The Central School of Speech and Drama

University of London

Financial Statements

For the year ended

31 July 2009

The Central School of Speech and Drama
University of London

Patron

HRH Princess Alexandra,
The Hon Lady Ogilvy KG GCVO

President

Michael Grandage

The Central School of Speech and Drama is registered as a Company Limited by Guarantee, with exempt charitable status, in England and Wales under Company No. 203645. Its registered office is at Embassy Theatre Eton Avenue London NW3 3HY. VAT No. 672 6982 88.

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Report by the Principal

The year in review has been marked by several particular achievements – notably the maturing of Central's research plan – leading to a significant result in the Research Assessment Exercise (RAE). Whilst the resulting declaration of support was made in the subsequent year, together with several major awards from the Arts and Humanities Research Council (AHRC) for research fellowships, the preparatory work, submission and assessment took place in 2008/09.

Central also moved into new studio accommodation, created from the former Parish rooms and church hall of St. Peter's (nearby in Belsize Park), which enabled relocation of work from temporary facilities – which had passed their period of planning consent. The new studios have been created specifically for Central's needs, but will be shared with the Church for community purposes. They are an important addition to Central's estate. Planning continues, however, for the potential Phases 5 and 6 development of the Swiss Cottage Campus with speculative design and planning consultation, but financial constraints have imposed a moratorium on proceeding to work on site as Central evaluates the prospect for serious cuts in public HE expenditure, with the onset of recession, with a consequent decline in private philanthropy as well.

Central's finances are in good order but there are many challenges ahead which are set out in more detail in section 1.3 of the Operating and Financial Review. The Higher Education Funding Council for England (HEFCE) conducted their occasional Assurance Review, in the year, and commended the institution with confidence in management procedures and ability to plan for sustainability. Such planning embraces a rigorous drive to recruit more non European Union (EU) students, and to establish a programme of Foundation Degrees – if successful in gaining HEFCE allocation of additional student numbers (ASNs). Recruitment (and retention) is strong and shows substantial increase in application for funded places; there is also growth in application for non funded places, especially at post graduate level.

The Centre Excellence in Training for Theatre (CETT) moved into its second half of funded activity – under new direction. It has made real impact with a range of 'incubation' projects, and with the annual international conference. So too, Central has continued to promote a series of festivals based around new work – with the Accidental Festival moving from the ICA to the Roundhouse. Alumni involvement has moved forward – and also embraced the community of Webber Douglas (the Academy which Central accommodated in its period of closure) and in recognition of which - the studio theatre was renamed The Webber Douglas Studio.

Harold Pinter, an alumnus of Central, became the new President of Central – with typical determination despite serious ill health. He also accepted Honorary Fellowship – but, sadly died shortly after the Graduation Ceremony. His all too brief time as President was nonetheless symbolic. He re-established a tradition that the President should be an alumnus of Central – and he represented a wide range of theatre practice as playwright, director, actor, poet and activist. Several productions were given in tribute, and his influence will be with us in perpetuity.

I am pleased to welcome Michael Grandage, an alumnus of Central, Artistic Director of the Donmar Warehouse, and an Honorary Fellow of Central, as our new President.

Gavin Henderson

Professor Gavin Henderson CBE
Principal

Operating and Financial Review

The Board of Governors present their report and the audited financial statements for the year ended 31 July 2009.

1 CONTEXT, OBJECTIVES AND STRATEGIES

1.1 Legal Status

The Central School of Speech and Drama is incorporated as a Company Limited by Guarantee and is an Exempt Charity. Central was admitted as a Federal College of the University of London on 1 September 2005.

1.2 Mission

The Board of Governors reviewed Central's mission in November 2008 when the following Mission Statement was adopted:

Placing students at the centre of its work, Central develops practitioners and researchers who shape the future of theatre and performance across the UK and beyond.

1.3 Corporate Plan

Central is a Higher Education conservatoire. It draws both of those elements together. In doing so it situates itself at the junction of HE, industry and community interests, enjoying the interplay of those interests, and brokering the relationships between them.

Central achieved all of the key objectives set out in the Corporate Plan 2004-08:

a) admitted as a Federal Member of the University of London;

b) achieved Taught Degree-Awarding Powers;

c) designation as a Centre of Excellence in Training for Theatre;

d) admittance of research degrees students;

e) achieved geographical cohesion on the Swiss Cottage Campus;

f) continued development in the estate and facilities including completion of the West Block and extensive refurbishment of facilities; and

g) achievement of financial strategy targets throughout the period to build a capital resource for future developments.

During 2008, Central undertook a periodic review of its Corporate Plan. In formulating a revised and updated Corporate Plan for the period 2009-2013, Central expected to face a number of challenges during the strategy period including:

- Economic downturn, at least at the start of the period, and subsequent recovery;
- Changed circumstances of public funding for specialist institutions and conservatoires;

- The end of HEFCE specific funding for the Centre for Excellence in Training for Theatre;
- Changing government agendas which may prioritise skills to the exclusion of scholarship and creativity;
- The likelihood of future abrupt, unforeseen and potentially destabilising government policy changes; indeed, a possible change of government;
- Demographic trends likely to entail a significant reduction in young full-time students from the UK - but also to an enlarged population in the 25-60 age band, and consequent opportunities to reach new markets through more flexible learning modes;
- The need to minimise negative impact on the environment, with attendant costs.

In dealing with these challenges Central recognises the potency and efficiency that stem from its small size, its disciplinary coherence and the culture of commitment and 'can do' attitudes among its students and staff.

Central will develop and diversify its range, while maintaining its disciplinary culture and customary high quality. It will intensify its engagement with specialist knowledge while also developing their application in new and testing contexts. It believes there is not just opportunity, but productive dialogue, in the interrelationship with both specialist professions and diverse user groups.

Values

We are committed to:

- maintaining our distinctive ethos as an HE conservatoire at the crossing-point of HE, industry and community. This consists of a fluid combination of scholarship and research, industry-related vocational training and research-informed teaching;
- recognition that enhancement of learning is a project for staff and students alike, and that it takes many forms and relationships;
- active encouragement of diversity as a basis not only for an enriched learning experience but also for an enhanced working environment;
- opening doors to our disciplines for new thinkers, makers and practitioners in dispersed and diverse communities and seeking to lead participation in varied but interrelated communities of interest and study.

Strategic Aims

Strategic Aim 1: Academic profile

To maintain, articulate and further develop Central's unique position in its subject as a "University Conservatoire"; to provide high quality opportunities for students across the full range of higher education awards and through outreach to new participant communities; to build on and gain benefits from a recognised leading role at the interface of professional training, research and scholarship in diverse and current models of theatre.

Key strategic objectives

- Secure a sustained role and profile as the UK Centre for Excellence in Training for Theatre, with whole-School ownership and engagement;

- Develop the course portfolio, as appropriate, in order to lead developments in industry and community, exploit relevant market opportunities and enable more flexible modes of learning;
- Promote work on international modes of theatre art and study to the same high standard as work in the core British theatre tradition;
- Support innovative pedagogies and resources to enrich and catalyse the student and teacher experience and extend the flexibility of learning opportunities;
- Strengthen School-wide engagement in the mission to reach out to diverse communities and embrace diverse modes of learning and scholarship; to facilitate the movement of knowledge through the communities of the discipline;
- Continue to refine and apply streamlined and enhancement-oriented approaches to quality assurance, from which staff and students derive stimulus, and which incorporate benchmarking against relevant higher education practice.

Strategic Aim 2: Jobs, partners, opportunities

To produce graduates appropriate for a range of employment opportunities; to draw benefit from diverse partnerships; to increase our impact in an always-extending range of communities and businesses; to cultivate an ethos of continual enquiry and improvement.

Key strategic objectives

- Extend the scope of engagement with business and the community in subject areas, teaching methods and sharing of knowledges;
- To establish a fully integrated marketing and promotional system across the School, backed up by appropriate market research and consolidated database;
- Continue to do work of public benefit with an always greater range of the public;
- Build international dialogue and academic partnerships in the domain of research, knowledge transfer and pedagogy;
- Develop the roles of alumni both in supporting the career development of recent graduates and in supporting and disseminating Central's mission and profile.

Strategic Aim 3: Culture and identity

To strengthen Central's profile within and beyond its constituencies, both as a leader in specialist education, training and research and as a culturally rich and diverse, innovative, supportive and well managed learning environment; to secure growing recognition as an example of what can be best about the discipline and its study.

Key strategic objectives

- Develop brand identity, so that through all its interfaces with external constituencies Central models an identity as a specialist college that is expert, elite, inclusive and innovative;
- Develop and implement an integrated, consistent and transparent approach to supporting learners, sensitive to individual need while aiming for learner autonomy;

- Achieve a measurable increase in the diversity of the staff and student body, and demonstrable improvement in the inclusivity of curriculum and assessment;
- Promote an international perspective in the student and staff culture, through curriculum, research, placements and partnerships;
- Develop a culture of cross-course thinking, internal and external, and peer review for the environment of both learning and research;
- Produce the material enhancements of a specialist culture through delivering estate plans, engaging the community in income generation and realising the material value and impact of knowledge;
- Extend the use of information and communication technologies to improve learning opportunities and the culture of work; and
- Strengthen professional and effective administration, which is sustainable and makes optimum use of defined procedures and roles, automated solutions and School-wide liaison.

Sustainability

Attainment of Central's three main strategic aims depends upon continued attention to sustainable development. The plan for 2009-13 therefore also includes enabling goals:

- To increase and diversify funding (e.g. though full-cost recruitment, research, knowledge transfer and professional fundraising);
- To build a culture of environmental awareness and agree a plan to secure demonstrable reduction in the environmental impact of Central's activities;
- To deliver enabling resource and estates plans;
- To adopt joined-up, cost-effective and fit-for purpose systems and structures which support Central's strategic goals;
- To attract and retain high-performing staff in all areas.

1.4 Strategic Performance 2008/09

The Board of Governors monitors the performance of Central against the aims set out in 1.3 above. Specific objectives from the Corporate Plan are set out in a Corporate Planning Statement each year. A summary of key achievements for 2008/09 is presented below:

a) validated a postgraduate framework to ensure consistency and provide opportunities for collaboration and sharing across postgraduate taught courses;

b) secured the retention of HEFCE exceptional funding pending a further review in 3-5 years;

c) secured £308k of Research funding following submission into the 2008 Research Assessment Exercise (RAE);

d) designed, developed and implemented a new student administration and support structure;

e) obtained a 999 year leasehold of 53/55 Buckland Crescent, formerly owned by Camden Council. The Swiss Cottage campus now comprises either freehold or long-leasehold property;

f) implemented a revised Framework for monitoring institutional performance; and

g) achieved financial strategy targets.

2 FINANCIAL REVIEW

2.1 Financial Objectives

Central's Financial Objectives for 2008/09 were:

a) to seek a minimum planned surplus of 3% of income per annum towards future developments;

b) to ensure an average surplus for the past three years and forward three years of a minimum of 5% of income towards sustainability;

c) positive net current assets to be maintained;

d) maintain cash balances to cover forward two months expenditure in accordance with the cash flow statement;

e) annualised servicing cost of borrowing not to exceed 7% of adjusted income; and

f) staff costs not to exceed 60% of income.

2.2 Results for the Year

The Financial Statements for the Year Ended 31 July 2009 show the consolidated position for Central and include the results of CSSD Enterprises Ltd, a subsidiary company. CSSD Enterprises Ltd operated the student bar.

The Consolidated Income and Expenditure Account shows:

	Year ended 31 July 2009 £m	**Year ended 31 July 2008 £m**
Income	13.3	11.5
Expenditure	(12.4)	(10.5)
Surplus for the year	0.9	1.0
Surplus percentage of income	6.9%	8.7%

Central's income increased by £1.74m (15%) compared with the previous year.

Funding Council grants increased by £0.71m (11%). Specifically:

- HEFCE recurrent grant income increased by £0.12m (2%);
- HEFCE specific grant income increased by £0.69m (101%), primarily as a result of increased activity in Central's Centre for Excellence in Training for Theatre (CETT); and
- Training and Development Agency (TDA) recurrent grant income reduced by £0.02m (8%) in line with a planned reduction in student funded numbers.

Tuition fees and education contract income increased by £0.64m (16%). Specifically:

- full-time undergraduate Home and EU fee income increased by £0.38m (30%) as a result of the third year of implementation of variable fees payable by new entrants;
- fee income from international students increased by £0.06m (6%) as numbers increased;
- short courses fee income increased by £0.05m (8%) as the Department's activity grew; and
- education contracts income reduced by £0.03m (89%) as a European Social Fund contract ended in 2007/8, the comparative year.

Research grants income from AHRC creative fellowship awards increased by £0.02m.

Other income increased by £0.44m (66%), primarily from a VAT refund of £0.34m relating to previous capital projects, increased catering income and sundry small grants. Endowment and investment income fell by £0.07m (14%) as a result of reduced bank deposit interest rates, partially offset by translation gains from foreign currency holdings.

Central's expenditure increased by £1.83m (17%). Staff costs increased by £0.65m (11%). Staff numbers increased by 12 (8%) as a result of planned growth and increased activity in CETT. The cost of the national recommended pay award increased costs by c. 4.5% in-year; in addition to annual increments, following a 3% increase from 1 May 2008 staff received a 5% increase based on RPI from 1 October 2008.

Other operating expenses increased by £1.13m (29%). Significant movements included increased CETT activity (IT and website development £0.07m; grants and bursaries £0.15m); planned increased expenditure on repairs and maintenance £0.13m; increased expenditure on student bursaries of £0.13m; and loss on disposal of fixed asset investments of £0.10m.

Central set a budget for the year to achieve a surplus within the range of 3%-5% of income; the net result for the year was a surplus of £0.92m (6.9%).

2.3 Financial Indicators

Central monitors financial health through several key performance indicators

	Central School of Speech and Drama		Overall Sector Mean
	2008/09	**2007/08**	**2007/08**
Current Ratio	2.77	2.75	1.33
Net Liquidity (Days)	205	266	84
External borrowing as a % of total income	9.4	12.4	21.2

The indicators show that Central continues in good financial health. These indicators will change in line with the planned utilisation of resources to part-fund the Phase 5 Development. Central will ensure that the ratios are maintained at appropriate levels.

2.4 Investment Performance

Central has an approved strategy and policy for the management of investment funds, and seeks to achieve a balance between capital growth and income by investment with a medium risk profile. During the year Central divested its portfolio of investment funds and investment cash deposits, and invested in the Schroders Charity Multi-Asset fund. The performance of the fund is reviewed regularly by the Finance and Employment Committee. Performance is assessed against the FTSE APCIMS Balanced Index, the funds investment objective of RPI + 4%, and the FTSE100.

The investment portfolio at 1 August 2008 comprised £286k of investment funds and £73k in cash with the investment fund manager; £359k in total. After a second turbulent year for investments this had reduced further to £313k; equivalent to 13% (2008: 10% reduction) of the portfolio value. Central has no plans to increase its managed investment funds beyond the levels already committed.

During the year, on the advice of the Finance and Employment Committee, the Governing Body approved a revised Treasury Management Policy. The revised policy moved away from pre-approved list of banks, which can become dated in turbulent financial markers, to a set of criteria that can be applied to any proposed bank. A maximum of 33% of total cash, subject to a maximum of £3m, may be invested with any one banking group.

Short-term funds were managed by Central, in accordance with the revised Treasury Management Policy, and invested in current and deposit accounts in UK and US quoted banks, earning an overall average return of 3.5% (2008: 6.3%). This is in line with money market rates, which fell sharply to historic lows, prevailing during the year. No funds were lost in failed banks and as a further safeguarding measure funds were moved to shorter term investment bonds than in the previous year.

2.5 Payment of Creditors

Central, following the Government request that the public sector pay creditors within 10 days, has adopted a 10 day policy for the payment of creditors.

2.6 Cash Flow

During the year the combined cash and cash investments balances have reduced from £7.2m to £6.5m, a reduction of £0.7m. There was a decrease in cash from £2.6m to £1.0m, a reduction of £1.6m. Short term deposits increased by £1.0m to £5.6m and this partially offset the fall in immediately available cash. The most important factor in the remainder of the fall is the value of capital expenditure. This increased from £0.1m to £1.1m and is accounted for by the purchase of the Camden Leasehold Land, the completion of the works to St Peter's Studios and improvement works to the historic Main Building. Loan repayments of £0.2m were made during the year. After allowing for these factors, the reduction in both creditors (£0.6m) and debtors (£0.2m), and the excess of depreciation over the release of deferred capital grants (£0.2m), the change in cash is consistent with the surplus in the Income and Expenditure account.

2.7 Balance Sheet

The net assets of Central have declined by £0.4m (2008: increase £0.4m) over the year. The most significant item is the increase in the pension liability. This reflects the deficit in the LPFA superannuation scheme (this is the Local Government Pension Scheme for which the London Pension Fund Authority is the administrative authority applicable to Central) to which Central is an admitted body and it has increased by £0.9m, or 102%, over the year. The increase is due to a lower than expected return on assets (£0.4m) and adverse changes in assumptions (£0.5m). This arose from a change in the discount rate from 6.7% in 2008 to 6.0% in 2009. This change is considered to be prudent at this time.

In line with Financial Reporting Statement 17 the TPS (Teachers Pension Scheme) is not incorporated into the balance sheet. Although a valuation at the balance sheet date is not available, based on the latest triennial interim valuation, this scheme is also in deficit.

If the pension liability is excluded, Central's net assets have increased over the year by £0.4m. This comprises growth in fixed assets of £0.5m partially offset by a fall in net current assets of £0.1m. The fixed assets growth relates to the Camden Leasehold Land and St Peter's Studios project, both discussed below.

The change in net current assets is not significant and results from multiple factors but it is worth noting the fall in the combined totals for cash at bank and investments (£0.6m) partially reflecting the use of cash to acquire fixed assets. Debtors have fallen by £0.1m due to more proactive management during the year. Creditors have fallen by £0.6m due to reduced deferred income, the important factor being the lower Centre for Training in Theatre (CETT) project balances as the project is now progressing in line with the business plan.

2.8 Post Balance Sheet Events

No significant post-balance sheet events have arisen since 31 July 2009.

2.9 Capital Projects

Although there have been no major capital projects in-year, there has been significant development of the estate:

a) the Board of Governors acquired a fifteen-year lease interest in St Peter's Studios. St Peter's Studios provides additional teaching and learning accommodation to cover the loss of a temporary building on the Swiss Cottage Campus. The refurbishment of the studios, the contract for which was awarded to Ekins and Company Limited, was completed as a cost of £0.5m excluding VAT. The Studios were available, on budget, for occupation in October 2008;

b) a new 999 year lease at a *peppercorn* (£nil) rent in respect of the Camden leasehold site in Buckland Crescent was concluded for a lease premium of £625,000; and

c) the forward Estate Development Plan was approved. Feasibility studies into the sequence and affordability of future capital plans have commenced.

2.10 Employee Involvement

Central places considerable value on the involvement of its employees and on good communications with them. Staff are encouraged to participate in formal and informal consultation at School and Departmental level, sometimes through the membership of formal committees. Central aims to offer appropriate opportunities for the personal, intellectual and professional development of staff through Staff Appraisal and Staff Development Programmes; facilitating a programme of professional updating opportunities; developing its programme of in-house workshops, facilitating opportunities for staff research activity; and by supporting the acquisition of relevant further professional qualifications.

2.11 Auditors

KPMG have indicated their willingness to continue in office, and a resolution concerning their re-appointment will be proposed at the next annual General Meeting.

3 Trends and Future Developments

3.1 Trends

A summary of income and expenditure over the past five years is shown below.

INCOME

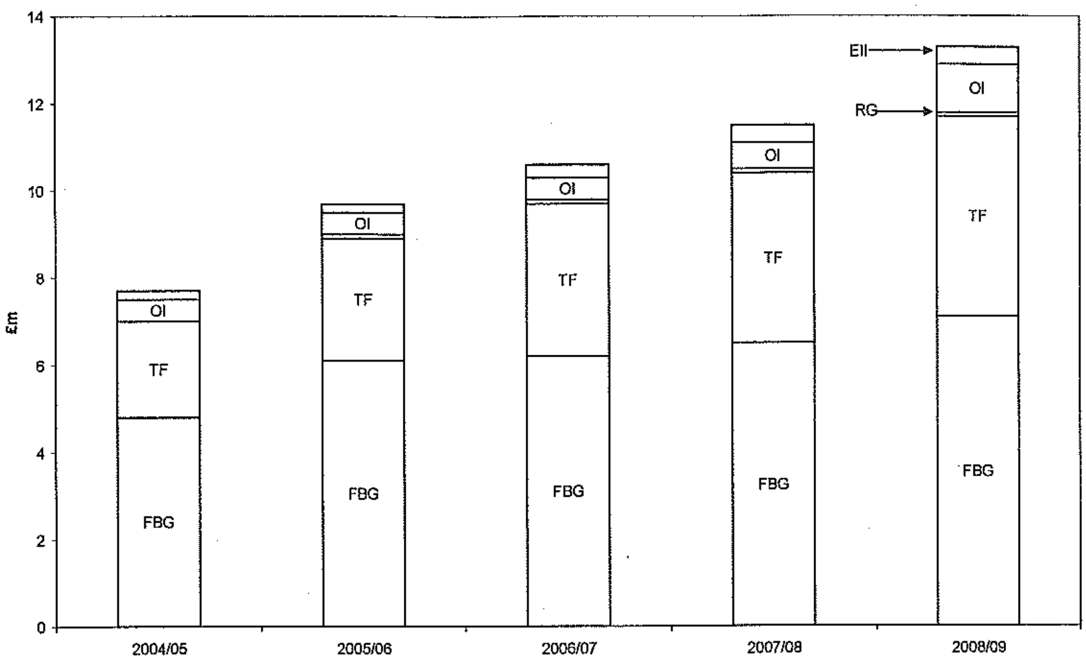
	Actual (£m)					% change 04/05 to 08/09
Income	**04/05**	**05/06**	**06/07**	**07/08**	**08/09**	
Funding body grants (FBG)	4.8	6.1	6.2	6.5	7.1	48%
Tuition fees (TF)	2.2	2.8	3.5	3.9	4.6	109%
Research grants (RG)	0.0	0.1	0.1	0.1	0.1	9%
Other income (OI)	0.5	0.5	0.5	0.6	1.1	120%
Endowment and investment income (EII)	0.2	0.2	0.3	0.4	0.4	100%
Total	**7.7**	**9.7**	**10.6**	**11.5**	**13.3**	**73%**

Key points:

a) the proportion of funding body grant income has reduced from 62% of total income in 2004/05 to 53% in 2008/09;

b) the increase in funding body grant income with effect from 2005/06 relates to the award of Centre for Excellence in Teaching and Learning (CETL) status and funding for five years to 2009/10 totalling £2.5m; and

c) the proportion of tuition fee income has increased from 29% of total income in 2004/05 to 35% in 2008/9. This is primarily as a result of the implementation of variable tuition fees with effect from 2006/07 but is also due to increasing numbers of overseas (non-EU) students.



EXPENDITURE

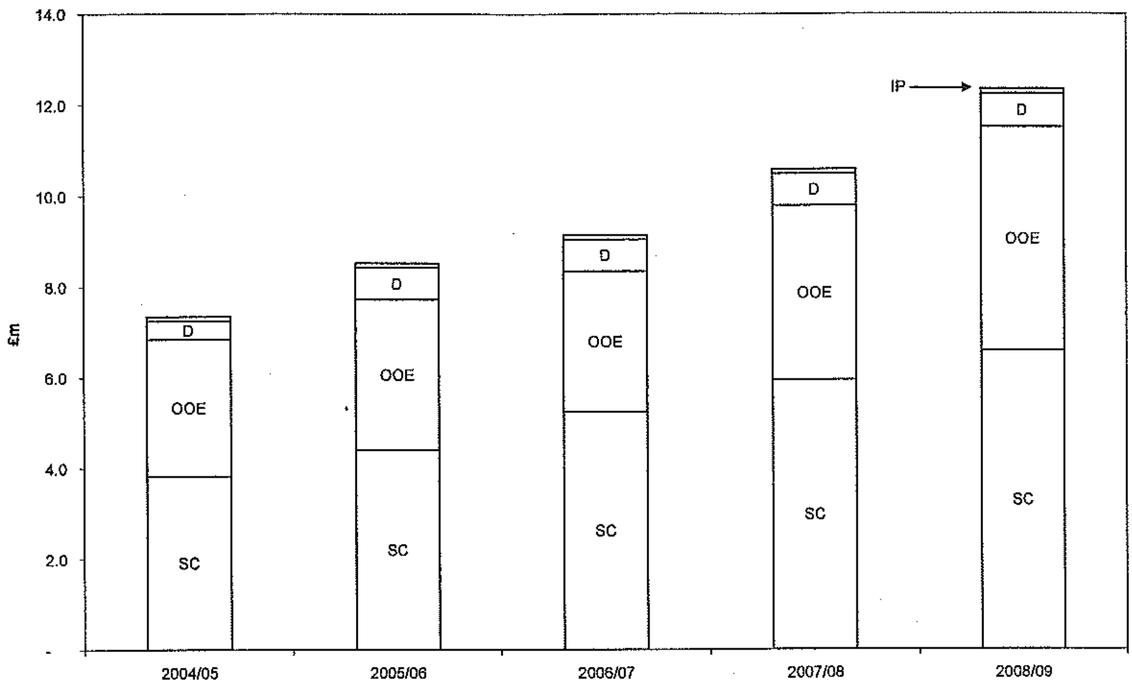
Expenditure	Actual (£m) 04/05	05/06	06/07	07/08	08/09	% change 04/05 to 08/09
Staff costs (SC)	3.8	4.4	5.2	6.0	6.6	73%
Other operating expenses (OOE)	3.0	3.3	3.1	3.8	4.9	63%
Depreciation (D)	0.4	0.7	0.7	0.7	0.7	80%
Interest payable (IP)	0.1	0.1	0.1	0.1	0.1	10%
Total	**7.3**	**8.5**	**9.1**	**10.6**	**12.4**	**68%**

Key points:

a) the expenditure on pay has remained relatively constant as a proportion of income being 52% in 2004/05 rising to 53% in 2008/09; and

b) similarly the expenditure on other operating expenses has remained relatively constant as a proportion of income falling from 41% in 2004/05 to 40% in 2008/9.

As disclosed in 'Note 1: Accounting Policies' below, 'staff costs' have been defined in accordance with the latest HEFCE Guidance for the completion of the financial forecasts. This has resulted in a restatement of costs for previous years and a general reduction in the proportion of costs included within the category. Costs from the engagement of self employed persons have been reclassified from 'staff costs' to 'other operating expenses'.



3.2 Future Context: Key Risks and Uncertainties

Central accepts that, to achieve objectives, a certain amount of risk has to be taken to encourage innovation and success. Central has developed and implemented risk management procedures which seek to:

a) incorporate risk management as an integrated and important part of its activities;

b) ensure that risks are anticipated, quantified and reduced where possible;

c) avoid risks which could have a catastrophic impact on Central; and

d) keep risks under constant vigilance and regular review throughout the year under review.

Outlined below is a description of the key risk factors that may affect Central. Not all the factors are within Central's control.

3.2.1 Government Funding

Central has considerable reliance on continued government funding through HEFCE and the TDA. There can be no assurance that government policy or practice will remain the same or that public funding will continue at the same levels or on the same terms.

The April 2009 Budget predicted a sharp economic slowdown, with a forecast reduction in the economy of 3.5 per cent in 2009/10, resulting in sharply rising Government debt. This will have a significant impact on the level of public spending and the growth in Government spending is expected to be limited, especially in the context of the growth of the past decade. As Central plans its future with realistic assumptions about the level of public funding available some tough decisions may lie ahead.

Additionally Central is aware of the following specific issues impacting on future funding:

a) The withdrawal of funding for students following equivalent or lower qualifications (ELQs). This will have a £0.3m ongoing impact on Central. The current restrictions on bids for ASNs (additional student numbers) limits the ability of Central to mitigate the impact of ELQ with the growth of funded students in other areas of activity;

b) Central currently benefits from £1.8m per annum of HEFCE 'exceptional funds'. This funding is subject to periodic review and there is a risk that the level of funding may change in future years;

c) Central is currently in receipt of a time limited HEFCE grant to support the CETT. This currently provides £0.5m per annum. Although a sustainability plan is in place, there is a risk that activity will need to be reduced if sufficient alternative/continuation funding is not secured;

d) The Government has announced its intention to review the level of tuition fees. Although variable tuition fees are currently in addition to public resource, there is a risk that a future government may change this policy; and

e) TDA has announced reductions in the number of funded students. Drama and media are currently not identified as a priority area and numbers are expected to continue to reduce overall.

3.2.2 *Student Recruitment*

The following factors may impact on student recruitment:

a) the economic downturn may reduce the level of FEDAID and other support available to international and other fee-paying students; lead to a further reduction in funded numbers; and lead to a reduction in the planned growth of additional student funded numbers;

b) the level of tuition fee debt may reduce the number of graduating UG students going onto PG study; and

c) increasing global competition may reduce student demand, ,particularly to non-EU residents, as potential students have additional choices of institution.

3.2.3 Capital Development

The following issues may impact on Central's forward capital development plan:

a) failure to move the gas pipe and other services running under Central's freehold land may compromise the Phase 6 development of the Eton Avenue site; and
b) failure to raise sufficient external funds may delay the realisation of capital development plans.

c) Central is addressing the complications of Phase 6 and prioritising the Phase 5, College Crescent development. Central aims to produce a robust and realistic business plan which should provide commercial lenders with the required assurance to provide capital development funds for the Phase 5 development.

3.2.4 Pension Liabilities

The financial statements report the share of the LPGS pension scheme deficit on Central's balance sheet in line with the requirements of FRS17.

Pension liabilities will be kept under review. To this end, the Board of Governors are currently reviewing existing pension arrangements to ensure long-term sustainability.

3.3 Future Developments and Strategies to Mitigate against Risks and Uncertainties

The key challenges facing Central are set out above. Solutions to these challenges will include the following:

a) maintenance of high-quality specialist provision, for which, if necessary, appropriate fees can be charged;

b) growth in student numbers, for example, foundation degree students and postgraduate research;

c) increase of activity in professional development and university of the 'third age';

d) development of international profile to lead to increased income from overseas;

e) growth in income from research grants; and

f) participation in the government 'matched-funding' scheme and the establishment of professional fundraising within Central.

4 CONCLUSION

The year-end result was in line with the forecast position yielding a surplus of £0.9m (2008: £1.0m). This continues the trend of reducing surpluses from the exceptional level of 2007; £1.4m. In addition to the falling surplus on the income and expenditure account total funds on the balance sheet reduced by £0.4m to £19.1m. This was primarily as a result of a pension reserve deficit in respect of the LPFA scheme.

Looking ahead, Central, in common with other HEIs, will face many challenges. However, the Board of Governors remain confident that Central is well-placed to take advantages of opportunities as we move forward.

After the year-end, Central was notified that its bid to the Higher Education Funding Council for England (HEFCE) under the Leadership, Governance and Management Leading Transformation Change fund had been successful. This will provide £0.25m of ear-marked funding to work in partnership with the Hampstead Theatre and the Roundhouse to explore shared services and commercial exploitation.

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of Central to obtain a better understanding of its governance and legal structure.

The Board of Governors of the Central School of Speech and Drama are committed to exhibiting best practice in all aspects of corporate governance. All the Governors of Central are Directors of the Company. The Governors serving during the year were as shown below:

Name	Category of Membership	Date of Appointment	Date of Resignation	Committees Serviced
Paul Taiano	Independent			Chairman of Board of Governors, Remuneration Committee and Nominations Committee; Finance and Employment Committee.
Roger Alexander	Independent			Remuneration Committee; Finance and Employment Committee.
Diana Balsdon	Independent			Chairman of Audit Committee.
Ross Brown	Staff (Academic Board)			
Mary Chilton	Ex-officio (Student Union President)	20 October 2008	31 July 2009	
Victoria Dickie	Independent			
Professor Gavin Henderson CBE	Ex Officio (Principal/CEO)			Finance and Employment Committee; Nominations Committee
David Kaye	Independent			Chairman of Finance and Employment Committee; Nominations Committee
Kristine Langdon-Smith	Independent	20 July 2009		
Lee Menzies	Independent			Nominations Committee
Jodi Myers	Independent	20 October 2008		Nominations Committee

Name	Category of Membership	Date of Appointment	Date of Resignation	Committees Serviced
Charles Perrin CBE	Co-opted, University of London			Finance and Employment Committee; Remuneration Committee from Sept 2008; Health and Safety Committee from March 2009.
David Petherbridge	Staff			
Peter Roberts	Independent			Chairman of Health and Safety Committee from March 2009 Nominations Committee; Remuneration Committee
Philip Robinson	Independent			Deputy Chairman of Governors, Academic Board Monitor
Martin Scott	Independent			Audit Committee
Leonora Twynam	Independent			Finance and Employment Committee

After the year end, Emma Huet, Student Governor, was co-opted to the Board of Governors on 23 November 2009.

Central endeavours to conduct its business in accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership), and with the guidance to institutions of higher education from the Committee of University Chairmen (CUC) in its *Guide for Members of HE Governing Bodies in the UK*. In accordance with CUC guidance, the Governors have adopted a Statement of Primary Responsibilities which is incorporated within this statement. The Governors have had regard to the CUC Code of Practice and have complied in full with the seventeen point Code of Practice Provisions in the year ended 31 July 2009.

Central is an Independent Company Limited by Guarantee and an Exempt Charity. Its objects, powers and framework of governance are set out in the Articles of Association which were approved by the Members on 31 March 2008. The Privy Council approved the current version of the Articles in 2008.

The Articles require the institution to have a Governing Body and an Academic Board, each with clearly defined functions and responsibilities, to oversee and manage its activities.

The **Governing Body** is the executive governing body. The Governing Body has a majority of independent members, chosen in accordance with strict criteria contained in the legislation. The Chair is elected from among the independent members. There is also provision for the appointment of co-opted members, and representatives of the academic staff and the student body. No members of the Governing Body receive any remuneration for the work they do for that body.

Central maintains a register of interests of Members of the Governing Body and senior staff, which may be consulted by arrangement with the Clerk to the Governors. No conflicts of interest have been revealed by review of returns for the current year.

In accordance with the Articles of Association, Deborah Scully, the Deputy Principal (Corporate) of the institution, has been appointed as Clerk to the Governing Body. In that capacity, she provides advice on matters of governance to all Members of the Governing Body. In order to eliminate potential conflict of interests, Jon Allen, an independent Secretary to the Audit Committee, was appointed with effect from 1 October 2005.

STATEMENT OF THE GOVERNING BODY'S RESPONSIBILITIES

In accordance with the Committee of University Chairmen (CUC) Voluntary Governance Code of Practice, the Governing Body has adopted a Statement of Primary Responsibilities:

1. To approve the mission and strategic vision of the institution, long-term academic and business plans and key performance indicators, and to ensure that these meet the interests of stakeholders particularly in the context of duty of care for academic standards.
2. To delegate authority to the Principal, as chief executive, for the academic, corporate, financial, estate and personnel management of the institution. And to establish and keep under regular review the policies, procedures and limits within such management functions as shall be undertaken by and under the authority of the Principal.
3. To delegate authority to Committees in accordance with the Articles of Association governed by the Scheme of Approved Delegation subject to annual review.
4. To ensure the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment, and procedures for handling internal grievances and for managing conflicts of interests.
5. To ensure processes are in place to monitor and evaluate the performance and effectiveness of the institution against the plans and approved key performance indicators, which should be, where possible and appropriate, benchmarked against other comparable institutions.
6. To establish processes to monitor and evaluate the performance and effectiveness of the Governing Body itself.
7. To conduct its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
8. To safeguard the good name and values of the institution.
9. To appoint the Principal as chief executive, and to put in place suitable arrangements for monitoring his/her performance.
10. To appoint a secretary to the Governing Body and to ensure that, if the person appointed has managerial responsibilities in the institution, there is an appropriate separation in the lines of accountability.

11 To be the employing authority for all staff in the institution and to be responsible for establishing a human resources strategy.

12 To be the principal financial and business authority of the institution, to ensure that proper books of account are kept, to approve the annual budget and financial statements, and to have overall responsibility for the institution's assets, property and estate.

13 To be the institution's legal authority and, as such, to ensure that systems are in place for meeting all the institution's legal obligations, including those arising from contracts and other legal commitments made in the institution's name.

14 To make such provision as it thinks fit for the general welfare of students, in consultation with the academic board.

15 To act as trustee for any property, legacy, endowment, bequest or gift in support of the work and welfare of the institution.

16 To ensure that the institution's constitution is followed at all times and that appropriate advice is available to enable this to happen.

KEY INDIVIDUALS AND SUMMARY OF DELEGATED RESPONSIBILITIES

Governing Body

The Governing Body has determined maximum membership numbers of eighteen of whom fourteen are external independent lay members. The Board compromised sixteen members on 31 July 2009 excluding the Principal/CEO. The Governing Body was chaired by Paul Taiano throughout the year. Members of the Governing Body, excluding the Chairman, may serve for a maximum of three terms of three years. Exceptionally, a Governor may serve for a fourth term on a resolution of the majority of Governors. The Chairman of Governors may serve for two terms of four years.

The matters specially reserved to the Governors for decision are set out in the Articles of Association and include: the determination of the educational character of the institution; the approval of annual estimates of 'income and expenditure'; ensuring the solvency of the institution and the safeguarding of its assets and for maintaining a sound system of internal control. The Governing Body held four meetings during 2008/09.

The Governing Body undertakes periodic Effectiveness Reviews.

Governing Body Committees

The Governing Body has established several committees including a Finance and Employment Committee, a Remuneration Committee, an Audit Committee, a Health and Safety Committee and a Nominations Committee. These committees are formally constituted with terms of reference and comprise mainly independent members of the Governors, one of whom is Chair.

The Finance and Employment Committee meets at least four times a year, and is chaired by David Kaye. The committee inter alia recommends to the Governors annual revenue and capital budgets; monitors performance in relation to the approved budgets; reviews the management of significant risks and makes recommendations to the Board on the Framework for the Pay and Conditions of Staff. The Remuneration Committee is a sub-committee of the Finance and Employment Committee and is chaired by Paul Taiano. The Remuneration

Committee meets at least once a year to determine the annual remuneration of senior post holders.

The Audit Committee meets at least three times a year, with the External Auditors, to discuss audit findings, and with the Internal Auditors, to consider detailed internal audit reports and recommendations for the improvement of Central's systems of internal control, together with management's response and implementation plans. It also receives and considers reports from the Higher Education Funding Council for England as they affect institution business, and monitors adherence with the regulatory requirements. It reviews the institution's annual financial statements together with accounting policies and keeps under review the effectiveness of risk management, control, governance and value for money arrangements. The Audit Committee is chaired by Diana Balsdon. Whilst senior executives attend meetings of the Audit Committee, they are not members of the committee, and the committee meets with the external and internal auditors at least once a year without any officers present for independent discussions.

The Health and Safety Committee was established in year. The Committee will meet at least twice a year and is chaired by Peter Roberts. The Committee monitors the work and effectiveness of the Health and Safety Management Committee, advises the Board of Governors on resource implications and reports annually to the Board on the effectiveness of Central's health and safety arrangements.

The Nominations Committee meets at least twice a year and is chaired by Paul Taiano. The Committee keeps under review the balance of skills and experience needs of the Board, prepares written descriptions of the role and capabilities required for new members, considers arrangements for the identification and selection of new members and makes recommendations for appointments to the Board.

Academic Board

Subject to the overall responsibility of the Governing Body, the Academic Board has oversight of the academic affairs of the institution and draws its membership entirely from the staff and the students of the institution. It is particularly concerned with general issues relating to the learning and teaching and research work of the institution. The Academic Board is chaired by the Principal.

Principal / Chief Executive Officer

Professor Gavin Henderson CBE held the offices of Principal and Chief Executive Officer.

The Principal is Chief Executive Officer of the institution, Chief Accounting Officer and Designated Officer and as such is accountable and may be called to appear at the Public Accounts Committee.

Articles of Association

The Articles of Association vest the following delegated powers to the Principal/CEO:

a) the organisation, direction and management of the institution and leadership of staff;

b) for the appointment, assignment, grading, appraisal, suspension, dismissal, and determination – within the framework set by the Governors – of the pay and conditions of service of staff other than the holders of senior designated posts;

c) for the determination – after consultation with the Academic Board – of the institution's academic activities, and for the determination of its other activities;

d) for the maintenance of student discipline and – within the rules and procedures of the Articles of Association – for the suspension or expulsion of students on disciplinary grounds and for implementing decisions to expel students on academic grounds; and

e) for the implementation of decisions of the Governors.

Chief Accounting Officer

As Chief Accounting Officer and Designated Officer, the Principal/CEO has delegated powers for the management of budgets and resources within estimates approved by the Board subject to compliance with Financial Memorandum and Financial Regulations.

The Principal/CEO is authorised to delegate powers to Senior Staff within the limits of his own delegated authority, to exercise concurrently all powers delegated to Senior Staff and to generally supervise the exercise of delegated powers by Senior Staff

Governing Body's Responsibilities for Financial Statements

In accordance with the Articles of Association, the Governors are required to present audited financial statements for each financial year.

Central School of Speech and Drama is responsible for keeping proper accounting records, which disclose with reasonable accuracy, at any time, the financial position of the institution and to enable it to ensure that the financial statements are prepared in accordance with the Education Reform Act 1988, the Statement of Recommended Practice on Accounting in Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of the Financial Memorandum agreed between the Higher Education Funding Council for England (HEFCE) and the Central School of Speech and Drama, and the HEFCE annual accounts direction, Central, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the institution and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Governors have to ensure that:

a) Suitable accounting policies are selected and applied consistently;

b) Judgements and estimates are made that are reasonable and prudent;

c) Applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and

d) Financial statements are prepared on the going concern basis unless it is inappropriate to presume that the institution will continue in operation. The Governors are satisfied that the institution has adequate resources to continue in operation for the foreseeable future; for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Governing Body has taken reasonable steps to:

a) Ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;

b) Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;

c) Safeguard the assets of the Central School of Speech and Drama and to prevent and detect fraud; and

d) Secure the economical, efficient and effective management of the institution's resources and expenditure.

The key elements of the institution's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

a) Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative departments;

b) A comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;

c) Regular variance reporting and updates of forecast outturns;

d) Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Governors;

e) Comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Governors; and

f) A professional Internal Audit team whose annual programme is approved by the Audit Committee.

The Audit Committee, on behalf of the Governors, has reviewed the effectiveness of the institution's system of internal control. Any system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

PUBLICATION OF THE FINANCIAL STATEMENTS ON THE CENTRAL SCHOOL OF SPEECH AND DRAMA WEBSITE

The maintenance and integrity of the Central School of Speech and Drama website is the responsibility of the Governing Body; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

SUMMARY REVIEW OF CONTROLS

The institution's Governing Body is responsible for the system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Governing Body is of the view that there is an on-going process for identifying, evaluating and managing the institution's significant risks, that it has been in place for the year ended 31 July 2009, and up to the date of approval of the annual report and accounts, that it is regularly reviewed by the Governing Body and that it accords with the internal control guidance for directors on the Combined Code as deemed appropriate for higher education.

A Risk Management Strategy and Policy is in place, which defines the institution's approach to risk management. Risks are identified for each strategic aim and scored as to impact and likelihood using a defined scale. Measures to control each risk have been defined and risk scores are kept regularly under review. Risk management procedures are reviewed annually. The following provides a summary of arrangements in place:

a) the Governing Body meet at regular intervals to consider the plans and strategic direction of the institution;

b) the Governing Body receive periodic reports from the Chair of the Audit Committee concerning internal control, and require regular reports from managers on the steps they are taking to manage risks in their areas of responsibility, including progress reports on key projects;

c) the Finance and Employment Committee reviews the management of risks each term and reports to the full Board on the management of significant risks;

d) the Governing Body undertake an annual review of the significant risks facing the institution;

e) the Audit Committee provides oversight of risk management procedures and receives regular reports from the head of internal audit, which include the head of internal audit's independent opinion on the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement;

f) a regular programme of facilitated workshops is held to identify and keep up to date the record of risks facing the institution;

g) a programme of risk awareness training is under way;

h) a system of key performance and risk indicators has been developed;

i) a robust risk prioritisation methodology based on risk ranking has been established;

j) an organisation-wide risk register is maintained; and

k) reports are received from budget holders, department heads and project managers on internal control activities.

The Governing Body's review of the effectiveness of the system of internal control is informed by the internal audit service, which operates to standards defined in the HEFCE Audit Code of Practice, and was last reviewed for effectiveness by the HEFCE Assurance Review in February 2009. It is also informed by the work of the executive managers within the institution, who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their management letter and other reports.

CONCLUSION

The Governing Body is of the view that the process for identifying, evaluating and managing significant risks has been in place and operated effectively for the year ended 31 July 2009, and up to the date of approval of the annual report and accounts.

Paul Taiano

Paul Taiano
Chair of Governors

Independent Auditor's Report to the Governing Body of The Central School of Speech and Drama

We have audited the financial statements of The Central School of Speech and Drama for the year ended 31 July 2009 set out on pages 27 to 60. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Governing Body, in accordance with the Charters and Statutes of Central and to the company's members as a body in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Governing Body those matters we are required to state to it 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 Governing Body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Responsibilities set out on pages 22-23, Central's Governing Body is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 July 2009 and of the group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Statement of Recommended Practice: Accounting for Further and Higher Education and the Companies Act 2006;
- in all material respects, income from the Higher Education Funding Council for England, the Training and Development Agency for Schools and the Learning and Skills Council, grants and income for specific purposes and from other restricted funds administered by Central during the year ended 31 July 2009 have been applied for the purposes for which they were received; and

- in all material respects, income during the year ended 31 July 2009 has been applied in accordance with Central's statutes and, where appropriate, with the financial memorandum with the Higher Education Funding Council for England, the funding agreement with the Training and Development Agency for Schools and the funding agreement with the Learning and Skills Council.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Operating and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

S R Clark

Stephen Clark **(Senior Statutory Auditor)**
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 Canada Square
London
E14 5AG

24 November 2009

Consolidated Income and Expenditure Account

Year ended 31 July 2009

INCOME	Notes	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Funding body grants	2	7,127	6,421
Tuition fees and education contracts	3	4,587	3,952
Research grants and contracts	4	88	65
Other income	5	1,113	669
Endowment and investment income	6	398	465
Total income		13,313	11,572
EXPENDITURE			
Staff costs	7	6,609	5,957
Other operating expenses	8	4,962	3,836
Depreciation	12	721	708
Interest and other finance costs	10	106	66
Total expenditure	9	12,398	10,567
Surplus on continuing operations after depreciation of tangible fixed assets at valuation		915	1,005
Transfer from / (to) accumulated income in endowment funds	20	2	(1)
Surplus for the year retained within general reserves		917	1,004

All items of income and expenditure arise from continuing operations

Pages 27 to 60 form part of these financial statements

Statement of Group Historical Cost Surpluses and Deficits

Year ended 31 July 2009

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Surplus for the year retained within the general reserve	917	1,004
Valuation gains realised on disposal of fixed asset investments	42	34
Historical cost surplus for the year retained within the general reserve	959	1,038

Statement of Group Total Recognised Gains and Losses

Year ended 31 July 2009

	Notes	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Surplus on continuing operations after depreciation of tangible fixed assets at valuation		915	1,005
New endowments	20	-	2
Transfers from endowments	20	-	(19)
Unrealised gains / (losses) on investments	21	32	(48)
Increase / (decrease) in endowment assets	20	1	(1)
Actuarial losses in respect of pension schemes	34	(986)	(155)
Total recognised (losses) / gains relating to the year		(38)	784

Reconciliation

Opening reserves and endowments	7,555	6,771
Total recognised (losses) / gains for the year	(38)	784
Closing reserves and endowments	7,517	7,555

Balance Sheets as at 31 July

	Notes	2009		2008	
		Group £000	School £000	Group £000	School £000
Fixed assets					
Tangible assets	12	16,821	16,817	16,367	16,363
Investments	13	313	313	286	286
		17,134	17,130	16,653	16,649
Endowment assets	14	181	181	182	182
Current assets					
Stocks		1	-	1	-
Debtors	15	310	380	482	539
Investments	16	5,570	5,570	4,568	4,568
Cash at bank and in hand		978	909	2,609	2,556
		6,859	6,859	7,660	7,663
Less: creditors - amounts falling due within one year	17	(2,158)	(2,154)	(2,786)	(2,785)
Net current assets		4,701	4,705	4,874	4,878
Total assets less current liabilities		22,016	22,016	21,709	21,709
Less: creditors - amounts falling due after more than one year	18	(1,067)	(1,067)	(1,255)	(1,255)
Net assets excluding pension liability		20,949	20,949	20,454	20,454
Net pension liability	34	(1,867)	(1,867)	(922)	(922)
Net assets including pension liability		19,082	19,082	19,532	19,532

Balance Sheets as at 31 July (continued)

	Notes	2009 Group £000	2009 School £000	2008 Group £000	2008 School £000
Deferred capital grants	19	11,565	11,565	11,977	11,977
Endowments	20				
Expendable		11	11	12	12
Permanent		170	170	170	170
		181	181	182	182
Reserves	21				
Income and expenditure account excluding pension reserve		8,011	8,011	7,093	7,093
Pension reserve (deficit)		(1,867)	(1,867)	(922)	(922)
Income and expenditure account including pension reserve		6,144	6,144	6,171	6,171
Revaluation reserve		1,192	1,192	1,202	1,202
Total reserves		7,336	7,336	7,373	7,373
Reserves and endowments		7,517	7,517	7,555	7,555
TOTAL FUNDS		19,082	19,082	19,532	19,532

The financial statements were approved by the Governing Body on 23 November 2009, and were signed on its behalf on that date by:

Paul Taiano
Chair of the Board of Governors

Professor Gavin Henderson
Principal / Chief Executive

Deborah Scully
Company Secretary

Consolidated Cash Flow Statement

Year ended 31 July 2009

	Notes	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Net cash inflow from operating activities	22	350	691
Returns on investments and servicing of finance	23	316	273
Capital expenditure and financial investment	24	(1,194)	(126)
Management of liquid resources	25	(1,002)	882
Financing	26	(184)	(180)
(Decrease) / increase in cash		(1,714)	1,540

As defined in Accounting Policies, only deposits available within 24 hours without penalty have been included as cash.

Reconciliation of net cash flow to movement in net funds

		Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
(Decrease) / increase in cash in the year		(1,714)	1,540
Change in short term deposits		1,002	(882)
Change in debt		184	180
Unrealised foreign currency translation gains		82	-
Change in net funds		(446)	838
Net funds at 1 August		5,907	5,069
Net funds at 31 July	27	5,461	5,907

Notes to the Accounts

1 STATEMENT OF PRINCIPAL ACCOUNTING POLICIES & ESTIMATION TECHNIQUES

Basis of Preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable accounting standards. The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

Basis of Consolidation

Central has taken advantage of the exemption in S. 230 of the Companies Act 1985 not to present its own Income and Expenditure Account.

The consolidated financial statements include Central and its subsidiary undertaking, CSSD Enterprises Limited. Intra-group sales and profits are eliminated fully on consolidation. In accordance with FRS2, the activities of the students union have not been consolidated because Central does not control these activities.

Recognition of Income and Expenditure

Research income and specific purpose non-recurrent grants from Funding Councils or other bodies are recognised to the extent of expenditure incurred, the balance being held as Deferred Income within Creditors: Amounts Falling Due Within One Year. Student fees received in advance of the academic year are held as Accruals and Deferred Income within Creditors: Amounts falling due within one year.

Non-recurrent grants from Funding Councils or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the asset. All income from other sources is credited to the income and expenditure account on a receivable basis.

Income from endowments is credited to the income and expenditure account in the period in which it is earned. Income from specific endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to specific endowments. Recurrent grants from Funding Councils are recognised in the year in which they are receivable.

Accounting for retirement benefits

Central contributes to the London Pensions Fund Authority Pension Fund (LPFA) and the Teachers Pension Scheme (TPS). Both schemes are defined benefit schemes but the TPS scheme is a multi-employer scheme and it is not possible to identify the assets of the scheme which are attributable to Central. In accordance with FRS17 this scheme is accounted for on a defined contribution basis and contributions to this scheme are included as expenditure in the period in which they are payable. Central is able to identify its share of assets and liabilities of the LPFA scheme and thus Central fully adopts FRS 17 "Retirement Benefits".

The schemes are statutory, contributory, final salary schemes, and are contracted out of the State Earnings-Related Pension Scheme.

The Funds are valued every three years (LPFA) and every four years (TPS) by actuaries using the aggregate method, the rates of contribution payable being determined on the advice of the actuaries. Pension costs are assessed on the latest actuarial valuations of the schemes and are accounted for on the basis of charging the cost of providing pensions over the period during which Central benefits from the employees' services. Variations from regular costs are

Notes to the Accounts

spread over the expected average remaining working lifetime of members of the schemes after making allowances for future withdrawals.

Central continues to make a small and diminishing number of supplementation payments to retired members and dependants of former members of the Central School of Speech Training and Dramatic Art Pension Fund. All insured benefits of this scheme have been secured through an insurance contract with Zurich Assurance Ltd and are not included in the Financial Statements.

Leased Assets

Assets obtained under finance leases are included in fixed assets at an amount equal to the cost at which the assets would have been purchased, and depreciated over the period of the lease on a straight-line basis. The related lease obligations, excluding finance charges allocated to future periods, are included in creditors. Finance charges are amortised over the life of the lease on the actuarial basis. Rental costs under operating leases are charged to the income and expenditure account as incurred.

Land and Buildings

Land and buildings are stated at cost. Freehold land is not depreciated as it is considered to have an indefinite useful life. Brick-built buildings are depreciated over their expected useful lives of 50 years, and prefabricated and wooden buildings over 10 years. Alterations and improvements to buildings are depreciated over the expected life of the alterations.

Where buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected life of the buildings. Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs to 31 July. They are not depreciated until brought into use.

In adopting Financial Reporting Standard 15 with effect from 1 August 1999, Central has followed the transitional provisions of the FRS available in the first year of adoption, and retained the book values of land and buildings last revalued on 1 August 1989, and not revalued since that date.

Equipment

Equipment costing more than £1,000 is capitalised. Other items are written off in the year of acquisition.

Capital equipment is depreciated over its expected useful life on a straight-line basis as follows:

Computer equipment	- 3 years
Lighting equipment	- 5 years
Management information systems	- 5 years
Telephone equipment	- 7 years
Other equipment	- 10 years

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to income and expenditure over the expected useful economic life of the related equipment.

Notes to the Accounts

Listed Investments

Listed investments are shown in the balance sheet at market value. Investment income arising from these investments is dealt with through the income and expenditure account, as are profits or losses arising from the sale of these investments.

Stocks

Bar stocks are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Although Central maintains small stocks of stationery and consumables, these are charged to expenditure in the year of purchase, and have not been included in the Balance Sheet.

Cash Flows and Liquid Resources

Cash flows comprise increases or decreases in cash. Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty. No investments, however liquid, are included as cash.

Liquid resources comprise term deposits held as part of Central's treasury management activities.

Maintenance of Premises

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

Taxation Status

Central is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly Central is potentially exempt from taxation in respect of income or capital gains received within categories covered by Section 505 of the Taxes Act 1988 or section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied exclusively to charitable purposes. Central generally suffers the cost of irrecoverable VAT, as the supply of education and of research by eligible bodies is exempt from VAT under Group 8, Schedule 9, Value Added Tax Act, 1994. As an exempt charity, Central does benefit from some zero rating reliefs. Central's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation.

Provisions

Provisions are recognised when Central has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Accounting for charitable donations

Unrestricted donations

Charitable donations are recognised in the accounts when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Notes to the Accounts

Endowment funds

Where charitable donations are to be retained for the benefit of Central as specified by the donors, these are accounted for as endowments. There are two main types:

1. Restricted expendable endowments - the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and Central can convert the donated sum into income.

2. Restricted permanent endowments - the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

Donations for fixed assets

Donations received to be applied to the cost of a tangible fixed asset are shown on the balance sheet as a deferred capital grant. The deferred capital grant is released to the income and expenditure account over the same estimated useful life that is used to determine the depreciation charge associated with the tangible fixed asset.

Gifts in kind, including donated tangible fixed assets

Gifts in kind are included in 'other income' or 'deferred capital grants' as appropriate using a reasonable estimate of their gross value or the amount actually realised.

Staff costs

Staff costs cover all staff for whom Central is liable to pay Class 1 National Insurance contributions and/or who have a contract of employment with Central, and include any severance costs.

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates at the date of the Balance Sheet. The resulting exchange differences are dealt with in the Income and Expenditure Account for the financial year.

Notes to the Accounts

2 FUNDING BODY GRANTS	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Recurrent Grant		
Higher Education Funding Council for England (HEFCE)	5,006	4,889
Training and Development Agency for Schools (TDA)	226	246
TOTAL RECURRENT GRANT	5,232	5,135
Specific Grants (HEFCE)		
Centre of Excellence in Teaching & Learning	981	541
Higher Education Innovation Fund	116	100
Inherited Staff Liabilities	20	20
Research and Development	36	1
Teaching Capital Investment Fund	159	-
Teaching Quality Enhancement Fund	49	15
Other Grants	5	1
Specific Grants (TDA)		
Flexible Trainees	38	-
Information and Communication Technology	-	28
Minority Ethnic Funding	12	8
Other Grants	1	6
TOTAL SPECIFIC GRANTS	1,417	720
Deferred capital grants released in the year:		
Buildings	369	368
Equipment	109	198
TOTAL DEFERRED CAPITAL GRANTS (Note 19)	478	566
TOTAL FUNDING COUNCIL GRANTS	7,127	6,421

Notes to the Accounts

3 TUITION FEES AND EDUCATION CONTRACTS		Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Full-time Undergraduate	- Home and EU Fees	1,638	1,262
	- International and Island* Fees	273	221
Full-time Postgraduate	- Home and EU Fees	1,229	1,033
	- International and Island* Fees	720	716
Part-time Postgraduate	- Home and EU Fees	51	80
Short course and other fees		637	590
European Social Fund		-	21
Other education contracts		3	7
Learning and Teaching grants		36	22
Total fees paid by, or on behalf of, individual students		4,587	3,952

* Island Fees include Channel Islands and the Isle of Man

4 RESEARCH GRANTS AND CONTRACTS

Arts and Humanities Research Council	88	65

5 OTHER INCOME

Catering and conferences	271	235
Promotions and events	38	25
External services	70	86
Rental income	179	194
Theatre receipts	33	30
Donations	3	-
Shop and photocopy sales	25	23
Released from deferred capital grants (Note 19)	6	6
VAT refund	343	-
Other income	145	70
	1,113	669

6 ENDOWMENT AND INVESTMENT INCOME

Income from expendable endowments (Note 20)	-	1
Income from permanent endowments (Note 20)	5	10
Income from investments	8	13
Bank interest	254	434
Foreign currency translation gains	131	-
Net return on pension scheme assets (Note 34)	-	7
	398	465

Notes to the Accounts

	Year Ended 31 July 2009 FTE	Year Ended 31 July 2008 FTE
7 STAFF COSTS		
Average staff numbers, expressed as full-time equivalents (FTE):		
Teaching Departments	115	107
Teaching Support Services	7	6
Administration and Central Services	32	29
Premises	4	4
Catering and Conferences	2	2
	160	148

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Staff costs for the above:		
Wages and salaries	5,583	4,980
Social security costs	479	435
Other pension costs (Note 34)	516	522
	6,578	5,937
Restructuring costs	31	20
Total	6,609	5,957

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Aggregate emoluments of all 17 Directors who served during the year:		
Salaries	270	229
Benefits in kind	1	1
Pension contributions	38	31
Total	309	261

Notes to the Accounts

7 STAFF COSTS (continued)

Emoluments of the Chair of Governors

The Chair of Governors received no emoluments during the years ended 31 July 2009 and 31 July 2008.

Emoluments of the Principal	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Salary	162	124
Benefits in kind	1	1
	163	125
Pension contributions	23	18
Total	186	143

The Principal was in post for only part of 2007/08, having taken up his duties in September 2007.

Apart from the Principal, no other Director was paid in excess of £100,000.

Remuneration of other higher paid staff, excluding Employer's National Insurance and pension contributions

£100,001 - £110,000	-	-
£110,001 - £120,000	1	1

Notes to the Accounts

8 OTHER OPERATING EXPENSES	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Advertising for staff	68	47
Auditors' remuneration – external audit*	32	32
Auditors' remuneration – other services	11	3
Bad and doubtful debts	61	98
Books and periodicals	29	29
Buildings insurance	32	41
Bursaries	204	73
Catering and conferences operating expenses	227	212
Cleaning	197	177
Computer and web-site maintenance	238	136
Consumables	175	125
Course development	42	54
Educational visits	65	23
Endowment awards and other endowment expenditure	7	10
Examination and validation costs	13	13
Furniture, fittings and equipment	106	98
General insurances	61	40
Grants to the CSSD Students Union	30	28
Heat, light, water and power	149	151
Hired or contracted services	710	449
Internal audit	32	30
Legal and professional	220	129
Loss on disposal of fixed assets	98	-
Other expenditure	131	96
Postage	38	42
Printing and stationery	114	97
Promotions and events	333	272
Rates	35	36
Registration fees	7	8
Rents	114	126
Repairs and general maintenance	512	379
Self-employed professionals	495	418
Staff and student travel	118	132
Staff development	90	107
Subscriptions	137	101
Telephone and facsimile	31	24
	4,962	3,836

* External auditors' remuneration includes £29,000 in respect of the parent company (2007/08 £30,000).

An analysis of expenditure by activity for the year ended 31 July 2009 is shown in Note 9.

Notes to the Accounts

9 ANALYSIS OF EXPENDITURE BY ACTIVITY

YEAR ENDED 31 JULY 2009

	Staff Costs £000	Other Operating Expenses £000	Depre-ciation £000	Interest Payable £000	Total £000
Teaching Departments	4,223	1,791	26	-	6,040
Teaching Support Services	320	255	58	-	633
Administration and Central Services	1,895	2,595	136	44	4,670
Premises	138	82	501	62	783
Catering and Conferences	33	239	-	-	272
Total per Income and Expenditure Account	6,609	4,962	721	106	12,398

YEAR ENDED 31 JULY 2008

	Staff Costs £000	Other Operating Expenses £000	Depre-ciation £000	Interest Payable £000	Total £000
Teaching Departments	4,012	1,213	24	-	5,249
Teaching Support Services	260	231	66	-	557
Administration and Central Services	1,521	1,935	156	-	3,612
Premises	133	240	462	66	901
Catering and Conferences	31	217	-	-	248
Total per Income and Expenditure Account	5,957	3,836	708	66	10,567

The depreciation charge has been funded by:

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Deferred Capital Grants released (Note 19)	484	572
General Income	237	136
	721	708

Activities are as defined in the 2008/09 Finance Statistics Return of the Higher Education Statistics Agency (HESA).

Notes to the Accounts

10 INTEREST AND OTHER FINANCE COSTS	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
On bank loans, overdrafts and other loans repayable wholly or partly in more than five years	62	66
Net interest on pension scheme liabilities (Note 34)	44	-
	106	66

11 TAXATION

The activities of the parent company are not subject to Corporation Tax. No taxation is due on the profit for the year of the subsidiary company, as the profit has been transferred to the parent company under Gift Aid.

Notes to the Accounts

12 TANGIBLE ASSETS

	Group				
	Freehold Land and Buildings £000	Long Leasehold £000	Alterations and Improvements £000	Equipment £000	Total £000
Cost and valuation					
At 31 July 2008	17,087	-	2,052	2,573	21,712
Additions	11	650	439	91	1,191
Disposals	-	-	-	(494)	(494)
At 31 July 2009	17,098	650	2,491	2,170	22,409
Depreciation					
At 31 July 2008	2,998	-	354	1,993	5,345
Charge for the year	316	-	181	224	721
Disposals	-	-	-	(478)	(478)
At 31 July 2009	3,314	-	535	1,739	5,588
Net book value					
At 31 July 2009	13,784	650	1,956	431	16,821
At 31 July 2008	14,089	-	1,698	580	16,367

Notes to the Accounts

	School				
	Freehold Land and Buildings £000	Long Leasehold £000	Alterations and Improvements £000	Equipment £000	Total £000
Cost and valuation					
At 31 July 2008	17,087	-	2,052	2,568	21,707
Additions	11	650	439	91	1,191
Disposals	-	-	-	(494)	(494)
At 31 July 2009	17,098	650	2,491	2,165	22,404
Depreciation					
At 31 July 2008	2,998	-	354	1,992	5,344
Charge for the year	316	-	181	224	721
Disposals	-	-	-	(478)	(478)
At 31 July 2009	3,314	-	535	1,738	5,587
Net book value					
At 31 July 2009	13,784	650	1,956	427	16,817
At 31 July 2008	14,089	-	1,698	576	16,363

Buildings and alterations and improvements with a net book value of £13,984,000 and cost of £17,379,000 have been funded from Treasury sources. Should these buildings be sold, Central would have to either surrender the proceeds to the Treasury, or use them in accordance with the Financial Memorandum of the Higher Education Funding Council for England.

In adopting Financial Reporting Standard 15 with effect from 1 August 1999, Central has followed the transitional provisions of the FRS available in the first year of adoption and retained the book values of land and buildings last revalued on 1 August 1989, and not updated since that date.

Notes to the Accounts

13 INVESTMENTS

Listed investments	Group and School Year Ended 31 July 2009 £000	Group and School Year Ended 31 July 2008 £000
Balance at 1 August	286	412
Additions	281	71
Disposals	(286)	(157)
Increase / (decrease) on revaluation	32	(40)
Balance at 31 July	313	286
Listed investments comprise:		
Equities (listed unit trusts)	313	286
Total investments at 31 July	313	286
Equities (listed) at cost at 31 July	281	243

Investment in subsidiary company at cost	Group 2009 £	School 2009 £	Group 2008 £	School 2008 £
Subsidiary company	-	1	-	1

Central owns 100% of the issued share capital of the following company which is registered in England.

The consolidated results of the group incorporate those of CSSD Enterprises Limited.

The results of the subsidiary are as follows:	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Turnover	86	74
Cost of sales	(28)	(27)
Gross profit	58	47
Net operating expenses	(46)	(36)
Operating profit	12	11
Bank interest receivable	1	4
Profit on ordinary activities before taxation	13	15
Transferred to Parent Undertaking under Gift Aid	(13)	(15)
Profit for the financial year	-	-

Notes to the Accounts

14 ENDOWMENT ASSET INVESTMENTS

	Group	
	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Balance at 1 August	182	199
Additions	11	-
Disposals	(12)	(3)
Increase / (decrease) on revaluation	1	(1)
Decrease in cash balances	(1)	(13)
Balance at 31 July	181	182
Endowment asset investments comprise:		
Fixed interest stocks (listed)	-	7
Equities (listed unit trusts)	12	4
Loans	1	2
Bank balances	168	169
Total endowment asset investments at 31 July	181	182
Fixed interest stocks and equities at cost at 31 July	11	12

Notes to the Accounts

15 DEBTORS	Group 2009 £000	School 2009 £000	Group 2008 £000	School 2008 £000
Amounts falling due within one year:				
Debtors	70	70	145	145
Amounts owed by subsidiary undertaking	-	70	-	57
Prepayments and accrued income	240	240	337	337
	310	380	482	539

16 CURRENT ASSET INVESTMENTS

	Group and School 2009 £000	Group and School 2008 £000
Deposits maturing in one year or less	5,570	4,568

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2009 £000	School 2009 £000	Group 2008 £000	School 2008 £000
Mortgages and loans (Note 18)	188	188	184	184
Creditors	497	493	507	506
Social security and other taxation	186	186	171	171
Accruals and deferred income	1,287	1,287	1,924	1,924
	2,158	2,154	2,786	2,785

Notes to the Accounts

18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group and School 2009 £000	Group and School 2008 £000
Secured loans payable by 2020	947	1,015
Unsecured loans payable by 2011	120	240
	1,067	1,255

Analysis of secured and unsecured loans:

	Group and School 2009 £000	Group and School 2008 £000
Due between one and two years	192	188
Due between two and five years	243	349
Due in five years or more	632	718
Total	1,067	1,255

Summary of borrowings at 31 July 2009:

Lender	Type	Date	Term	Interest Rates	Due Within One Year £000	Due in More Than One Year £000
Lloyds TSB	Secured Term Loan	July 2005	15 years	Fixed at 5.87%	68	947
HEFCE	Unsecured Loan	December 2001	10 years	Interest free	120	120
					188	1,067

Secured Loan – Lloyds TSB Bank plc

The loan, made to Central in July 2005 to part-finance the Phase 4 Building Development at 64 Eton Avenue London NW3, is secured by the Bank holding a first legal charge over freehold property at the same address.

The loan is repayable over fifteen years, subject to annual review by the Bank and the Bank's right to immediate repayment on demand in stated circumstances. Interest is payable on the loan at a fixed rate of 5.87%. The loan is repayable by 2020.

Unsecured loan – Higher Education Funding Council for England

The loan was made to Central in August 2001 to part-finance the Phase 3b Building Development at 64 Eton Avenue London NW3.

The loan is repayable in equal instalments over 10 years and is interest free. The loan is repayable by 2011.

Notes to the Accounts

19 DEFERRED CAPITAL GRANTS

	Group and School		
	HEFCE £000	Other Grants £000	Total £000
At 1 August 2008			
Buildings	11,627	231	11,858
Equipment	119	-	119
Total	11,746	231	11,977
Grants Received			
Buildings	72	-	72
Equipment	-	-	-
Total	72	-	72
Released to Income and Expenditure			
Buildings	(369)	(6)	(375)
Equipment	(109)	-	(109)
Total	(478)	(6)	(484)
At 31 July 2009			
Buildings	11,330	225	11,555
Equipment	10	-	10
Total	11,340	225	11,565

Notes to the Accounts

20 ENDOWMENTS

Group and School

	Restricted Expendable £000	Restricted Permanent £000	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Balances at 1 August 2008				
Capital	12	151	163	171
Accumulated income	-	19	19	28
	12	170	182	199
New endowments	-	-	-	2
Investment income	-	5	5	11
Expenditure	(1)	(6)	(7)	(10)
	(1)	(1)	(2)	1
Transfer to deferred capital grants	-	-	-	(19)
Increase / (decrease) in market value of investments	-	1	1	(1)
At 31 July 2009	11	170	181	182
Represented by:				
Capital	11	151	162	163
Accumulated income	-	19	19	19
	11	170	181	182

Details of restricted permanent endowments are set out below:

	Capital value at 31 July 2009 £	Opening accumulated income £	Investment income £	Expenditure £	Closing accumulated income £	Date Received
Milner Scholarship	129,870	8,695	4,344	(3,700)	9,339	1998
Gary Bond Memorial Fund	12,475	235	439	(520)	154	1997
Jane Cowell Memorial Fund	5,136	3,223	266	(300)	3,189	1989
Robert Tunstall Memorial Award	2,500	188	84	(100)	172	2005
Clive Brook Prize Fund	1,000	6,622	242	(1,000)	5,864	1974
	150,981	18,963	5,375	(5,620)	18,718	

Milner Scholarship

This restricted permanent endowment is used to fund awards to Education students needing financial assistance with living costs, books or equipment

Gary Bond Memorial Fund

This restricted permanent endowment is used to fund an annual award for any Acting student facing exceptional necessity

Jane Cowell Memorial Fund

This restricted permanent endowment is used to fund an annual prize to a final year Acting student

Robert Tunstall Memorial Award

This restricted permanent endowment is used to fund an annual award for the Second Year BA Acting student judged to be the most promising verse speaker

Clive Brook Prize Fund

This restricted permanent endowment is used to fund an annual prize to a student

Notes to the Accounts

21 RESERVES

	Income and Expenditure Account Reserve £000	Pension Reserve £000	Revaluation Reserve £000	Total £000
Opening reserves at 1 August 2008	7,093	(922)	1,202	7,373
Surplus retained for the year	917	-	-	917
Transfer between reserves: pension scheme	(41)	41	-	-
Actuarial loss in respect of pension scheme	-	(986)	-	(986)
Revaluations in the year	-	-	32	32
Released to I&E on sale of investment asset	42	-	(42)	-
Closing reserves at 31 July 2009	8,011	(1,867)	1,192	7,336

	Income and Expenditure Account Reserve £000	Pension Reserve £000	Revaluation Reserve £000	Total £000
Opening reserves at 1 August 2007	6,006	(718)	1,284	6,572
Surplus retained for the year	1,004	-		1,004
Transfer between reserves: pension scheme	49	(49)	-	-
Actuarial loss in respect of pension scheme	-	(155)	-	(155)
Revaluations in the year	-	-	(48)	(48)
Released to I&E on sale of investment asset	34	-	(34)	-
Closing reserves at 31 July 2008	7,093	(922)	1,202	7,373

The revaluation reserve comprises unrealised gains on freehold land at the Swiss Cottage campus and on equity based investments.

Notes to the Accounts

22 RECONCILIATION OF SURPLUS BEFORE TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Note	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Surplus after depreciation of tangible fixed assets at valuation		915	1,005
Depreciation	12	721	708
Loss on disposal of fixed assets		98	-
Deferred capital grants released to income	19	(484)	(572)
Investment income	6	(398)	(465)
Interest payable		106	66
Pension cost less contributions payable		(41)	49
Decrease / (increase) in debtors		67	(105)
(Decrease) / increase in creditors excluding loans and overdrafts		(634)	5
Net cash inflow from operating activities		350	691

23 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Income from endowments	5	11
Income from investments	8	13
Other interest received	360	315
Realised foreign currency translation gains	49	-
Interest paid	(106)	(66)
	316	273

24 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Payments made to acquire fixed assets	(1,189)	(293)
Payments made to acquire investment assets	(281)	(71)
Payments made to acquire endowment assets	(11)	-
Proceeds from sale of fixed assets	204	150
Proceeds from sale of endowment assets	11	-
Deferred capital grants received	72	86
Endowments received	-	2
	(1,194)	(126)

25 MANAGEMENT OF LIQUID RESOURCES

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Transfer (to) / from deposits	(1,002)	882

26 FINANCING

	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Repayments of amounts borrowed	(184)	(180)

Notes to the Accounts

27 ANALYSIS OF CHANGES IN NET FUNDS

	At 31 July 2008 £000	Cash Flows £000	Other Non-Cash Changes £000	At 31 July 2009 £000
Cash at bank and in hand:				
Endowment assets (Note 14)	169	(1)	-	168
Other	2,609	(1,631)	-	978
	2,778	(1,632)	-	1,146
Short term deposits	4,568	1,002	-	5,570
Debt due within one year (Note 17)	(184)	184	(188)	(188)
Debt due after one year (Note 18)	(1,255)	-	188	(1,067)
	5,907	(446)	-	5,461

28 CAPITAL COMMITMENTS

	Group and School 2009 £000	2008 £000
Commitments contracted at 31 July	-	360

2008 capital commitments related to the refurbishment of St Peter's Church Hall, Belsize Square London NW3.

29 FINANCIAL COMMITMENTS

Central has an operating lease with St Peter's Church, Belsize Square London NW3 on which rent is not payable.

Notes to the Accounts

30 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 July 2009 (31 July 2008: £Nil).

31 RELATED PARTY TRANSACTIONS

There were no transactions with related parties during the year which require disclosure.

32 POST BALANCE SHEET EVENTS

No significant post balance sheet events have arisen since 31 July 2009.

33 AMOUNTS DISBURSED AS AGENT – ACCESS FUNDS

	Group and School	
	31 July 2009 £000	31 July 2008 £000
Income:		
Excess of income over expenditure brought forward	(5)	-
Funding Council grants	27	31
	22	31
Expenditure:		
Disbursed to students	(23)	(36)
Excess of expenditure over income carried forward	(1)	(5)

Funding Council grants are available solely to assist students; Central acts only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

The following bursaries were received during the year and have been excluded from the Income and Expenditure Account:

	31 July 2009 £000	31 July 2008 £000
TDA training bursaries	234	390

Notes to the Accounts

34 PENSION SCHEMES

The two principal pension schemes for Central's staff are the Teachers' Pension Scheme (TPS) and the London Pensions Fund Authority Pension Fund (LPFA). Both schemes are defined benefit "final salary" schemes without healthcare benefits. The LPFA scheme is valued every three years by actuaries using the projected unit method, and TPS is valued every four years by actuaries using the aggregate method, the rates of contribution payable being determined on the advice of the actuaries. TPS provides benefits based on final pensionable salary for academic and related employees, and LPFA provides similar benefits for other staff at Central. The pension costs are assessed using the projected unit method.

The total pension cost for Central was:	Year Ended 31 July 2009 £000	Year Ended 31 July 2008 £000
Teachers' Pension Scheme : contributions paid	270	245
London Pensions Fund Authority :		
Current service cost	226	208
Past service cost	-	50
Early retirements cost	20	19
	516	522

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions on a 'pay-as-you-go' basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972. Actuarial valuations are carried out on a notional set of investments.

The pensions cost is assessed every four years in accordance with the advice of the government actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation An interim valuation was carried out at 31 March 2007 and published in November 2007	31 March 2004
Actuarial method	Prospective benefits
Real rate of return in excess of prices	3.5%
Real rate of return in excess of earnings	2%
Rate of real earnings growth	1.5%
Gross rate of return	6.5%
Value of notional assets at date of last valuation (estimated future contributions together with notional investments held at 31 March 2004)	£163.240m
Total liabilities of the Scheme (pensions currently in payment and the estimated cost of future benefits)	£166.500m
Proportion of members' accrued benefits covered by the actuarial value of the assets	98%

Notes to the Accounts

34 PENSION SCHEMES (continued)

As from 1 January 2007, and as part of the cost sharing agreement between employers' and teachers' representatives, the standard contribution rate has been assessed at 19.75%, and the supplementary contribution rate has been assessed to be 0.75% (to balance assets and liabilities as required by the regulations within 15 years); a total contribution rate of 20.5%. This translates into an employee contribution rate of 6.4% and employer contribution rate of 14.1% payable. The cost sharing agreement has also introduced – effective for the first time for the 2008 valuation - a 14% cap on employer contributions payable.

Under definitions set out in Financial Reporting Standard 17 Retirement Benefits, the TPS is a multi-employer pension scheme. Central is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, Central has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

London Pensions Fund Authority (LPFA)

A qualified independent actuary carried out a full actuarial valuation of the fund at 31 July 2009. The major assumptions used by the actuary were:

	2009	2008
Price increases	3.6%	3.8%
Salary increases	5.1%	5.3%
Pension increases	3.6%	3.8%
Discount rate	6.0%	6.7%

The major categories of fund assets as a percentage of total fund assets were:

Equities	68.2%	58.5%
Target return portfolio	10.3%	19.6%
Alternative assets	14.7%	22.3%
Cash	6.8%	(0.4%)

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Retiring today:		
Males	19.6	19.6
Females	22.5	22.5
Retiring in 20 years:		
Males	20.7	20.7
Females	23.6	23.6

Notes to the Accounts

34 PENSION SCHEMES (continued)

The assets in the LPFA scheme and the expected rate of return were:

	2009		2008		2007	
	Long Term Return %	Fund Value £000	Long Term Return %	Fund Value £000	Long Term Return %	Fund Value £000
Equities	7.5%	2,230	7.6%	1,807	7.9%	1,826
Target return portfolio	6.2%	337	6.3%	605	6.6%	649
Alternative assets	6.7%	481	6.8%	687	7.0%	396
Cash	3.0%	222	4.8%	(12)	5.1%	95
		3,270		3,087		2,966

The following amounts at 31 July 2009 were measured in accordance with the requirements of FRS 17:

Analysis of the amounts shown in the balance sheet	**31 July 2009 £000**	**31 July 2008 £000**	**31 July 2007 £000**	**31 July 2006 £000**	**31 July 2005 £000**
Central's estimated assets share	3,270	3,087	2,966	2,485	2,116
Present value of scheme liabilities	(5,137)	(4,009)	(3,684)	(3,559)	(3,052)
Deficit in the scheme – net pension liability	(1,867)	(922)	(718)	(1,074)	(936)

Analysis of the amount charged to staff costs within operating surplus	**31 July 2009 £000**	**31 July 2008 £000**
Current service cost	226	208
Past service cost	-	50
Total operating charge	226	258

Analysis of the amount that is credited to other finance income / charged to interest payable	**31 July 2009 £000**	**31 July 2008 £000**
Expected return on pension scheme assets	235	229
Interest on pension scheme liabilities	(279)	(222)
Net (charge) / return	(44)	7

Notes to the Accounts

34 PENSION SCHEMES (continued)

Analysis of the amount that would be recognised in the statement of total recognised gains and losses (STRGL)	31 July 2009 £000	31 July 2008 £000
Actual return less expected return on pension scheme assets	(446)	(424)
Changes in assumptions underlying the present value of the scheme liabilities	(540)	269
Actuarial losses recognised in the STRGL	(986)	(155)

Movement in deficit in the year

Deficit in the scheme at the beginning of the year	(922)	(718)
Movement in the year:		
Current service costs	(226)	(208)
Contributions	311	202
Past service costs	-	(50)
Other finance income	(44)	7
Actuarial losses	(986)	(155)
Deficit in the scheme at the end of the year	(1,867)	(922)

Analysis of the movements in the present value of the scheme liabilities

At the beginning of the year	4,009	3,684
Current service cost	226	208
Interest costs (net)	279	222
Contributions by scheme participants	109	87
Actuarial (gain) / loss	540	(197)
Benefits paid	(26)	(45)
Past service costs	-	50
At the end of the year	5,137	4,009

Analysis of movement in the market value of the scheme assets

At the beginning of the year	3,087	2,966
Expected rate of return on scheme assets	235	229
Actuarial losses	(446)	(352)
Contribution by the employers	311	202
Contributions by scheme participants	109	87
Benefits paid	(26)	(45)
At the end of the year	3,270	3,087

Notes to the Accounts

34 PENSION SCHEMES (continued)

History of experience gains and losses	2009 £000	*2008 £000	*2007 £000	2006 £000	2005 £000
Experience (losses) / gains on scheme assets:	(446)	(352)	127	99	196
Experience gains on scheme liabilities:	-	201	-	-	134
Total amount recognised in the Statement of Total Recognised Gains and Losses:	(986)	(155)	476	(49)	(88)

* Central has elected not to restate amounts for 2008 and 2007 as permitted by the amendment to FRS 17.

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is (£805,000) losses (2008 £181,000 gains).

Defined benefit scheme assets do not include any of the institution's own financial instruments, or any property occupied by the institution.

The estimate of the employer contribution for the defined benefit scheme for the year 2010 is £237,000.

The actual return on scheme assets in the year was £211,000 (2008: £195,000).