

**ROYAL NORTHERN COLLEGE OF MUSIC  
ENDOWMENT FUND**

**Financial Statements**

**31 July 2019**

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**REFERENCE AND ADMINISTRATIVE DETAILS**

**LEGAL STATUS**

The Charity is a trust regulated by Schemes of the Charity Commissioners for England and Wales dated 6 October 1975, 22 October 1992 and 15 March 1999.

**INVESTMENT POWERS**

The charity has general power of investment in accordance with section 3 of the Trustee Act 2000.

**CHARITY COMMISSION REGISTRATION**

Registered Number 504949

**ADDRESS OF THE CHARITY**

124 Oxford Road  
Manchester  
M13 9RD

**TRUSTEE**

Royal Northern College of Music

The Governors of the Royal Northern College of Music who were in office during the year are listed in the Consolidated Financial Statements for the year ended 31 July 2019 a copy of which are available at [www.rncm.ac.uk](http://www.rncm.ac.uk).

**LEGAL AND ADMINISTRATIVE DETAILS**

**BANKERS**

Royal Bank of Scotland  
38 Mosley Street  
Manchester  
M2 3AZ

**EXTERNAL AUDITORS**

Mazars LLP  
One St Peter's Square  
Manchester  
M2 3DE

**INVESTMENT MANAGERS**

Waverton  
21 St James's Square  
London  
SW1Y 4HB

**SOLICITORS**

Mills and Reeve  
8<sup>th</sup> Floor  
1 New York Street  
Manchester  
M1 4AD

**TRUSTEE'S REPORT**  
Year ended 31 July 2019

The trustee of the Royal Northern College of Music Endowment Fund presents its annual report and audited financial statements for the year ended 31 July 2019

**STRUCTURE, GOVERNANCE AND MANAGEMENT**

The Royal Northern College of Music Endowment Fund is constituted under a trust scheme dated 22 October 1992 and is a registered charity number 504949.

The College Board of Governors, the sole trustee of the Endowment Fund, when appointing the members of its Finance and Audit Committees, has regard to ensuring that the skills and experience thus available to them is sufficient and appropriate to their terms of reference. The Board also undertakes periodic reviews of its own effectiveness, and that of its committees, in fulfilling their roles.

The Trustee confirms that it is a public benefit entity and has referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Trust's aims and objectives and in planning future activities and setting the grant making policy for the year.

**OBJECTIVE AND ACTIVITIES**

The objective of the Fund is to apply its income in such ways as the trustee considers fit for the general purposes of the Royal Northern College of Music and the Junior School at the Royal Northern College of Music and in the advancement of the education of its students and former students.

**RISK MANAGEMENT**

The trustee has considered the major risks faced by the charity and believes that the principal threat to its ability to achieve its objectives lies in its ability to maintain its revenues from investments and donations.

In order to monitor this risk, regular meetings are held with the investment manager adviser and the trustee is represented on the Board of Governors of the Associated Board of the Royal Schools of Music.

Risks for individual funds are considered within the College's overall risk monitoring and reporting procedures, and any strategic risks identified will be contained within the College's Risk Register, which also contains details of the controls put into place by the College in order to mitigate those risks. This register is then scored using the best practice scoring methodology, which seeks to identify particularly those risks which require further attention. The Register is formally reported to the College's Board of Governors.

**GRANT MAKING POLICY**

The trustee considers requests for assistance made by the Royal Northern College of Music and other approved grantees and, when offering support, gives preference to those projects and activities which enhance the long term standing and profile of the College.

There is no private benefit accruing either to the trustee of the College or the members of the College who form the committee which requests assistance.

**RELATED PARTIES AND CONNECTED CHARITIES**

The Royal Northern College of Music is the sole trustee of the Endowment Fund. One of the objectives of the Endowment Fund is to apply income, as the trustee considers fit, for the general purpose of the College.

**TRUSTEE'S REPORT**  
Year ended 31 July 2019

**ACHIEVEMENTS AND PERFORMANCE**

Unrestricted income for the year ended 31 July 2019 was £1,658,136. Of this £1,606,997 was derived from legacies and donations and the balance of £51,139 arose from investments held both as part of the permanently endowed capital and unrestricted funds of the charity and bank balances held as both endowed capital and undistributed income. Losses on unrestricted investments were £34,039, being realised losses of £42,657 and unrealised gains of £8,618. After accounting for charitable activities and legal fees of £30,280 and investment management fees of £8,552, a gain of £1,585,265 was added to previously accumulated surpluses.

Restricted income of £267,209 arose during the year. Of this £163,804 was derived from grants, donations and legacies which were allocated by the donor for specific purposes and the balance of £103,405 from investments and bank balances held. Gains on restricted investments were £182,868 being realised losses of £98,898 and unrealised gains of £281,766. After accounting for charitable activities and legal fees of £994,037 and investment management fees of £17,900 a loss of £561,860 deducted from previously accumulated surpluses.

Losses on endowment investments were £22,847 being realised losses of £28,632 and unrealised gains of £5,785. After accounting for these and investment management fees of £5,740, the value of the Endowment Fund decreased to £984,869 at 31 July 2019.

The achievements of each fund in qualitative terms are that they widen the access to the College such that we at least meet our objectives within the Office for Fair Access agreement, maintain the College's extremely high retention and achievement rates at over 95%, and also allow for the development of world-class performers of all disciplines as well as significantly increasing employability.

**GOING CONCERN**

The Charity's financial statements are prepared on a going concern basis as the Trustee is satisfied after making appropriate enquiries that, at the time of their approval, the Charity has the resources to continue in operation for the foreseeable future.

**INVESTMENT POLICY**

The investments are intended to provide an income which, together with the capital can be used to finance the running of the charity.

The trustee recognises the risk associated with investment in mainstream financial markets and accepts this risk in return for the prospect of additional returns over longer periods of time. As such, the trustee wishes to remain largely invested at all times, subject to cash reserves being held as part of the investment management process and to cover liabilities. The investments of the Fund should be well diversified and include a range of assets including fixed interest stocks, UK shares and overseas shares. Although capital appreciation is not a primary objective, taking one year with another both the income and the capital value of the fund should, at a minimum, increase in line with inflation.

**TRUSTEE'S REPORT**  
Year ended 31 July 2019

Both the implementation of and performance against this policy, and the extent to which it remains a reasonable aspiration, are reviewed with the investment advisor on a regular basis. Following the appointment of Waverton in March 2013 the Trustee has adopted a 'balanced' approach, as defined by their guidelines. Over the long term, the objective is to achieve a return of inflation plus 3%, with inflation defined as the UK Consumer Price Index (CPI). The agreed benchmark to measure shorter term performance is a composite of a 'neutral' position of 60% in Global Equities (MSCI AC World Index) 25% Fixed Income (12.5% Markit iBoxx Gilts Index, 12.5% Markit iBoxx £ Corporate Bond Index) and 15% Cash (1 month £ cash deposit).

The portfolio recorded a positive return during the 12 month period to 31 July 2019, rising in value by +4.7% (+5.0% Jellis Portfolio), which is modestly behind its primary objective (CPI+3%) which returned +5.0%. The portfolio underperformed its composite benchmark which returned +8.7%. The portfolio benefited from its exposure to equity markets although the negative returns of these markets in the fourth quarter of 2018 detracted from returns. Bond returns were also positive, with the Markit iBoxx Gilts index returning +7.9%, whilst the Markit iBoxx £ Corporate Bond index rose by +8.9%. The portfolio is positioned to achieve the long term objective irrespective of any shorter-term headwinds which the BREXIT process might introduce. The portfolio has a low exposure to UK companies, and although currency fluctuations may affect the sterling valuation of overseas holdings, the earnings of companies based abroad should not be meaningfully impacted.

The trustee has designated part of the general unrestricted funds as a separate fund representing the cost of the investment in the Associated Board of the Royal Schools of Music. In the context of this investment it is the trustee's aim to maximise the return to the Fund subject always to the proper business requirements of the Associated Board. The trustee is represented on the Board of Governors of the Associated Board and is satisfied with the performance of the Board during the year.

**RESERVES POLICY**

It is the policy of the trustee to seek to maintain undesignated unrestricted funds, which are the free reserves of the charity, at a level of £1,000,000 which would enable the trustee to support the Royal Northern College of Music for a further year in the event that the revenues of the charity should decline or fail. Undesignated unrestricted funds were £9,963,839 at 31 July 2019.

The College will endeavour to meet the targets set out above over the period of the next two years both by reviewing its expenditure policies and reviewing and where necessary changing the type and mix of investment vehicles used. This will be achieved while still complying with regard to the aims and objectives of the Fund.

**FUTURE DEVELOPMENTS**

The accumulated unrestricted funds at 31 July 2019 amounted to £12,238,839 of which £2,275,000 is classed as designated funds and relates to the holding of the share in the Associated Board of the Royal Schools of Music. The trustee intends further to continue to support the College's new building projects and to provide support for selected activities of the College and for its students.

**AVAILABILITY AND ADEQUACY OF ASSETS OF EACH OF THE FUNDS**

In the opinion of the trustee the assets of each fund are available and adequate to fulfil their obligations. There are no contingent liabilities or guarantees. See note 1 for an explanation of the types of fund maintained by the charity.

**AUDITORS**

A resolution was proposed at the College's Audit Committee meeting in March 2019 on the appointment of auditors to the charity for the ensuing year.



By Order of the Trustee

**Statement of Trustee's responsibilities in respect of the Trustee's annual report and the financial statements**

Under charity law, the trustee is responsible for preparing a Trustee's Annual Report and financial statements for each financial year which show a true and fair view of the state of affairs of the charity and of the excess of income over expenditure for that period. The trustee has elected to prepare the financial statements in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), and the Charities Act 2011.

In preparing these financial statements, generally accepted accounting practice entails that the trustee:

- selects suitable accounting policies and then apply them consistently;
- makes judgements and estimates that are reasonable and prudent;
- states whether the recommendations of the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- states whether the financial statements comply with the trust deed, subject to any material departures disclosed and explained in the financial statements;
- assesses the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- uses the going concern basis of accounting unless they either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

The trustee is required to act in accordance with the trust deed of the charity, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the charity at that time, and to enable the trustee to ensure that, where any statements of accounts are prepared by them under section 132(1) of the Charities Act 2011, those statements of accounts comply with the requirements of regulations under that provision. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the charity and to prevent and detect fraud and other irregularities.

The trustee is responsible for the maintenance and integrity of the financial and other information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



**Independent auditor's report to the Trustee of the Royal Northern College of Music Endowment Fund  
Opinion**

We have audited the financial statements of Royal Northern College of Music Endowment Fund (the 'Charity') for the year ended 31 July 2019 which comprise the Statement of Financial Activities, the Balance Sheet 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 Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 July 2019, and of the Charity's incoming resources and resources expended for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006.

**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 Auditor's 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**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustee has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Other Information**

The Trustee is responsible for the other information. The other information comprises the information included in the Trustee's Report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. 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 Companies Act 2006**

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

- the information given in the Trustee's Report which includes the Directors' Report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report included within the Trustee's Report has been prepared in accordance with applicable legal requirements.

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

In 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 Directors' Report included within the Trustee's Report.

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

- adequate and proper 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 trustee's remuneration specific by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of the Trustee**

As explained more fully in the *Statement of Trustee's responsibilities in respect of the Trustee's annual report and the financial statements* set out on page 6, the Trustee (who is also the directors of the Charity for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustee determines 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 Trustee is 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 Trustee either intends to cease operations, or has no realistic alternative but to do so.

#### **Auditor's 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 auditor's 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

#### **Use of the audit report**

This report is made solely to the Trustee as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and the Trustee as a body for our audit work, for this report, or for the opinions we have formed.



**Mazars LLP, Chartered Accountants and Statutory Auditor**

One St Peter's Square

Manchester

M2 3DE

Date: 4/11/19

**ROYAL NORTHERN COLLEGE OF MUSIC  
ENDOWMENT FUND**

**STATEMENT OF FINANCIAL ACTIVITIES**  
Year ended 31 July 2019

	Note	Unrestricted Funds £	Restricted Funds £	Endowment Fund £	Total 2019 £	Total 2018 £
<b>INCOMING RESOURCES</b>						
<i>Incoming resources from generated funds</i>						
Voluntary income		1,606,997	163,804	-	1,770,801	2,155,541
Investment income		51,139	103,405	-	154,544	137,133
Total Incoming Resources		<u>1,658,136</u>	<u>267,209</u>	-	<u>1,925,345</u>	<u>2,292,674</u>
<b>RESOURCES EXPENDED</b>						
<i>Costs of generating funds</i>						
Investment management fee		8,552	17,900	5,740	32,192	32,435
<i>Charitable Activities</i>	2	24,800	993,753	-	1,018,553	1,440,909
<i>Governance costs</i>						
Audit fee		5,400	-	-	5,400	2,342
Bank charges		80	284	-	364	111
Total Resources Expended		<u>38,832</u>	<u>1,011,937</u>	<u>5,740</u>	<u>1,056,509</u>	<u>1,475,797</u>
NET (OUTGOING)/INCOMING RESOURCES FOR THE YEAR		<u>1,619,304</u>	<u>(744,728)</u>	<u>(5,740)</u>	<u>868,836</u>	<u>816,877</u>
<b>OTHER RECOGNISED GAINS AND LOSSES</b>						
Gains on revaluations and disposals of investments held for charity use:						
Gain on sale of investments		64,137	137,897	43,048	245,082	154,209
Less: Previously accounted for as an unrealised (gain)		<u>(106,794)</u>	<u>(236,795)</u>	<u>(71,680)</u>	<u>(415,269)</u>	<u>(264,334)</u>
Realised from investments		<u>(42,657)</u>	<u>(98,898)</u>	<u>(28,632)</u>	<u>(170,187)</u>	<u>(110,125)</u>
Unrealised from investments		<u>8,618</u>	<u>281,766</u>	<u>5,785</u>	<u>296,169</u>	<u>542,361</u>
TOTAL INVESTMENT GAINS/(LOSSES)		<u>(34,039)</u>	<u>182,868</u>	<u>(22,847)</u>	<u>125,982</u>	<u>432,236</u>
NET MOVEMENT IN FUNDS FOR THE YEAR		1,585,265	(561,860)	(28,587)	994,818	1,249,113
<b>RECONCILIATION OF FUNDS</b>						
TOTAL FUNDS AT 1 AUGUST		<u>10,653,574</u>	<u>3,272,368</u>	<u>1,013,456</u>	<u>14,939,398</u>	<u>13,690,285</u>
TOTAL FUNDS AT 31 JULY	9	<u>12,238,839</u>	<u>2,710,508</u>	<u>984,869</u>	<u>15,934,216</u>	<u>14,939,398</u>

All amounts derive from continuing activities.

**ROYAL NORTHERN COLLEGE OF MUSIC  
ENDOWMENT FUND**

**BALANCE SHEET**  
31 July 2019

	Note	2019 £	£	2018 £	£
<b>FIXED ASSETS</b>					
<i>Investments</i>					
Quoted: at market value	3	4,351,850		5,793,611	
Unquoted: ABRSM at historical cost		<u>2,275,000</u>		<u>2,275,000</u>	
			6,626,850		8,068,611
<b>CURRENT ASSETS</b>					
Debtors	4	1,727,401		41,228	
Cash at bank and in hand		<u>7,631,606</u>		<u>6,846,728</u>	
		9,359,007		6,887,956	
<b>CURRENT LIABILITIES</b>					
Creditors and accruals	5	<u>51,641</u>		<u>17,169</u>	
<b>NET CURRENT ASSETS</b>			9,307,366		6,870,787
			<u>15,934,216</u>		<u>14,939,398</u>
<b>CAPITAL FUND</b>					
Endowment fund	6		984,869		1,013,456
<b>INCOME FUNDS</b>					
Restricted	7	2,710,508		3,272,368	
Unrestricted	8	<u>12,238,839</u>		<u>10,653,574</u>	
			14,949,347		13,925,942
<b>TOTAL FUNDS</b>	9		<u>15,934,216</u>		<u>14,939,398</u>

The financial statements on pages 9 to 17 were approved on 27 November 2019



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on behalf of the Trustee



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NOTES TO THE ACCOUNTS

Year ended 31 July 2019

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), and the Charities Act 2011.

These financial statements are consolidated with the Royal Northern College of Music financial statements, a copy of which are available at [www.rncm.ac.uk](http://www.rncm.ac.uk)

**Accounting convention**

The financial statements are prepared under the historical cost convention as modified by the revaluation of investments to market value.

**Fund accounting**

The charity maintains various types of funds as follows:

*Endowment funds*

Endowment funds represent resources which have been made available and which the trustee is legally required to invest or retain for the purposes of the charity.

*Restricted Funds*

Restricted funds represent grants, donations and legacies received which are allocated by the donor for specific purposes.

*Unrestricted funds*

General unrestricted funds represent resources which are expendable at the discretion of the trustee in the furtherance of the objectives of the charity.

Designated unrestricted funds are amounts which have been put aside, for specific reasons, out of general funds at the discretion of the trustee.

**Incoming resources**

All income is recognised in the statement of financial activities when the conditions for receipt have been met and there is reasonable assurance of receipt. When a claim for repayment of income tax has been, or will be, made such income is grossed up for the tax recoverable. The following accounting policies are applied to income.

*Legacies and donations*

Legacies and donations are accounted for when considerations for receipt have been met. Material items receivable at the year end are included at an estimated value for the amount to be received.

*Investment income*

Investment income is accounted for when receivable and includes any related tax recoverable.

**Resources expended**

*Direct charitable expenditure*

Direct charitable expenditure includes all expenditure directly related to the objectives of the charity.

*Grants payable*

Grants payable are charged in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional, such grants being recognised as expenditure when the conditions attaching are fulfilled. Grants offered subject to conditions which have not been met at the year end are noted as a commitment, but not accrued as expenditure. Recipients of grants payable are primarily the Royal Northern College of Music and the Junior School at the Royal Northern College of Music.

Year ended 31 July 2019

1. ACCOUNTING POLICIES (continued)

*Other expenditure*

Other expenditure comprises professional fees and miscellaneous expenses. The administration of the charity is undertaken by staff employed by the Royal Northern College of Music using facilities provided by that body. The value of this support has not been quantified.

**Investments**

Quoted investments are stated at market value and unquoted investment in ABRSM is stated at historical cost. Realised and unrealised gains and losses are shown separately in the appropriate section of the statement of financial activities. The market value is determined by the Charity's Investment Fund Manager, Waverton.

**Charitable commitments**

Commitments which are legally binding on the trustee are accounted for as resources expended in the statement of financial activities. Where the promise of financial support is not binding on the trustee, such intentions are accounted for by a transfer to a designated reserve. Activities that are to be wholly financed from future income do not form part of such designation and are disclosed in a note to the accounts.

**Associated Undertaking**

The unquoted investment in the Associated Board of the Royal Schools of Music (ABRSM) is valued by the trustee at an amount equal to cost. The investment represents a quarter share in the charitable company.

**Taxation**

The Royal Northern College of Music Endowment Fund is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable trust for UK income tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part 10 Income Tax Act 2007 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

**Key Management Personnel**

In these financial statements, the Endowment Fund is considered to be a qualifying entity (for the purposes of FRS102) and has applied the exemptions available under FRS102 in respect of the key management personnel disclosure.

**Cash Flow**

In these financial statements, the Endowment Fund is considered to be a qualifying entity (for the purposes of FRS102) and has applied the exemptions available under FRS102 in respect of preparing a cash flow statement.

**Accounting Estimates and Judgements**

The Charity has not identified any accounting estimates or judgements that would significantly affect the amounts recognised in the financial statements.

**ROYAL NORTHERN COLLEGE OF MUSIC  
ENDOWMENT FUND**

**NOTES TO THE ACCOUNTS**  
Year ended 31 July 2019

**2. GRANTS PAYABLE**

	Unrestricted Funds £	Restricted Funds £	Total 2019 £	Total 2018 £
Projects and events	10,350	918,203	928,553	1,372,909
RNCM Awards Fund	-	<u>90,000</u>	<u>90,000</u>	<u>68,000</u>
	<u>10,350</u>	<u>1,008,203</u>	<u>1,018,553</u>	<u>1,440,909</u>

**3. INVESTMENTS HELD AS FIXED ASSETS**

	2019 £	2018 £
<b>Quoted investments</b>		
Opening market value	5,793,611	5,393,784
Additions at cost	1,755,572	1,331,463
Disposals at opening market value	(3,274,199)	(1,470,933)
Unrealised gains	226,122	542,361
Movement on cash	<u>(149,256)</u>	<u>(3,064)</u>
Closing market value	<u>4,351,850</u>	<u>5,793,611</u>
Historical cost	<u>3,432,063</u>	<u>4,412,338</u>
 <b>Unquoted investment</b>		
Associated Board of the Royal Schools of Music	<u>2,275,000</u>	<u>2,275,000</u>

Quoted investments are valued at market value at the year end. The unquoted investment in the Associated Board of the Royal Schools of Music (ABRSM) is valued by the trustee at cost. The investment represents a quarter share in the charitable company and during the year donations of £1,400,000 have been received from ABRSM. The Trustee considers that there is no requirement to impair its investment in ABRSM.

**NOTES TO THE ACCOUNTS**  
Year ended 31 July 2019

**3. INVESTMENTS HELD AS FIXED ASSETS (continued)**

Summary details of quoted investments held at 31 July 2019 are as follows:

	Cost £	Market Value £
Bonds	726,820	762,540
UK Equities	157,123	288,595
Continental European Equities	294,920	435,379
North American Equities	948,310	1,366,898
Japanese Equities	441,561	437,645
Asia Pacific Equities	192,744	251,561
Emerging Market Equities	46,554	67,363
Alternatives	497,598	615,438
Cash & Cash Holding	<u>126,432</u>	<u>126,432</u>
	<u>3,432,062</u>	<u>4,351,851</u>

**4. DEBTORS**

	2019 £	2018 £
Investment income, accrued interest and tax recoverable	27,401	41,228
Inter-company loan	<u>1,700,000</u>	<u>-</u>
	<u>1,727,401</u>	<u>41,228</u>

**5. CREDITORS**

	2019 £	2018 £
Accruals	<u>51,641</u>	<u>17,169</u>

**6. MOVEMENT IN ENDOWMENT FUNDS**

Endowment funds comprise resources which have been made available and which the trustee is legally required to invest or retain for the purposes of the charity. All endowment funds, which are represented by investments held as fixed assets and, to a limited extent, cash, are permanent as the trustee has no power to convert them into income.

Movements for the year are set out in the Statement of Financial Activities on page 8 of this document.



**ROYAL NORTHERN COLLEGE OF MUSIC  
ENDOWMENT FUND**

**NOTES TO THE ACCOUNTS**  
Year ended 31 July 2019

**7. MOVEMENT IN RESTRICTED FUNDS**

Restricted funds represent grants, donations and legacies received which are allocated by the donor for specific purposes.

	Balance 1 August 2018 £	Income £	Investment Gains/ (Losses) £	Expenditure £	Balance 31 July 2019 £
Junior Strings Project Instruments	22,803			1,500	21,303
JRNCM : Estate of Mrs K Knibbs	14,207			900	13,307
Foundation for Sports and Arts	22,952				22,952
Chris Rowland Masterclass	53,905				53,905
Piano Competition	479,287			78,266	401,021
Chamber Music Festival	10,776				10,776
Chamber Music Legacy	10,212				10,212
Concert Hall Refurbishment Fund	83	2,700		83	2,700
The National Foundation for Youth Music	6,933				6,933
Brass Ensemble & Jazz concerts	615				615
Albert & Eugenie Frost Trust	44,096			20,000	24,096
Gala Dinner	35,845				35,845
Instrument Loan Scheme	11,636	2,300			13,936
Entrepreneurship Fund	3,014	1,500			4,514
Michael Kennedy Memorial	2,265	60			2,325
JRNCM Bursaries	11,755				11,755
RNCM Engage		18,217		13,285	4,932
PRS Foundation (Brass Band)	5,024				5,024
William Waterhouse Int Chair	15,000	5,000		8,656	11,344
Dullator	166,667			83,333	83,334
Garfield Weston	75,000				75,000
Other	35,293	173,193	(2,426)	64,574	141,486
Jellis Bequest	<u>2,245,000</u>	<u>64,239</u>	<u>185,294</u>	<u>741,340</u>	<u>1,753,193</u>
	<u>3,272,368</u>	<u>267,209</u>	<u>182,868</u>	<u>1,011,937</u>	<u>2,710,508</u>

**8. MOVEMENT IN UNRESTRICTED FUNDS**

The trustee has designated part of the general funds as separate funds representing the amount invested by the Fund in the Associated Board of the Royal Schools of Music.

	Balance 1 August 2018 £	Income £	Losses £	Expenditure £	Balance 31 July 2019 £
Associated Board of the Royal Schools of Music	2,275,000	-	-	-	2,275,000
General Fund	<u>8,378,574</u>	<u>1,658,136</u>	<u>(34,039)</u>	<u>(38,832)</u>	<u>9,963,839</u>
Total unrestricted funds	<u>10,653,574</u>	<u>1,658,136</u>	<u>(34,039)</u>	<u>(38,832)</u>	<u>12,238,839</u>

**ROYAL NORTHERN COLLEGE OF MUSIC  
ENDOWMENT FUND**

**NOTES TO THE ACCOUNTS**  
Year ended 31 July 2019

**9. ANALYSIS OF ASSETS AND LIABILITIES BETWEEN FUNDS**

	Endowment Funds £	Restricted Funds £	Unrestricted Funds £	Total 2019 £	Total 2018 £
<b>Fixed Assets</b>					
Investments	985,710	1,897,555	3,743,585	6,626,850	8,068,611
<b>Current Assets</b>					
Debtors	-	8,814	1,718,587	1,727,401	41,228
Cash at bank and in hand	(352)	805,704	6,826,254	7,631,606	6,846,728
<b>Current liabilities</b>					
Creditors and accruals	<u>(489)</u>	<u>(1,565)</u>	<u>(49,587)</u>	<u>(51,641)</u>	<u>(17,169)</u>
	<u>984,869</u>	<u>2,710,508</u>	<u>12,238,839</u>	<u>15,934,216</u>	<u>14,939,398</u>

**10. TAXATION**

The Royal Northern College of Music Endowment Fund, as a registered charity, is exempt from taxation on its income and gains falling within Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that they are applied to its charitable objectives. No tax charge has arisen in the year.

**11. RELATED PARTY TRANSACTIONS**

The Royal Northern College of Music is the sole trustee of the Endowment Fund. One of the objectives of the Endowment Fund is to apply income, as the trustee considers fit, for the general purpose of the College.

**12. ASSOCIATED UNDERTAKING**

The Fund has a 25% interest in the Associated Board of the Royal Schools of Music (ABRSM).

The ABRSM is a registered charity, number 292182, and a company limited by guarantee, registered number 1926395, established by four Royal Schools of Music for the benefit of music education. The company has no share capital and the liability of the members in the event of winding up is limited to £1 per member. The number of members is limited to eight persons.

For the purposes of the Companies Act 2006 the Governors are the directors of the Board. They are also the charity trustees under the Charities Act 1993.

The governing body is constituted under the Articles of Association of the company. It consists of two persons appointed in writing by each of the Royal Academy of Music, the Prince Consort Foundation Trustees, the Royal Northern College of Music Endowment Fund and the Royal Scottish Academy of Music and Drama Trust, together with a Chairman who is appointed by the members.

Under FRS102, the investment in ABRSM is carried at cost. For clarity of reporting, based on the audited accounts of ABRSM at 31 January 2019, the nominal share of ABRSM is set out below.

**ROYAL NORTHERN COLLEGE OF MUSIC  
ENDOWMENT FUND**

Year ended 31 July 2019

	2019 £'000	2018 £'000
Total Income	<u>13,644</u>	<u>12,445</u>
Operating Surplus	<u>230</u>	<u>443</u>
Fixed assets	977	1,113
Current assets	7,809	7,095
Creditors due within one year	(3,666)	(3,281)
Creditors due after more than one year and provisions	(292)	(169)
Net pension liability	<u>(5,616)</u>	<u>(5,298)</u>
Net Liability	<u>(788)</u>	<u>(540)</u>