.2m is being held as a permanent endowment; with £5.0m as a restricted fund to be made available to the Royal Academy when required for Phase III of the Burlington Project.

Of the original donation, £9.8m of the £12.2m received in respect of the permanent endowment was invested with Sarasin and £2.0m with Troy as at 31 August 2019, with a further £0.4m invested with Sarasin in September 2019. During the previous financial year, the Investment Sub-committee decided to divest from Troy placing the balance of the investment of £2.3m (including £0.3m investment gains) with Evenlode, with a further £2.0m being divested from Sarasin and placed with Evenlode. During the current financial year, a further £2.0m was invested with Sarasin and divested from Partners Capital. The value of the Sarasin and Evenlode funds including £4.9m income to date (2020: £2.4m) was £19.1m as at 31 August 2021 (2020: £14.6m).

The value of the Partners Capital investment portfolio increased by £1.9m net (2020: £0.5m) to £33.7m (2020: £31.8m), which included a drawdown of £2.0m for the Burlington Project – Phase I, described further below, and £2.0m divested and placed with Sarasin. Total investment funds across the three investment managers, including cash at bank held with Lloyds Bank Plc, increased to £52.8m (2020: £46.9m) after income, distributions, and other expenditure.

Included in this amount are funds donated for the Royal Academy to be held in investments by the Charity. These funds are held by the Charity until they are required for specific projects of the Royal Academy and are invested by the Charity to provide future funding for the charitable objects of the Royal Academy. These are treated as assets of the Charity and are held for the maintenance, development, advancement, and preservation of the Royal Academy.

In November 2020, the trustees approved a further £2.0m donation to the Royal Academy towards Burlington Project – Phase I cost overruns, with £1.3m duly distributed in December 2020 and the remaining £0.7m in January 2021. The Charity had previously agreed to fund up to £5.0m of cost overruns, for which £3.0m had been donated previously. It was originally anticipated that the final £2.0m donation would not be required until the year ended 31 August 2023, but because of the significant financial challenges facing the Royal Academy resulting from the Covid-19 pandemic, an earlier donation was made. Furthermore, in November 2020, the trustees pledged a further £2.0m donation to the Royal Academy, which may be drawn down over the period to 31 August 2023 as emergency support funding to mitigate the financial impact of Covid-19.

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Trustees' Report

For the year ended 31 August 2021

Investments

Since November 2008, management of the Charity's investment portfolios has operated under agreements with Partners Capital. Since June 2014, this has operated under a Discretionary Management Agreement.

From November 2016 two further investment managers, Sarasin, and Troy, were engaged to initially manage the anonymous donor funds. Due to the size and nature of the endowment, the Investment Sub-committee took the opportunity to further diversify the Charity's overall investment portfolio and its counter-party risk. In January 2020, following a review of the overall strategic asset allocation of the portfolio, the Investment Sub-committee decided to divest from Troy's Trojan Fund, a diversified multi-asset fund, and Trojan Income Fund, a UK equity fund, in order to reinvest with an active global equity manager, Evenlode, who were appointed following a due tender process, and further rebalanced the overall asset allocation by trimming the level of investment with Sarasin and reinvesting these funds with Evenlode.

The overall investment strategy is seeking to provide a reasonable level of return, while ensuring that the "real" value of the capital is maintained, such that the trustees will be able to continue similar distributions in the future. Distributions for restricted and unrestricted designated funds are in accordance with specific restrictions and distribution rates, at various rates up to 4%. The trustees have set an annual target distribution rate of 4% for unrestricted and general-purpose permanent endowment funds. To achieve this, a long-term investment objective of inflation plus 4% has been identified as appropriate. Whilst it is the intention to create an investment solution that meets this long-term objective, it is recognized that there will be periods when lower returns will be expected.

The primary purpose of the Partners Capital investment portfolio is to support the long-term operating and capital needs of the Royal Academy. To this end, the overall portfolio is managed to maximise the long-term total return of the portfolio, subject to maintaining a reasonable level of risk of loss. The main investment portfolio supports the operating and capital needs of the Royal Academy through an annual spending rate, which is reviewed periodically to ensure the spending rate is sustainable over the long-term.

The Trust's objective from the Partners Capital investment portfolio is to preserve and, if possible, to enhance the purchasing power of its assets, after annual spending and all costs and expenses, over rolling three-year periods. This objective implies a minimum time-weighted net return target for the Trust more than the RA's estimated cost inflation (estimated at 2.5%, based on forecast long run UK inflation of 2.5%) plus the spending rate (as defined above of 4% per annum). This equates to a minimum annual return of 6.5% p.a. Actual returns will need to be more than this minimum target to cover the costs of portfolio management and to provide a cushion over the longer-term.

The Charity's investment portfolio with Sarasin operates under a Discretionary Client Agreement signed in November 2016. The aim of the portfolio is to enhance the capital value over the longer term, whilst generating sufficient income to meet the Charity's requirements, for which a "real return" of 4% per annum has been targeted. The Charity's investments are held in the Sarasin Endowments Fund and the Sarasin Climate Active Endowments Fund; the objective of both these funds is to achieve long-term capital and income growth.

Since January 2020, the Charity has invested in the Evenlode Global Income Fund, which aims to produce attractive long-term total returns, with an emphasis on income. The fund aims to grow dividend income (notwithstanding any short-term impact of Covid-19) by a conservative 6% per annum, or about 3% real in the long-term. The fund further targets capital growth (excluding dividend income referred to above) of over 6% per annum or 3% real.

Endowments

The Charity has four permanent endowments. These are managed by the trustees on a total return basis. This means that the funds are invested to maximise the total return on investment without regard to whether that return is in the form of income from dividends or interest or capital appreciation. The trustees decide each year how much of that return is released to restricted income funds for spending and how much is retained for investment. The allocation is made on an equitable basis to balance the need to fund annual levels of distribution and the maintenance over time of the real value of the endowment. Until transferred, the unapplied total return remains invested as part of the permanent endowment.

The trustees have noted the value of the gift for each of the four permanent endowments received, since each fund was established. This provides the baseline value of the gift component of each endowment to which any subsequent gift of endowment is added. The difference between the total of the endowment fund and the value of the gift component represents the balance of unapplied total return. Having considered their obligations as outlined above, the trustees decided to make transfers from unapplied total return to restricted income funds for the year ended 31 August 2021 of £0.1m (2020: £0.1m) for the Ivor Rey scholarship fund to support the annual award to enable students of the Royal Academy Schools to visit Paris, France for the purpose of studying art, and £0.6m (2020: £0.9m) from the Paul Mellon endowment fund to support Royal Academy revenue projects, and £0.1m (2020: £0.1m) from the McAulay Scholarship Fund endowment to support students in the Royal Academy Schools. The trustees approved a further £0.3m (2020: £nil) to be distributed from the Paul Mellon restricted funds to support Royal Academy capital projects. With regard to the anonymous donor fund, investment returns will be retained in the unapplied total returns until 2022, at which point the trustees will decide on the level of distribution to support the ongoing revenue projects of the Royal Academy. In making these decisions the trustees have taken

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Trustees' Report

For the year ended 31 August 2021

account of the investment climate, the return on investment for the year, previous levels of allocations from the unapplied total returns and the income needs of the Charity.

Ethical Investment Policy

The Charity is committed to investing its funds in a socially responsible basis. In June 2021, the trustees approved the Charity's Ethical Investment Policy ("the Policy"). The Policy has been developed with the intention of active promotion of investment in companies and investment funds which demonstrate policies and practices that are in line with the Charity's values of strong ethical principles. The Policy applies to the full scope of the investments held by the Charity. The Charity believes that to accord with its values when investing its funds, regard must be made to Environmental, Social and Governance ("ESG") issues. The Investment Sub-Committee will monitor the operation and the effectiveness of the Policy and provide the trustees with an annual update.

The Charity has identified two sets of principles which accord with its values and aspirations in this area, one relating to the operations of its fund managers and the other to setting appropriate standards for all its investments. Firstly, The United Nations Principles for Responsible Investment: these six principles have been developed, inter alia, to "better align investors with the broader objectives of society". The Charity therefore expects that its fund managers will be signatories of the UNPRI and follow its principles in the way they operate. Secondly, The United Nations Global Compact: the Charity also supports the ten principles of the United Nations Global Compact, which stem from the acceptance that, as with the Charity itself, corporate sustainability starts with an entity's value system and a principled approach to the way it operates. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment, and anti-corruption.

In managing its investments, the Charity therefore expects its appointed investment managers to encourage good behaviour and discourage poor behaviour through the screening of investments (using the principles above or an equivalent framework) and through the direct engagement with the companies in which they invest. In doing so, they should promote sustainability, good business ethics, good employment practices and the transition to a low carbon economy.

The Charity is particularly concerned about the following ESG issues and will continue to adopt investment strategies that seek to minimise or, ideally, eliminate investments in companies with corporate behaviour leading to: environmental degradation and climate change; the manufacture of controversial weapons, including cluster munitions, landmines, biological and chemical weapons, nuclear and depleted uranium weapons; tobacco production, cultivation, and manufacture; and adult entertainment (pornography) production, distribution, retail, and ownership. Such investment strategies are not in line with the Charity's values and may damage the Charity's reputation and impact fundraising and so are not in the Charity's best interest.

During the financial year, the Charity made an initial investment of £2.0m in the Sarasin Climate Active Endowments Fund, with a further £3.0m invested in October 2021.

Future plans

The trustees continue to work closely with the President, Secretary and Chief Executive and the directors of the Royal Academy to assist with the on-going fundraising effort.

The long-term objective is growing the Charity reserves to help sustain the future of the Royal Academy.

The aims for the coming year ending 31 August 2022 are:

- To continue to make available revenue support for the Royal Academy's activities.

Related party transactions

Related party transactions are disclosed in note 20 to the financial statements.

Reserves policy

The Charity holds its free reserves as investment funds from which it can generate income and capital gains for the future support of the Royal Academy. The current statement of investment principles and the distribution policy recognise the objective of delivering financial support for the Royal Academy that will be sustainable for the foreseeable future. The trustees have not established a minimum or maximum level of free reserves as they wish to be able to balance the need to respond to immediate special needs of the Royal Academy and to ensure sustained support. As at 31 August 2021, the Charity held total funds of £52.3m (2020: £46.7m), of which £17.9m (2020: £16.6m) were unrestricted funds for which £11.8m (2020: £11.3m) is both unrestricted and not designated; £22.3m (2020: £19.6m) endowment funds; and £12.1m (2020: £10.5m) restricted funds.

**Royal Academy Trust
Trustees' Report
For the year ended 31 August 2021**

FUNDRAISING

The Charity has a cost of raising funds in the financial statements in relation to investment fund manager fees and staff costs for administering legacies to generate funds on behalf of the Royal Academy. The Charity does not actively fundraise and any approach to fundraising would take account of the Code of Fundraising Practice issued by the Fundraising Regulator. The Royal Academy is registered with the Fundraising Regulator, submits annual complaints returns to the Regulator and provides statements on particular areas of fundraising (including complaints) in its annual report. These complaints returns and statements include activities which might technically fall under the remit of the Charity. The Regulator has approved this arrangement and confirmed that the Charity is not required to maintain a separate registration with the Regulator.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees are responsible for preparing the trustees' report and the financial statements in accordance with the applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the trustees are required to:

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

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Audit information

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

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

On behalf of the Board


Lady Myners, Chair

1 December 2021
Date:

Royal Academy Trust
Independent Auditors' Report to the Trustees of
Royal Academy Trust

Opinion

We have audited the financial statements of the Royal Academy Trust ("the Charity") for the year ended 31 August 2021 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard Applicable in the UK and Ireland" (United Kingdom Generally Accepted Accounting Practice).

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 August 2021, and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

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

Royal Academy Trust
Independent Auditors' Report to the Trustees of
Royal Academy Trust

Other information (continued)

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Charities Act 2011

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

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

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out on page 8, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

Royal Academy Trust
Independent Auditors' Report to the Trustees of
Royal Academy Trust

Auditors' responsibilities for the audit of the financial statements (continued)

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

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

The objectives of our audit in respect of fraud are to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the Charity.

**Royal Academy Trust
Independent Auditors' Report to the Trustees of
Royal Academy Trust**

**Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
(continued)**

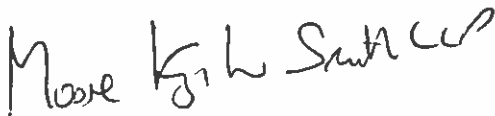
Our approach was as follows:

- we obtained an understanding of the legal and regulatory requirements applicable to the Charity and considered that the most significant are the Charities Act 2011, the Charity SORP, and UK financial reporting standards as issued by the Financial Reporting Council;
- we obtained an understanding of how the Charity complies with these requirements by discussions with management and those charged with governance;
- we assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance;
- we inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations;
- based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Use of our report

This report is made solely to the Charity's trustees, as a body, in accordance with Chapter 3 of Part 8 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the Charity's trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the Charity and Charity's trustees as a body, for our audit work, for this report, or for the opinion we have formed.



**Moore Kingston Smith LLP
Statutory Auditor**

Date: 1 Dec 2021

Devonshire House
60 Goswell Road
London EC1M 7AD

Moore Kingston Smith LLP is eligible to act as auditor in terms of Section 1212 of the Companies Act 2006.

Royal Academy Trust
Statement of Financial Activities
For the year ended 31 August 2021

		Unrestricted funds 2021 £	Restricted funds 2021 £	Endowment funds 2021 £	Total funds 2021 £	Total funds 2020 £
	Note					
* see note 4 for comparatives						
Income and endowments from:						
Donations and legacies	5	323,476	15,328	-	338,804	642,837
Investments	6	145,657	87,843	378,728	612,228	618,880
Total income		469,133	103,171	378,728	951,032	1,261,717
Expenditure on:						
Raising funds	8	(284,812)	-	(4,946)	(289,758)	(209,053)
Charitable activities						
Annual donation to the Royal Academy	7	(177,329)	(775,341)	-	(952,670)	(858,936)
Other donations to the Royal Academy	7	(1,677,797)	(339,031)	-	(2,016,828)	(1,524,526)
Total charitable activities		(1,855,126)	(1,114,372)	-	(2,969,498)	(2,383,462)
Total expenditure		(2,139,938)	(1,114,372)	(4,946)	(3,259,256)	(2,592,515)
Net gains on investments	11	3,038,963	1,879,774	3,040,487	7,959,224	1,442,892
Net income		1,368,158	868,573	3,414,269	5,651,000	112,094
Transfers between funds	15,16	-	657,339	(657,339)	-	-
Total funds brought forward		16,577,259	10,537,641	19,551,363	46,666,263	46,554,169
Total funds carried forward		17,945,417	12,063,553	22,308,293	52,317,263	46,666,263

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

The notes on pages 16 to 29 form part of these financial statements.

Royal Academy Trust
Balance Sheet as at 31 August 2021

	Note	2021 £	2020 £
Fixed assets			
Investments	11	<u>52,752,574</u>	<u>46,333,757</u>
Current assets			
Debtors	12	28,553	185,884
Cash at bank and in hand		<u>84,690</u>	<u>598,938</u>
Total current assets		113,243	784,822
Liabilities			
Creditors - amounts falling due within one year	13	<u>(548,554)</u>	<u>(452,316)</u>
Net current (liabilities) / assets		<u>(435,311)</u>	<u>332,506</u>
Net assets		<u>52,317,263</u>	<u>46,666,263</u>
The funds of the charity:			
Endowment funds	15	22,308,293	19,551,363
Restricted funds	16	12,063,553	10,537,641
Unrestricted funds:			
Designated	17	6,154,765	5,262,694
Other		<u>11,790,652</u>	<u>11,314,565</u>
Total unrestricted funds		<u>17,945,417</u>	<u>16,577,259</u>
Total charity funds		<u>52,317,263</u>	<u>46,666,263</u>

Approved by the Trustees and authorised for issue on 1 Dec 2021


Lady Myners, Chair

Royal Academy Trust
Statement of Cash Flows
For the year ended 31 August 2021

	Note	2021 £	2020 £
Net cash used in from operating activities	14	<u>(2,461,735)</u>	<u>(1,420,466)</u>
Cash flow from investing activities			
Dividends and interest from investments	6	612,228	618,880
Fund manager fees	8	(205,148)	(73,108)
Payments to acquire fixed asset investments	11	(5,581,760)	(8,633,356)
Proceeds from investment disposals	11	6,043,862	10,297,391
Net movement in cash held in the investment portfolio	11	<u>1,078,305</u>	<u>(2,062,102)</u>
Net cash provided by investing activities		<u>1,947,487</u>	<u>147,705</u>
Net decrease in cash and cash equivalents		(514,248)	(1,272,761)
Cash and cash equivalents at the beginning of the year		<u>598,938</u>	<u>1,871,699</u>
Cash and cash equivalents at the end of the year		<u>84,690</u>	<u>598,938</u>

Royal Academy Trust
Notes to the Financial Statements
For the year ended 31 August 2021

1 General information

Royal Academy Trust ("the Charity") is a registered charity established to serve public benefit by providing funds for the support of The Royal Academy of Arts ("the Royal Academy"). The registered office is Burlington House, Piccadilly, London.

2 Summary of significant accounting policies

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

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

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

a. Basis of preparation

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

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

b. Going concern

Notwithstanding the impact of the ongoing Covid-19 pandemic the trustees consider that there are no material uncertainties affecting the Charity's ability to continue as a going concern for at least twelve months from the date of approval of the accounts.

c. Total return investment accounting

The trustees have elected to adopt the total return approach for the investment of its permanent endowments. Under this approach, the permanently endowed funds are invested to produce an investment return without regard to whether that return is in the form of income or capital appreciation; the investment return forms a component of the endowment fund called the unapplied total return. The trustees periodically determine how much of the unapplied total return is released to income for spending and how much is retained for investment. This allocation is made equitably to balance the need for income to meet current requirements and to hold funds as part of the endowment to produce investment returns for the future.

d. Funds structure

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

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

Royal Academy Trust
Notes to the Financial Statements
For the year ended 31 August 2021 (continued)

2 Summary of significant accounting policies (continued)

d. Funds structure (continued)

Endowment funds arise when the donor has expressly provided that the donation is to be invested and only the income of the fund may be spent. These funds are sub analysed between those where the trustees have the discretion to spend the capital, an expendable endowment, and those where there is no discretion to expend the capital, a permanent endowment.

Those funds which are neither endowment nor restricted income funds, are unrestricted income funds which are sub analysed between designated funds where the trustees have set aside amounts to be used for specific purposes or which reflect the non-binding wishes of donors and unrestricted funds which are used at the trustees' discretion in furtherance of the general objectives of the Charity, including the general fund which represents the Charity's reserves. The major funds held in each of these categories are disclosed in notes 15 to 17.

e. Income

All income is recognised once the Charity has entitlement to the resources, it is probable (more likely than not) that the resources will be received and the monetary value can be measured reliably.

Investment income, including the related tax credit, and interest on bank and short-term deposits are accounted for on a receivable basis.

Donations are accounted for when received.

f. Legacies

Legacies are accounted for as income where there is clear entitlement; the amount can be measured reliably; and receipt is probable.

Receipt is probable when:

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

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

g. Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to each category of expense shown in the Statement of Financial Activities ("SOFA").

h. Raising funds

The costs of raising funds are those costs attributable to generating income for the Charity. These represent the legacy manager's salary costs, investment management fees and governance costs. Governance costs are primarily concerned with constitutional and statutory requirements.

Royal Academy Trust
Notes to the Financial Statements
For the year ended 31 August 2021 (continued)

2 Summary of significant accounting policies (continued)

i. Charitable activities

Costs of charitable activities comprise the donations made to the Royal Academy. Generally, donations are accounted for when paid. However, where the Royal Academy has incurred expenditure on a major capital project on the basis of a commitment from the Charity to reimburse costs, any costs not covered by donations paid in the year are provided for.

j. Investments

Listed investments are stated at market value at the year end. The market value of securities is based on the bid market quotation on the relevant stock exchange and investments that are held in units are stated at the average of the unit bid and offer prices. The SOFA includes any realised or unrealised gain / loss during the year.

The main form of financial risk faced by the Charity is that of volatility in equity markets and investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning equities and within particular sectors or sub sectors.

k. Realised gains and losses

All gains and losses are taken to the SOFA as these arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and opening carrying value or later purchase price. Unrealised gains and losses are calculated as the difference between the market value at the year end and opening carrying value or later purchase price.

l. Foreign currencies

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

m. Financial instruments

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

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

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

Basic financial assets

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

Royal Academy Trust
Notes to the Financial Statements
For the year ended 31 August 2021 (continued)

2 Summary of significant accounting policies (continued)

m. Financial instruments (continued)

Other financial assets

Other financial assets, including investments in equity instruments, are initially measured at fair value which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in the SOFA.

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

Impairment of financial assets

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

Derecognition of financial assets

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

Basic financial liabilities

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

Other financial liabilities

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

3 Critical accounting judgments and estimation uncertainty

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

a. Fair value on derivatives

Derivatives are re-measured at fair value at the year end. Fair value at year end is determined by an independent external third party.

Royal Academy Trust
Notes to the Financial Statements
For the year ended 31 August 2021 (continued)

4 Prior year comparatives by type of fund

	Unrestricted funds 2020 £	Restricted funds 2020 £	Endowment funds 2020 £	Total funds 2020 £
Income and endowments from:				
Donations	626,009	16,828	-	642,837
Investments	97,068	51,805	470,007	618,880
Total income	723,077	68,633	470,007	1,261,717
Expenditure on:				
Raising funds	(218,008)	-	8,955	(209,053)
Charitable activities				
Annual donation to the Royal Academy	(401,700)	(457,236)	-	(858,936)
Other donations to the Royal Academy	-	(1,524,526)	-	(1,524,526)
Total charitable activities	(401,700)	(1,981,762)	-	(2,383,462)
Total expenditure	(619,708)	(1,981,762)	8,955	(2,592,515)
Net gains on investments	475,471	277,519	689,902	1,442,892
Net income / (expenditure)	578,840	(1,635,610)	1,168,864	112,094
Transfers between funds	-	950,208	(950,208)	-
Total funds brought forward	15,998,419	11,223,043	19,332,707	46,554,169
Total funds carried forward	16,577,259	10,537,641	19,551,363	46,666,263

Royal Academy Trust
Notes to the Financial Statements
For the year ended 31 August 2021 (continued)

5 Income from donations and legacies

	Unrestricted funds 2021 £	Restricted funds 2021 £	Endowment funds 2021 £	Total 2021 £	Total 2020 £
General*	287,798	-	-	287,798	500,081
Revenue projects:					
Schools	35,678	-	-	35,678	125,928
Library and collections	-	15,328	-	15,328	16,828
Total revenue projects	35,678	15,328	-	51,006	142,756
Total	323,476	15,328	-	338,804	642,837

* General income from donations and legacies includes £nil (2020: £357,456) received from The Friends of the Royal Academy.

6 Income from investments

	Unrestricted funds 2021 £	Restricted funds 2021 £	Endowment funds 2021 £	Total 2021 £	Total 2020 £
Listed investments	145,657	87,843	378,528	612,028	612,972
Bank interest	-	-	200	200	5,908
Total	145,657	87,843	378,728	612,228	618,880

7 Analysis of expenditure on charitable activities

In the current year, the Charity made donations of £2,969,498 (2020: £2,383,462) to the Royal Academy, representing £2,000,000 (2020: £1,505,000) to the Burlington Project - Phase I; £16,828 (2020: £19,526) for the cataloguing project; £92,500 (2020: £92,500) for the Heinz Architecture Programme; £232,257 (2020: £198,007) for the Schools; £6,410 (2020: £6,410) for the Library; and £5,000 (2020: £5,000) for the Casson Drawing Prize in the Summer Exhibition, with the balance donated in support of the general activities of the Royal Academy.

Royal Academy Trust
Notes to the Financial Statements
For the year ended 31 August 2021 (continued)

7 Analysis of expenditure on charitable activities (continued)

	Unrestricted funds 2021 £	Restricted funds 2021 £	Endowment funds 2021 £	Total 2021 £	Total 2020 £
Annual donation to the Royal Academy	177,329	775,341	-	952,670	858,936
Royal Academy revenue projects: Cataloguing project	-	16,828	-	16,828	19,526
Total revenue projects	-	16,828	-	16,828	19,526
Royal Academy capital projects: Burlington Project - Phase I	1,677,797	322,203	-	2,000,000	1,505,000
Total capital projects	1,677,797	322,203	-	2,000,000	1,505,000
Total	1,855,126	1,114,372	-	2,969,498	2,383,462

8 Analysis of expenditure on raising funds

	Unrestricted funds 2021 £	Restricted funds 2021 £	Endowment funds 2021 £	Total 2021 £	Total 2020 £
Fund manager fees / (rebate)	200,202	-	4,946	205,148	73,108
Staff costs	64,479	-	-	64,479	59,230
Auditors' remuneration	16,557	-	-	16,557	16,857
Bank charges	85	-	-	85	241
Exchange rate losses	242	-	-	242	59,617
Miscellaneous	3,248	-	-	3,248	-
Total	284,812	-	4,946	289,758	209,053

9 Trustees' remuneration, benefits and expenses

The Charity's trustees give their time freely and receive no remuneration for the work that they undertake as trustees. However, they can claim expenses to reimburse them for costs that they incur in fulfilling their duties.

No trustee, or person related or connected by business to them, has received any remuneration from the Charity during the current or prior year. No expenses were reimbursed to trustees for travel to attend committee meetings of the Charity during the current or prior year.

10 Analysis of staff costs

The trustees have concluded that the Executive Committee comprise the key management personnel of the Charity. No remuneration was paid to key management personnel (2020: £nil).

Royal Academy Trust
Notes to the Financial Statements
For the year ended 31 August 2021 (continued)

10 Analysis of staff costs (continued)	2021	2020
	£	£
Salaries and wages	53,600	49,864
Social security costs	5,679	5,170
Employers pension contribution	5,200	4,196
Total	64,479	59,230

Salary costs represent the cost of staff employed by the Royal Academy and recharged to the Charity. The average number of permanent staff engaged by the Charity in 2021 was 1 (2020: 1).

11 Investments

Movement in market value of investments	2021	2020
	£	£
Market value brought forward	44,197,529	44,418,672
Additions to investments at cost	5,581,760	8,633,356
Proceeds on disposal	(6,043,862)	(10,297,391)
Net gain on investments	7,959,224	1,442,892
Market value of investments at 31 August	51,694,651	44,197,529

Market value of investments by type	2021	2020
	£	£
Bonds	7,364,095	7,770,356
Property	2,718,307	2,387,980
Global equities	27,723,498	23,494,511
UK equities	7,681,375	5,188,701
Hedged equities	547,972	424,642
Absolute return	3,746,749	3,541,877
Alternative investments	1,244,507	1,005,186
Liquid assets	594,264	327,021
Commodities	73,884	57,255
Total market value of investments	51,694,651	44,197,529
Cash holdings	1,057,923	2,136,228
Total	52,752,574	46,333,757

Investments under management were:

Partners Capital LLP	33,698,234	31,749,433
Sarasin & Partners LLP	13,773,641	10,294,053
Evenlode Investment Management Limited	5,280,699	4,290,271
Total	52,752,574	46,333,757

All investments are carried at their fair value.

Royal Academy Trust
Notes to the Financial Statements
For the year ended 31 August 2021 (continued)

11 Investments (continued)

Significant investment holdings as a % of total investment portfolio based on market value at 31 August were:

	2021	2020
Sarasin Endowments Fund	22.23%	22.22%
Partners Capital The Master Portfolio (C) Ltd	11.67%	10.30%
Evenlode Global Income Fund	10.01%	9.26%
Partners Capital Falcon Fund (C) Ltd	7.29%	7.70%
Partners Capital Greyhawk Fund, LP	6.81%	6.15%
Partners Capital Phoenix Fund II Ltd	5.06%	5.65%
Partners Capital Harrier Fund (C) Ltd	4.08%	4.98%
Charities Property Fund (Cordea Savills)	3.94%	4.37%
Sarasin Climate Active Endowments Fund	3.88%	0.00%
Vanguard UK Inflation Linked Gilt Index Fund	1.48%	2.86%

12 Debtors

	2021	2020
	£	£
Amounts due from R.A. Enterprises Limited	28,553	125,928
Accrued income	-	59,956
Total	28,553	185,884

Amounts owed by related undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

13 Creditors - amounts falling due within one year

	2021	2020
	£	£
Amounts due to the Royal Academy	435,941	391,916
Accruals	112,613	60,400
Total	548,554	452,316

14 Notes to the statement of cash flows

	2021	2020
	£	£
Net income	5,651,000	112,094
Adjustments for:		
- Gains on investments	(7,959,224)	(1,442,892)
- Dividends and interest from investments	(612,228)	(618,880)
- Fund manager fees	205,148	73,108
- Decrease in debtors	157,331	88,672
- Increase in creditors	96,238	367,432
Cash flow used in operating activities	(2,461,735)	(1,420,466)

Royal Academy Trust
Notes to the Financial Statements
For the year ended 31 August 2021 (continued)

15 Analysis of endowment funds

		Balance at 2020 £	Investment returns less fund manager fees £	Unapplied total return allocated to income £	Balance at 2021 £
The Ivor Rey scholarship fund:	a				
- Trust for investment		404,400	-	-	404,400
- Unapplied total return		203,156	123,501	(14,532)	312,125
Paul Mellon endowment fund:	b				
- Trust for investment		3,039,283	-	-	3,039,283
- Unapplied total return		-	617,807	(617,807)	-
Anonymous donor fund:	c				
- Trust for investment		12,229,042	-	-	12,229,042
- Unapplied total return		2,380,423	2,422,979	-	4,803,402
McAulay Scholarship Fund:	d				
- Trust for investment		1,265,918	-	-	1,265,918
- Unapplied total return		29,141	249,982	(25,000)	254,123
Total		19,551,363	3,414,269	(657,339)	22,308,293

a. The Ivor Rey scholarship fund

In March 2013, £361,303 was received from the estate of Ivor Rey to establish the Ivor Rey scholarship fund which is held as a permanent endowment and is being accounted for on a total return basis. A further £43,097 was received in December 2016. The purpose of the fund is to provide an annual award from investment returns to enable students of the Royal Academy of Arts Schools ("Royal Academy Schools") to visit Paris, France for the purpose of studying art.

b. Paul Mellon endowment fund

The Paul Mellon endowment fund was established in 2000 by a \$5,000,000 / £3,039,283 legacy from Paul Mellon. It is held as a permanent endowment and is being accounted for on a total return basis. The terms of the bequest restrict the investment returns arising from it to the general purpose of the Royal Academy.

c. Anonymous donor fund

A donor, whose identity is known to the Charity, but who wished to remain publicly anonymous pledged \$23,000,000 in October 2015, to be paid in eight equal annual instalments from December 2015, but with the donor having the right to accelerate any one or more of such instalments. \$15,333,333 (£10,000,000 based on the exchange rate at date of pledge) is to be held as a permanent endowment and is being accounted for on a total return basis, with investment returns generated being available to the Royal Academy for unrestricted revenue projects from 2022, with the remaining \$7,666,667 (£5,000,000 based on the exchange rate at date of pledge) being available to the Royal Academy for a restricted capital project, Burlington Project - Phase III.

Two instalments were received (\$5,750,000 / £3,966,198) in the period to 31 August 2017. Payment of the remaining instalments was accelerated, with the balance received during the year ended 31 August 2018. £12,229,042 (\$15,000,000) is included in the endowment funds above (including a £2,229,042 realised foreign exchange gain), with £5,000,000 included in restricted funds - Burlington Project III (see note 16).

Royal Academy Trust
Notes to the Financial Statements
For the year ended 31 August 2021 (continued)

d. McAulay Scholarship Fund

A donation of \$1,323,364 / £1,066,455 was received from the McAulay family in August 2020 to support two full scholarships for students at the Royal Academy Schools in perpetuity. The donor's expressed intention was for these funds to "top up" the existing fund established in 1998 to provide fees and maintenance for a student at the Royal Academy Schools. The fund is held as a permanent endowment and is being accounted for on a total return basis, with the investment return being used to fund the scholarships.

16 Analysis of restricted funds

		Balance at	Income and	Utilised in	Unapplied total return from	Balance at
		2020	fund growth	year	endowments	2021
		£	in year	£	£	£
			£			
Heinz Architecture fund	16.a	3,758,764	745,256	(92,500)	-	4,411,520
Salaman-Seelig art fund	16.b	80,349	14,910	(7,000)	-	88,259
The Ivor Rey scholarship fund	15.a	22,481	1,616	(14,532)	14,532	24,097
Paul Mellon endowment fund	15.b	923,676	-	(923,676)	617,807	617,807
McAulay Scholarship fund	15.d	-	-	(25,000)	25,000	-
Cataloguing project	16.c	16,828	15,328	(16,828)	-	15,328
Greenham fund	16.d	185,637	36,603	(5,570)	-	216,670
The Starr Fellowship	16.e	1,112,655	220,343	(28,686)	-	1,304,312
Weiss fund	16.f	19,177	3,780	(580)	-	22,377
Burlington Project - Phase III	16.g	4,418,074	945,109	-	-	5,363,183
Total		10,537,641	1,982,945	(1,114,372)	657,339	12,063,553

a. Heinz Architecture fund

The Heinz Architecture fund comprises a major donation received in 1993 to support the development of the architecture programme of the Royal Academy. The trustees make a donation each year to support the costs of the programme.

b. Salaman-Seelig art fund

The Salaman-Seelig art fund was established in 2016 by a £71,550 legacy from Auriol Seelig. The purpose of the fund is to make an annual award to a 2nd year student of the Royal Academy Schools. It is anticipated that the award will be made for 12 consecutive years.

c. Cataloguing project

The cataloguing project was established through donations from trusts, foundations and private individuals. The purpose of the project is to catalogue the Royal Academy's collection, including conservation and the creation of a collections website, and the creation and publication of a volume on the history of the Royal Academy and its collection, which was published in 2018.

d. Greenham fund

The Greenham fund was established in 1992 through donations from trusts, private individuals and an auction of donated works. The purpose of the fund is to provide a three year bursary for a student of the Royal Academy Schools, selected by the Keeper of the Royal Academy Schools.

e. The Starr Fellowship

The Starr Fellowship was established in 1987, with subsequent donations in 1998, 1999, 2000, 2001 and 2004. The fund is used to support an annual fellowship for American nationals with a contemporary art practice with a bursary of £26,000 and to support the Royal Academy Schools general running costs that allow the fellowship to be offered.

Royal Academy Trust
Notes to the Financial Statements
For the year ended 31 August 2021 (continued)

16 Analysis of restricted funds (continued)

f. Weiss fund

The Weiss fund was established in 2005 by a donation of £10,000 from Edna Weiss. The purpose of the fund is make an annual award of £560 to a student of the Royal Academy Schools working in a figurative style.

g. Burlington Project - Phase III

As disclosed in note 15.c, a donor, whose identity is known to the Charity but who wished to remain publicly anonymous, donated £5,000,000 in 2018 to the Burlington Project - Phase III. In both 2018 and 2019 £500,000 was donated to the Royal Academy in respect of costs incurred to date by the Royal Academy on this project, with the remaining £4,000,000 being held by the Charity until required by the Royal Academy.

17 Analysis of designated funds

The trustees have designated the funds detailed below out of unrestricted funds:

		Balance at 2020 £	Utilised in year £	Income and fund growth in year £	Balance at 2021 £
General	a	1,594,410	(52,080)	313,515	1,855,845
Sir Roger de Grey Memorial Fund	b	132,662	(3,529)	26,250	155,383
Casson Award	d	318,504	(5,000)	63,727	377,231
Eranda Professor	e	147,457	(4,430)	29,074	172,101
Chenevière Travel Award	f	163,895	(4,920)	32,315	191,290
Schools Portfolio Fund	g	147,772	(4,440)	29,136	172,468
Patricia Turner Award	h	338,190	(10,150)	66,682	394,722
The Pauline Sitwell Bursary Fund	i	401,326	(12,040)	79,131	468,417
Maintenance Fund	j	2,018,478	(80,740)	429,570	2,367,308
Total		5,262,694	(177,329)	1,069,400	6,154,765

a. General

In 1998, the Charity received £1,359,212 from the Royal Academy in respect of several small trusts. These trusts represent funds donated in support of scholarships and prizes in the Royal Academy Schools; maintenance of the Royal Academy Collections; and the general purposes of the Royal Academy. The Charity Commission gave permission for these funds to be transferred to the Charity on the basis of the improvements to investment performance and administration likely to ensue. These funds have been treated as designated funds that have been set aside out of the unrestricted funds by the trustees for specific purposes.

b. Sir Roger de Grey Memorial Fund

The fund was launched in 1996 to establish a source of funds to provide student maintenance grants for students at two independent institutions with which Sir Roger was associated: the Royal Academy Schools and the City & Guilds of London Art School. Sir Roger was President of the Royal Academy from 1984 to 1993 and Principal of the City & Guilds from 1973 until his death in 1995. Funds totalling £80,000 were invested on the understanding that annual maintenance grants would be made to each fine art school (split evenly between them).

d. Casson Award

The fund was created in 2001 to establish a prize for drawing to be awarded during the Summer Exhibition with initial funds totalling £107,000. The fund was increased in 2013 and 2015 through bequests of £88,482 and £20,152 respectively received from the estate of Mrs Anne Marjorie Crosthwait.

Royal Academy Trust
Notes to the Financial Statements
For the year ended 31 August 2021 (continued)

17 Analysis of designated funds (continued)

e. Eranda Professor

The fund was created in 2001 to establish a professorship in the Royal Academy Schools. An initial donation of £120,000 from the Eranda Foundation was earmarked for investment by the Charity on the understanding that this would fund a professor in the Royal Academy Schools. Further funds of £20,000 were donated in 2012 by the Trustees of the Eranda Foundation.

f. Chenevière Travel Award

The fund was launched in 2001 to establish a source of funds to provide a travel bursary for a student in the Royal Academy Schools. Funds totalling £144,000, raised by the Chenevière family, were earmarked by the trustees and invested on the understanding that a travel award would be made each year to a student in the Royal Academy Schools.

g. Schools Portfolio Fund

The fund was created in 2001 to establish a source of funds providing maintenance for students at the Royal Academy Schools.

h. Patricia Turner Award

In November 2001 the Charity earmarked £200,000 of donations to establish a fund to provide a grant to a graduating student in 3D media.

i. The Pauline Sitwell Bursary Fund

In May 2012, £250,000 from Pauline Sitwell's bequest to the Royal Academy, as a whole group, was paid directly to the Charity to establish the Pauline Sitwell Bursary Fund. The purpose of the fund is to provide an annual bursary award to assist students of the Royal Academy Schools with living costs. The annual award was set at £7,500 per annum, but is subject to annual review by trustees of the Charity.

j. Maintenance Fund

The fund was created in 2004 to provide maintenance for students at the Royal Academy. In addition to investment income received, a total of £35,678 has been added to this fund during 2021 (2020: £125,928), arising from fundraising activities.

An annual donation is made from each designated fund to the Royal Academy in line with the wishes of each fund. This will continue until each fund has been fully drawdown.

Analysis of net assets between designated funds

	Investments £	Net current assets £	Total net assets £
General	1,855,845	-	1,855,845
Sir Roger de Grey Memorial Fund	155,383	-	155,383
Casson Award	377,231	-	377,231
Eranda Professor	172,101	-	172,101
Chenevière Travel Award	191,290	-	191,290
Schools Portfolio Fund	172,468	-	172,468
Patricia Turner Award	394,722	-	394,722
The Pauline Sitwell Bursary Fund	468,417	-	468,417
Maintenance Fund	2,331,630	35,678	2,367,308
Total	6,119,087	35,678	6,154,765

Royal Academy Trust
Notes to the Financial Statements
For the year ended 31 August 2021 (continued)

18 Analysis of net assets between funds

	Investments £	Net current assets / (liabilities) £	Total net assets £
Endowment funds	22,241,475	66,818	22,308,293
Restricted funds	12,048,226	15,327	12,063,553
Unrestricted funds:			
Designated	6,119,087	35,678	6,154,765
Other	12,343,786	(553,134)	11,790,652
	52,752,574	(435,311)	52,317,263
Total	52,752,574	(435,311)	52,317,263

19 Financial instruments

The financial statements include the following in respect of items held at fair value at 31 August:

	2021 £	2020 £
Financial assets measured at amortised cost	28,553	185,884
Financial liabilities measured at amortised cost	548,554	452,316
Financial assets measured at fair value through the SOFA	52,752,574	46,333,757

20 Related party transactions

The Royal Academy made a donation of £15,328 to the Charity related to unspent funds from the cataloguing project (2020: £16,828). The Charity donated £2,969,498 (2020: £2,383,462) to the Royal Academy; £2,000,000 (2020: £1,505,000) towards the Burlington Project - Phase I; and £969,498 (2020: £878,462) to support various campaigns and capital projects. At the year end £435,941 was outstanding and included within creditors (2020: £391,916).

R.A. Enterprises Limited made a donation of £28,533 (2020: £125,978) to the Charity for future funding of the Royal Academy Schools. At the year end £28,533 (2020: £125,978) was outstanding and included within debtors.

The Friends of the Royal Academy made an unrestricted donation of £nil (2020: £357,456) to the Charity to provide future funding for the Royal Academy.