

ROYAL ACADEMY DEVELOPMENT TRUST

Registered Charity No. 1067270

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

Royal Academy Development Trust Reference and Administrative Details

Honorary President

HRH The Prince of Wales

Emeritus and Honorary Trustees

Lord Aldington

Susan Burns

Sir James Butler CBE DL

The late the Rt. Hon. The Lord Carrington, KG GCMC CH MC (deceased 9 July 2018)

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

Susan Ho

Lady Judge CBE

The late Gabrielle Jungels-Winkler (deceased 31 October 2018)

Lady Lever

Sir Sydney Lipworth

The Rt. Hon. The Lord Luce, GCVO DL

Sir Keith Mills GBE DL

Ludovic de Montille

Lady Myners (resigned 6 December 2018)

Minori Mori

John Raisman CBE

John A. Roberts FRIBA

Sir Simon Robertson

Lord Rose of Monewden (appointed 12 March 2018)

Sir Evelyn de Rothschild

Maryam Sachs

Richard Sharp

David Stileman

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

Lord Davies of Abersoch (Chair) (resigned 6 December 2018)

Lady Myners (Chair) (appointed 6 December 2018)

Philip Marsden (Deputy Chair)

President of The Royal Academy of Arts (Ex officio) - Christopher Le Brun PRA

Treasurer of The Royal Academy of Arts (Ex officio) - Prof. Chris Orr MBE RA (resigned 31 August 2018)

Treasurer of The Royal Academy of Arts (Ex officio) - Chris Wilkinson OBE RA (appointed 1 September 2018)

Secretary & Chief Executive of The Royal Academy of Arts - Sir Charles Saumarez Smith CBE

Petr Aven

Brooke Brown Barzun

Marc Bolland

Sir David Cannadine FBA

Sir Richard Carew Pole Bt OBE DL

Richard Chang

Adrian Cheng

Melanie Clore

Lady Deighton

Sir Lloyd Dorfman CBE

Stephen Fry

Mrs Drue Heinz Hon DBE (deceased 30 March 2018)

Lady Heywood

Anya Hindmarch CBE

Clive Humby

Alistair DK Johnston CMG FCA

Royal Academy Development Trust Reference and Administrative Details

Trustees in the financial year and at the date of signing (continued):

Declan Kelly
Dame Carolyn Julia McCall DBE
Scott Mead
Christina Ong
Frances Osborne
Lord Ricketts GCMG GCVO
Lord Rose of Monewden (resigned 12 March 2018)
Dame Jillian Sackler DBE
Robert Suss
Sian Westerman
Peter Williams
Iwan Wirth
Andrea Wong

Executive Committee

Lord Davies of Abersoch (Chair) (resigned 6 December 2018)
Lady Myners (Chair) (appointed 6 December 2018)
Lady Heywood
Philip Marsden
Prof. Chris Orr MBE RA (resigned 31 August 2018)
Chris Wilkinson OBE RA (appointed 1 September 2018)
Sir Charles Saumarez Smith
Peter Williams

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

Peter Williams (Chair)
Adam Bennett
Carl Hitchcock
Richard Milliken
Sir Charles Saumarez Smith
Andrew Threadgold
William de Winton

Registered Office

Burlington House
Piccadilly
London W1J 0BD

Advisers:

Auditors

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

**Royal Academy Development Trust
Reference and Administrative Details**

Solicitors (continued)

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

Troy Asset Management Limited
33 Davies Street
London W1K 4BP

Royal Academy Development Trust Trustees' Report

The trustees present their report and financial statements for the year ended 31 August 2018.

CONSTITUTION AND CHARITABLE OBJECTIVES

Constitution

Royal Academy Development Trust ("the Charity" or "the Trust") was established under a Trust Deed dated 11 February 1981, to serve public benefit by providing funds for the support of The Royal Academy of Arts ("the Royal Academy"). The Deed of Declaration of the Trust was amended in June 2009. The Trust Deed was updated in October 2017, reflecting the change in name from the Royal Academy Trust to the Royal Academy Development Trust in 2016 and the previously agreed increase in the maximum number of trustees to 35. It is an unincorporated association, and became separately registered as a charity on 8 January 1998.

Governance and management

The Charity is governed by a board of 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, as agreed by the board in July 2016. There are currently 32 trustees. The trustees constitute the President, Treasurer and the Secretary and Chief Executive of the Royal Academy, for so long as they hold office, and other trustees whom shall serve a five year initial term, after which they are eligible for a three year renewal term.

The trustees and officers who served during the year ended 31 August 2018 and at the date of signing are shown on pages 1 and 2 of the 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 Chairman of the Trust. Other distributions to the Royal Academy in excess of this must be approved by the full Trust, but management of such distributions may be delegated to the Charity's Executive Committee on a case by case basis.

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 a formal induction by the Royal Academy General Counsel, together with an informative welcome pack and an introductory tour.

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 Troy Asset Management Limited ("Troy"), which 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 outsiders chosen for their experience of investment management.

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 support the Royal Academy's fundraising targets with particular emphasis on ensuring the progression of the capital campaign - the Burlington Project
- To manage the growth of the Trust and minimise the risk of loss.

Royal Academy Development Trust Trustees' Report

Current year objectives (continued)

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 2018 totalled £16.4m (2017: £0.9m). There were donations of £16.0m in support of Royal Academy cultural activities (2017: £0.3m). There was also £0.4m of investment income (2017: £0.6m). Net gains on investments were £1.5m (2017: £2.4m) and there were unrealised gains on foreign exchange derivatives of £0.1m (2017: losses of £0.2m).

Donations to the Royal Academy of £4.8m (2017: £0.8m) were made up of £0.8m (2017: £0.8m) in support of revenue projects and £4.0m (2017: £nil) in support of capital projects. The former comprises £0.2m (2017: £0.2m) as an annual donation and £0.6m (2017: £0.6m) for specific projects.

During the year ended 31 August 2018, the remaining \$17.2m (£13.2m) of a \$23.0m pledge from a donor, who wishes to remain publicly anonymous, was received; \$5.8m (£4.0m) having been received in the year ended 31 August 2016. Of the £17.2m 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.

As at 31 August 2018, £3.4m of the £12.2m received in respect of the permanent endowment was invested with Sarasin; £2.0m with Troy; with £6.8m held in cash, pending investment in the year ended 31 August 2019. The value of the Sarasin and Troy funds including £0.5m income to date (2017: £0.3m) was £5.9m as at 31 August 2018 (2017: £4.2m).

The value of the Partners Capital investment portfolio decreased by £0.2m net (2017: £11.4m), to £25.4m (2017: £25.6m). Total investment funds across the three investment managers, including cash at bank held with Lloyds Bank Plc, increased to £43.3m (2017: £30.2m) after income, distributions and other expenditure.

Included in this amount are funds donated by 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.

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.

Since November 2016 two new investment managers, Sarasin and Troy, have been 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 counterparty risk.

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 objective 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 in excess of the Royal Academy's estimated cost inflation (estimated at 3.0% based on forecast long run UK inflation of 2.5% plus a margin of 0.5%) plus the spending rate (currently 3.0% per annum). This equates to a minimum annual return of 6.0% per annum. Actual returns will need to be in excess of this minimum target in order 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 (previously Alpha CIF for Endowments); the objective of this fund is to achieve long-term capital and income growth.

Royal Academy Development Trust Trustees' Report

Investments (continued)

The Charity invests in two Troy funds - the Trojan Fund and the Trojan Income Fund. The Trojan Fund targets capital preservation and positive "real returns", with a multi-asset allocation; the Trojan Income Fund targets consistent risk adjusted returns, with the fund primarily holding UK equities with selected global equities.

Endowments

The Charity has three 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 three 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 2018 of £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 £0.3m from the Paul Mellon endowment fund to support Royal Academy revenue 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 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.

Future plans

The trustees continue to work closely with the President, Chief Executive and the directors of the Royal Academy to assist with the on-going fundraising effort, with particular focus on the strategy supporting the Burlington Project to ensure the next phase proceeds and developing a strategy to significantly grow the level of the endowment to provide longer term support to the Royal Academy.

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 2019 are:

- To provide, or assist in securing, funding for the capital campaign, including completion of the current phase and progressing the next phase of the Burlington Project, with the future redevelopment of the Royal Academy Schools (which celebrates its 250th anniversary in 2019), in order to achieve targets
- To provide, or assist in securing, endowment funding to provide longer term support for the Royal Academy
- To actively support the Royal Academy on international strategy and advise on implementation to ensure future revenue growth
- To continue to make available revenue support for the Royal Academy's activities.

Related party transactions

Related party transactions are disclosed in note 21 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 2018, the Charity held total funds of £43.3m (2017: £30.3m), of which £14.4m (2017: £16.3m) were unrestricted funds for which £9.5m (2017: £11.7m) is both unrestricted and not designated; £17.1m (£8.6m) endowment funds; and £11.8m (£5.4m) restricted funds.

Royal Academy Development Trust Trustees' Report

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 of Arts. 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.

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

.....
Trustee

Date:

6th December 2018

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

We have audited the financial statements of the Royal Academy Development Trust ("the charity") for the year ended 31 August 2018 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 2018, and of its income and expenditure 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

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 trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have 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 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.

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.

Royal Academy Development Trust

Independent Auditors' Report to the Trustees of

Royal Academy Development Trust

Matters on which we are required to report by exception

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:

- the information given in the trustees' annual report is inconsistent in any material respect with the financial statements; or
- the charity has not kept adequate accounting records; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we required for our audit.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out on page 7, 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

We have been appointed as auditors under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act.

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.

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.

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.

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

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

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.

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.



Andrew Stickland (Senior Statutory Auditor)
for and on behalf of
Kingston Smith LLP

Date: 6th December 2018

Devonshire House
60 Goswell Road
London EC1M 7AD

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

Royal Academy Development Trust
Statement of Financial Activities
For the year ended 31 August 2018

	Note	Unrestricted funds 2018 £	Restricted funds 2018 £	Endowment funds 2018 £	Total funds 2018 £	Total funds 2017* as restated £ * see note 4 for comparatives
Income and endowments from:						
Donations and legacies	5	210,593	7,531,454	8,262,844	16,004,891	275,318
Investments	6	215,881	74,764	155,795	446,440	604,609
Total income		426,474	7,606,218	8,418,639	16,451,331	879,927
Expenditure on:						
Raising funds	8	(88,604)	-	(30,341)	(118,945)	(267,573)
Charitable activities						
Annual donation to the Royal Academy	7	(124,182)	(112,169)	-	(236,351)	(238,927)
Other donations to the Royal Academy	7	(2,963,456)	(1,640,000)	-	(4,603,456)	(602,520)
Total charitable activities		(3,087,638)	(1,752,169)	-	(4,839,807)	(841,447)
Total expenditure		(3,176,242)	(1,752,169)	(30,341)	(4,958,752)	(1,109,020)
Net gains on investments	11	807,180	279,551	419,299	1,506,030	2,410,542
Unrealised gains / (losses) on derivatives	16.c	47,807	-	-	47,807	(154,421)
Net income / (expenditure)		(1,894,781)	6,133,600	8,807,597	13,046,416	2,027,028
Transfers between funds	16, 17	-	306,291	(306,291)	-	-
Total funds brought forward		16,310,488	5,373,022	8,631,103	30,314,613	28,287,585
Total funds carried forward		14,415,707	11,812,913	17,132,409	43,361,029	30,314,613

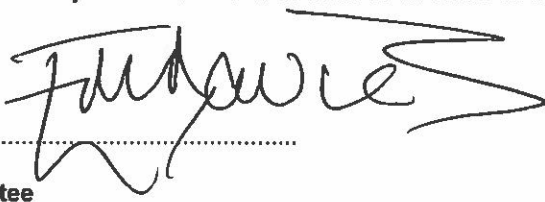
All gains and losses arising in the year are included in the Statement of Financial Activities and arise from continuing operations.

The notes on pages 14 to 27 form part of these financial statements.

Royal Academy Development Trust
Balance Sheet as at 31 August 2018

	Note	2018 £	2017 as restated £
Fixed assets			
Investments	11	<u>31,206,381</u>	<u>29,810,736</u>
Current assets			
Debtors	12	183,642	275,703
Cash at bank and in hand		<u>12,097,251</u>	<u>348,176</u>
Total current assets		12,280,893	623,879
Liabilities			
Creditors - amounts falling due within one year	13	<u>(126,245)</u>	<u>(120,002)</u>
Net current assets		<u>12,154,648</u>	<u>503,877</u>
Net assets		<u>43,361,029</u>	<u>30,314,613</u>
The funds of the charity:			
Endowment funds	16	17,132,409	8,631,103
Restricted funds	17	11,812,913	5,373,022
Unrestricted funds:			
Designated	18	4,867,988	4,605,403
Other		<u>9,547,719</u>	<u>11,705,085</u>
Total unrestricted funds		<u>14,415,707</u>	<u>16,310,488</u>
Total charity funds		<u>43,361,029</u>	<u>30,314,613</u>

Approved by the Trustees and authorised for issue on 6th Dec 2018


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Trustee

Royal Academy Development Trust
Statement of Cash Flows
For the year ended 31 August 2018

	Note	2018 £	2017 £
Net cash from operating activities	15	<u>11,359,308</u>	<u>(1,201,619)</u>
Cash flow from investing activities			
Dividends and interest from investments	6	446,440	604,609
Fund manager fees	8	(167,058)	(199,254)
Payments to acquire fixed asset investments	11	(7,333,797)	(17,096,613)
Proceeds from investment disposals	11	6,562,951	14,815,489
Net movement in cash held in the investment portfolio	11	<u>881,231</u>	<u>(1,045,359)</u>
Net cash used in investing activities		<u>389,767</u>	<u>(2,921,128)</u>
Net increase / (decrease) in cash and cash equivalents		11,749,075	(4,122,747)
Cash and cash equivalents at the beginning of the year		<u>348,176</u>	<u>4,470,923</u>
Cash and cash equivalents at the end of the year		<u>12,097,251</u>	<u>348,176</u>

Royal Academy Development Trust
Notes to the Financial Statements
For the year ended 31 August 2018

1 General information

Royal Academy Development 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

The trustees consider that there are no material uncertainties about the Charity's ability to continue as a going concern. There are no material uncertainties affecting the current year's financial statements.

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.

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.

Royal Academy Development Trust
Notes to the Financial Statements
For the year ended 31 August 2018 (continued)

2 Summary of significant accounting policies (continued)

d. Funds structure (continued)

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 16 to 18.

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 with sufficient reliability.

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 there is reasonable probability of receipt.

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.

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.

Royal Academy Development Trust
Notes to the Financial Statements
For the year ended 31 August 2018 (continued)

2 Summary of significant accounting policies (continued)

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.

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.

Royal Academy Development Trust
Notes to the Financial Statements
For the year ended 31 August 2018 (continued)

2 Summary of significant accounting policies (continued)

m. Financial instruments (continued)

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 Development Trust
Notes to the Financial Statements
For the year ended 31 August 2018 (continued)

4 Prior year comparatives by type of fund

The SOFA provides the restated prior year comparative in total; this note provides restated prior period comparatives for each of the three types of funds.

	Unrestricted funds 2017 as restated £	Restricted funds 2017 as restated £	Endowment funds 2017 £	Total funds 2017 as restated £
Income and endowments from:				
Donations	211,759	20,462	43,097	275,318
Investments	349,452	102,885	152,272	604,609
Total income	561,211	123,347	195,369	879,927
Expenditure on:				
Raising funds	(245,662)	-	(21,911)	(267,573)
Charitable activities				
Annual donation to the Royal Academy	(131,895)	(107,032)	-	(238,927)
Other donations to the Royal Academy	(558,104)	(44,416)	-	(602,520)
Total charitable activities	(689,999)	(151,448)	-	(841,447)
Total expenditure	(935,661)	(151,448)	(21,911)	(1,109,020)
Net gains on investments	1,366,910	402,446	641,186	2,410,542
Unrealised losses on derivatives	(154,421)	-	-	(154,421)
Net income	838,039	374,345	814,644	2,027,028
Transfers between funds	(472,388)	453,057	19,331	-
Total funds brought forward	15,944,837	4,545,620	7,797,128	28,287,585
Total funds carried forward	16,310,488	5,373,022	8,631,103	30,314,613

Royal Academy Development Trust
Notes to the Financial Statements
For the year ended 31 August 2018 (continued)

5 Income from donations and legacies

	Unrestricted funds 2018 £	Restricted funds 2018 £	Endowment funds 2018 £	Total 2018 £	Total 2017 £
General	168,325	-	-	168,325	7,458
Revenue projects:					
Schools	42,268	-	-	42,268	204,301
Library and collections	-	31,454	-	31,454	20,462
Anonymous donor fund	-	-	8,262,844	8,262,844	-
Ivor Rey scholarship fund	-	-	-	-	43,097
Total revenue projects	42,268	31,454	8,262,844	8,336,566	267,860
Capital projects:					
Burlington Project - Phase I	-	2,500,000	-	2,500,000	-
Burlington Project - Phase III	-	5,000,000	-	5,000,000	-
Total capital projects	-	7,500,000	-	7,500,000	-
Total	210,593	7,531,454	8,262,844	16,004,891	275,318

6 Income from investments

	Unrestricted funds 2018 £	Restricted funds 2018 £	Endowment funds 2018 £	Total 2018 £	Total 2017 £
Listed investments	213,759	74,029	147,211	434,999	599,125
Bank interest	2,122	735	8,584	11,441	5,484
Total	215,881	74,764	155,795	446,440	604,609

7 Analysis of expenditure on charitable activities

In the current year, the Charity made donations of £4,839,807 (2017: £841,447) to the Royal Academy, representing £3,500,000 (2017: £nil) to the Burlington Project - Phase I; £500,000 (2017: £nil) to Burlington Project - Phase III; £40,000 (2017: £39,279) for the cataloguing project; £92,500 (2017: £92,500) for the Heinz Architecture Programme; £119,118 (2017: £117,488) for the Schools, £6,410 (2017: £6,410) for the Library; and £5,000 (2017: £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 Development Trust
Notes to the Financial Statements
For the year ended 31 August 2018 (continued)

7 Analysis of expenditure on charitable activities (continued)

	Unrestricted funds 2018 £	Restricted funds 2018 £	Endowment funds 2018 £	Total 2018 £	Total 2017 £
Annual donation to the Royal Academy	124,182	112,169	-	236,351	238,927
Royal Academy revenue projects:					
Cataloguing project	-	40,000	-	40,000	39,279
General	563,456	-	-	563,456	563,241
Total revenue projects	563,456	40,000	-	603,456	602,520
Royal Academy capital projects:					
Burlington Project - Phase I	2,400,000	1,100,000	-	3,500,000	-
Burlington Project - Phase II	-	500,000	-	500,000	-
Total capital projects	2,400,000	1,600,000	-	4,000,000	-
Total	3,087,638	1,752,169	-	4,839,807	841,447

8 Analysis of expenditure on raising funds

	Unrestricted funds 2018 £	Restricted funds 2018 £	Endowment funds 2018 £	Total 2018 £	Total 2017 £
Fund manager fees	136,717	-	30,341	167,058	199,254
Staff costs	60,744	-	-	60,744	45,486
Auditors' remuneration	15,722	-	-	15,722	17,820
Bank charges	84	-	-	84	922
Exchange rate (gains) / losses	(128,645)	-	-	(128,645)	10
Miscellaneous	3,982	-	-	3,982	4,081
Total	88,604	-	30,341	118,945	267,573

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 (2017: £nil).

Royal Academy Development Trust
Notes to the Financial Statements
For the year ended 31 August 2018 (continued)

10 Analysis of staff costs (continued)	2018	2017
	£	£
Salaries and wages	50,295	37,905
Social security costs	5,402	3,913
Employers pension contribution	5,047	3,668
Total	60,744	45,486

Salary costs represents 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 2018 was 1 (2017: 1).

11 Investments

Movement in market value of investments	2018	2017
	£	£
Market value brought forward	28,686,604	23,994,938
Additions to investments at cost	7,333,797	17,096,613
Disposals at carrying value	(6,562,951)	(14,815,489)
Net gain on investments	1,506,030	2,410,542
Market value of investments at 31 August	30,963,480	28,686,604

Market value of investments by type	2018	2017
	£	£
Bonds	5,281,650	4,881,472
Property	2,571,705	2,538,544
Global equities	15,173,998	13,126,534
UK equities	4,104,786	4,665,139
Absolute return	3,382,833	3,161,449
Alternative investments	238,627	169,234
Liquid assets	117,314	51,239
Gold related investments	92,567	92,993

Total market value of investments	[Historic cost of investments £24,833,736 (2017: £22,530,825)]	30,963,480	28,686,604
Cash holdings		242,901	1,124,132
Total		31,206,381	29,810,736

Investments under management were:

Partners Capital LLP	25,352,929	25,611,840
Sarasin & Partners LLP	3,744,642	2,127,595
Troy Asset Management Limited	2,108,810	2,071,301
Total	31,206,381	29,810,736

All investments are carried at their fair value.

Significant investment holdings based on market value at 31 August 2018 were:

	% of fund's investment portfolio by market value
Sarasin Endowments Fund	11.80%
Charities Property Fund (Cordea Savills)	6.72%
Partners Capital Falcon Fund (C) Ltd	11.38%
Partners Capital Greyhawk Fund, LP	6.65%
Partners Capital Phoenix Fund II Ltd	7.39%
Vanguard UK Inflation Linked Gilt Index Fund	5.59%

Royal Academy Development Trust
Notes to the Financial Statements
For the year ended 31 August 2018 (continued)

12 Debtors	2018	2017
	£	£
Amounts due from the Royal Academy	147,514	77,230
Amounts due from Burlington House Limited	-	88,549
Amounts due from R.A. Enterprises Limited	36,128	109,924
Total	183,642	275,703

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	2018	2017
	£	£
Derivative liability (see note 14)	43,154	7,996
Accruals	83,091	112,006
Total	126,245	120,002

14 Financial instruments

The Charity entered into two forward foreign currency contracts (each for \$2,875,000) to mitigate the exchange rate risk for certain future foreign currency instalments in respect of the anonymous donor fund (see note 16). Both forward contracts were rolled forward using foreign exchange swaps; one matured in January 2018, with the Charity selling \$2,875,000 and receiving £1,943,224; the second matures in January 2019, the Charity is committed to sell \$2,875,000 and receive a fixed sterling amount of £1,943,224.

The foreign exchange swap is measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key assumptions used in valuing the derivatives are the forward exchange rates for GBP:USD.

15 Notes to the statement of cash flows	2018	2017
	£	£
Net income	13,046,416	2,027,028
Adjustments for:		
- Gains on investments	(1,506,030)	(2,410,542)
- Increase / (decrease) in unrealised losses on derivatives	35,158	(464,392)
- Dividends and interest from investments	(446,440)	(604,609)
- Fund manager fees	167,058	199,254
- Decrease in debtors	92,061	976
- (Decrease) / increase in creditors	(28,915)	50,666
Cash flow from operating activities	11,359,308	(1,201,619)

Royal Academy Development Trust
Notes to the Financial Statements
For the year ended 31 August 2018 (continued)

16 Analysis of endowment funds

		Balance at	Gift of	Investment returns less fund manager fees	Unapplied total return allocated to income	Balance at
		2017 £	endowment £	£	£	2018 £
The Ivor Rey scholarship fund:						
- Trust for investment	a	404,400	-	-	-	404,400
- Unapplied total return	a	145,114	-	41,850	(14,532)	172,432
Paul Mellon endowment fund:						
- Trust for investment	b	3,039,283	-	-	-	3,039,283
- Unapplied total return	b	791,691	-	291,759	(291,759)	791,691
Anonymous donor fund:						
- Trust for investment	c	3,966,198	8,262,844	-	-	12,229,042
- Unapplied total return	c	284,417	-	211,144	-	495,561
Total		8,631,103	8,262,844	544,753	(306,291)	17,132,409

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 £3,039,283 (\$5,000,000) 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 Royal Academy, but who wishes 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.

As at 31 August 2017, two instalments had been received (\$5,750,000 / £3,966,198) and were included in the endowment funds above. 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 17). As disclosed in note 14, the Charity entered into forward foreign currency contracts and foreign exchange swaps, with reference to the USD:GBP rate of 1.53 implicit in the anonymous donor agreement to hedge the exchange rate risk on two instalments. One foreign exchange swap matured in the year; the remaining foreign exchange swap has been measured at fair value, this has given rise to an unrealised gain of £47,807 (2017: loss of £154,421).

Royal Academy Development Trust
Notes to the Financial Statements
For the year ended 31 August 2018 (continued)

17 Analysis of restricted funds

		Restated balance at 2017 £	Income and fund growth in year £	Utilised in year £	Unapplied total returns from endowments £	Balance at 2018 £
Heinz Architecture fund	17.a	3,419,053	255,830	(92,500)	-	3,582,383
Salaman-Seelig art fund	17.b	86,698	6,603	-	-	93,301
The Ivor Rey scholarship fund	16.a	21,219	509	(14,532)	14,532	21,728
Paul Mellon endowment fund	16.b	632,321	2,461	(600,000)	291,759	326,541
Cataloguing project	17.c	41,180	31,454	(40,000)	-	32,634
Greenham fund	17.d	169,768	12,577	(4,637)	-	177,708
The Starr Fellowship	17.e	985,200	75,032	-	-	1,060,232
Weiss fund	17.f	17,583	1,303	(500)	-	18,386
Burlington Project - Phase I	17.g	-	2,500,000	(500,000)	-	2,000,000
Burlington Project - Phase III	17.h	-	5,000,000	(500,000)	-	4,500,000
Total		5,373,022	7,885,769	(1,752,169)	306,291	11,812,913

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.

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 £500 to a student of the Royal Academy Schools working in a figurative style.

g. Burlington Project - Phase I

A donor, whose identity is known to the Royal Academy, but who currently wishes to remain publicly anonymous, donated £2,500,000 to be available to the Royal Academy for the Burlington Project - Phase I in 2018. £500,000 was donated to the Royal Academy in 2018, with the remaining £2,000,000 to be donated to the Royal Academy to settle contractual payments due to the main contractor in 2019 and 2020.

Royal Academy Development Trust
Notes to the Financial Statements
For the year ended 31 August 2018 (continued)

17 Analysis of restricted funds (continued)

h. Burlington Project - Phase III

As disclosed in note 16.c, a donor, whose identity is known to the Royal Academy but who wishes to remain publicly anonymous, donated £5,000,000 in 2018 to the Burlington Project - Phase III. £500,000 was donated to the Royal Academy in 2018 in respect of costs incurred to date by the Royal Academy on this project, with the remaining £4,500,000 being held by the Charity until required by the Royal Academy.

18 Analysis of designated funds

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

		Balance at	Utilised in	Income and	Balance at
		2017	year	fund growth	2018
		£	£	in year	£
				£	
General	a	1,471,553	(46,371)	108,539	1,533,721
Sir Roger de Grey Memorial Fund	b	123,228	(3,529)	9,116	128,815
Macaulay Scholarship	c	186,491	(6,687)	13,693	193,497
Casson Award	d	281,955	(5,000)	21,093	298,048
Eranda Professor	e	135,282	(3,902)	10,006	141,386
Chenevière Travel Award	f	150,224	(4,266)	11,116	157,074
Schools Portfolio Fund	g	135,745	(4,000)	10,033	141,778
Patricia Turner Award	h	310,257	(8,952)	22,947	324,252
The Pauline Sitwell Bursary Fund	i	368,129	(10,595)	27,228	384,762
Maintenance Fund	j	1,442,539	(30,880)	152,996	1,564,655
Total		4,605,403	(124,182)	386,767	4,867,988

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).

c. Macaulay Scholarship

The fund was created in 1998 to establish a scholarship providing fees and maintenance for a student at the Royal Academy Schools.

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 Development Trust
Notes to the Financial Statements
For the year ended 31 August 2018 (continued)

18 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 has been set at £7,500 per annum and 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 £42,268 has been added to this fund during 2018 (2017: £204,301), 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	1,478,418	55,303	1,533,721
Sir Roger de Grey Memorial Fund	124,170	4,645	128,815
Macaulay Scholarship	186,520	6,977	193,497
Casson Award	287,301	10,747	298,048
Eranda Professor	136,288	5,098	141,386
Chenevière Travel Award	151,410	5,664	157,074
Schools Portfolio Fund	136,666	5,112	141,778
Patricia Turner Award	312,560	11,692	324,252
The Pauline Sitwell Bursary Fund	370,888	13,874	384,762
Maintenance Fund	1,508,237	56,418	1,564,655
Total	4,692,458	175,530	4,867,988

Royal Academy Development Trust
Notes to the Financial Statements
For the year ended 31 August 2018 (continued)

19 Analysis of net assets between funds

	Investments £	Net current assets £	Total net assets £
Endowment funds	10,261,253	6,871,156	17,132,409
Restricted funds	7,049,225	4,763,688	11,812,913
Unrestricted funds:			
Designated	4,692,458	175,530	4,867,988
Other	9,203,445	344,274	9,547,719
Total	31,206,381	12,154,648	43,361,029

20 Financial instruments

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

	2018 £	2017 £
Financial assets measured at amortised cost	183,642	275,703
Financial liabilities measured at amortised cost	83,091	112,006
Financial assets measured at fair value through the SOFA	31,206,381	29,810,736
Financial liabilities measured at fair value through the SOFA	43,154	7,996

21 Related party transactions

The Royal Academy made a donation of £31,454 to the Charity related to unspent funds from the cataloguing project (2017: £20,462). The Charity donated £4,839,807 (2017: £841,447) to the Royal Academy; £3,500,000 (2017: £nil) towards the Burlington Project - Phase I; £500,000 (2017: £nil) towards the Burlington Project - Phase III; and £839,407 (2017: £841,447) to support various campaigns and capital projects. At the year end £147,514 (2017: £77,230) was outstanding and included within debtors.

R.A. Enterprises Limited made a donation of £36,128 (2017: £109,924) to the Charity for future funding of the Royal Academy Schools. At the year end £36,128 (2017: £109,924) was outstanding and included within debtors.

Burlington House Limited made no donations to the Charity in the year (2017: £88,549) for future funding of the Royal Academy Schools. At the year end £nil (2017: £88,549) was outstanding and included within debtors.

During the year, the trustees personally donated a total of £369,993 (2017: £217,586) to the Royal Academy. Of these amounts £112,308 (2017: £149,186) was donated towards the running costs of specific exhibitions, £205,000 (2017: £44,200) was donated towards the Burlington Project - Phase I; £32,585 (2017: £nil) was donated towards the Schools and £20,100 (2017: £23,400) was donated free from any conditions.

Sir Lloyd Dorfman is a trustee of The Dorfman Foundation. During the year, The Dorfman Foundation made a donation to the Royal Academy of £666,670 (2017: £666,670) towards the Burlington Project - Phase I.

22 Prior year restatement

The Charity has restated its prior year comparatives, transferring £1,172,551 of incorrectly classified funds from unrestricted to restricted. These restricted funds are the Greenham fund, The Starr Fellowship and the Weiss fund. Whilst the funds have historically been incorrectly classified as unrestricted in the financial statements, these have been treated in accordance with their restrictions.