CENTRAL SCHOOL
OF SPEECH & DRAMA

UNIVERSITY OF LONDON

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 JULY 2010

Central School of Speech & Drama
University of London

Patron

HRH Princess Alexandra,
The Hon Lady Ogilvy GCVO

President

Michael Grandage

Central School of Speech & 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.

TABLE OF CONTENTS

Report by the Principal

It has been a year of consolidation on the one hand, and preparation for change on the other. The figures reflect a determination across the School to control costs, whilst sustaining the core mission and values of student experience, and also boosting recruitment from the overseas market. It is a sensitive balance to strike. We have a duty to nurture the cultural heartbeat of the UK – theatre speaks of our times, confronts issues, and draws communities together. Equally, it is an international process in which the English language becomes common currency. Recruitment for the acting courses draws a ratio of more than 100 applications for each place – as high as any HE provider in any discipline. But Central is about much more; two thirds of our students work in the non acting realms of theatre practice, and whilst the applicant ratios are different, we have demonstrated a healthy demand – feeding a job market that is particularly hungry for technicians, and which becomes even more so with the advent of the Olympics.

The National Student Survey, a league table that truly reflects student response to a cross range of conditions both academic and domestic, has placed Central sixth in a list of 127 Higher Education Institutions – universities great and small, ancient and modern. It will be a challenge to maintain this position, as we come to the end of our CETT (Centre for Excellence in Training for Theatre) funding. The CETT has been a major boost both to the School and to the wider theatre community. It has helped to refocus the balance between Central and the colleges of the Conservatoire for Dance and Drama, which receive a disproportionately higher level of Exceptional Funding.

The CETT's annual conference has brought international participation for a range of subjects and themes – this year *Theatre Applications*. Praise and thanks must go to the CETT team for all that has been achieved over its five year funded period. The title will continue, and new initiatives are emerging to take forward aspects of the CETT endeavour. Cultural Camden is one such programme, funded by a successful competitive bid for a HEFCE project 'Leading Transformation Change'. Central's scheme is built around a partnership with the Roundhouse, and Hampstead Theatre, with potential to link with other prospects such as the RSC's residency at the Roundhouse. RSC Artistic Director, Michael Boyd, was one of the speakers in our series of research seminars; research has been boosted by Central's successful submission to the RAE. The University of London had made research development an important factor of Central's admission to the University Federation, and conducted a 'five year on' appraisal – commending Central for significant achievement in this regard.

The University has also established a 'Centre for Creative Collaboration', in which Central has played a major role – notably in a partnership with the Bartlett School of Architecture (UCL). We bid farewell to Vice-Chancellor Sir Graeme Davies, and acknowledge his considerable support to Central, and welcome his successor Geoffrey Crossick. We are also pleased that the University has resolved a future for the Library, within a substantially refurbished Senate House.

We established a new graphic house style/branding in the year, and launched the new website, together with a college wide database. We also completed major refurbishment and redecoration of the Eton Avenue aspect of the estate, with new signage due to follow.

Space remains a problem. Plans for development of Phase 5 and 6 of the estate strategy were advanced with the recruitment process for the design team, but economic circumstances force this to be held in abeyance. Pressures on storage of archive and costumes present a serious dilemma, with rented accommodation in Edgware being wholly inadequate. We are also frustrated with aspects of the School of Professional and Continuing Development (SPCD) work due to lack of space.

Central continues to present work away from the Swiss Cottage campus – notably the Accidental Festival (this year at BAC/Battersea), and the annual residency at the Minack Theatre in Cornwall. Our presence at the Edinburgh Festival is considerable, and was this year celebrated with an alumni gathering at the Festival. Alumni relations continue to develop, being crucial to the establishment of a serious external affairs, fundraising and development operation. A detailed appraisal of needs and potential, in this regard, was undertaken during the year, and recruitment for staff will ensue.

Graduation Day was marked with Michael Grandage present for the first time as Central's new President. Honorary Fellowships were awarded to Simon McBurney, Joss Ackland and Penny Francis. The Vice-Chancellor presented the awards, in a ceremony held for the first time in the Royal Festival Hall/Southbank.

Central's excellent year end result is boosted by several unexpected circumstances – the very welcome Bundy legacy, and an adjustment to pension calculations which will not recur. We go into very uncertain times as regards public expenditure, with the prospect of severe cuts to the HEFCE resource, and a radically changed landscape of student finance following Lord Browne's Review. Central is currently in a healthy state – both academically and financially, arguably better so than others in our sector of the HE community. But we have little room for manoeuvre in a climate of serious cuts. We are not a multi faculty institution that can simply prune sections of the portfolio; drama cannot suddenly be taught online to reduce contact hours. Stagecraft is about practical hands on matters. Ours is an industry that is buoyant, world leading, and experiencing growth – but (aside from the BBC) it is not an industry of large corporate entities able to invest in research and development. It is a tapestry of many small production companies, often working as cooperatives, some of them nurtured through the CETT, fuelling the UK's vibrant creative sector. Partnership and collaboration will be key factors in future operation; in our case that partnership will be as much about sustaining the professional endeavour, as it will be about the profession helping to sustain the training needs. Challenging times indeed!

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 2010.

1 CONTEXT, OBJECTIVES AND STRATEGIES

1.1 Legal Status

The Central School of Speech & Drama is incorporated as a Company Limited by Guarantee and is an Exempt Charity under the Charities Act 2006. Central was admitted as a Federal College of the University of London on 1 September 2005.

1.2 Charity Objects

The objects for which Central is established are the advancement of education and learning and to promote the knowledge, study and practice of speech training and of dramatic art.

Specific core public benefit aims include:

- developing the leading practitioners of the performance industries
- developing leading edge knowledge in performance practice and application
- promoting the societal value of performance
- creation of new audiences
- offering specialist speech and drama training that is innovative, socially responsive and tailored to the needs of diverse groups by working with schools, voluntary and community organisations, businesses and communities and the public sector
- reaching out to under-represented groups to inspire interest in pursuing a career in theatre arts
- developing a culture that productively uses and enjoys difference
- continuing to build upon community engagement activity within Central London, nationally and internationally
- promoting widening participation and fair access through Central's Access Agreement 2008-2011 which provides bursary support and increased investment in outreach work

In setting and reviewing Central's objectives and activities, the Governors have had due regard to the Charity Commissioner's guidance on the reporting of public benefit and particularly to its guidance on the advancement of education and fee charging.

1.3 Mission

The Board of Governors reviewed Central's mission in November 2008 where the following statement was approved:

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.

1.4 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.

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 and changed circumstances of public funding for specialist institutions and conservatoires
- the end of start-up 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 the School 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.

The School will develop and diversify its range, while maintaining its disciplinary culture and customary high quality. It will intensify its engagement with specialist knowledges 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 the School'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 group 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 the School's mission and profile

Strategic Aim 3: Culture and identity

To strengthen the School'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 the School 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;
- 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 the School'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)
- build a culture of environmental awareness and agree a plan to secure demonstrable reduction in the environmental impact of the School's activities
- deliver enabling resource and estates plans
- adopt joined-up, cost-effective and fit-for purpose systems and structures which support the School's strategic goals
- attract and retain high-performing staff in all areas

1.5 Strategic Performance 2009/10

The Board of Governors monitors the performance of Central against the aims set out in 1.4 above. Specific objectives from the Corporate Plan are set out in a Corporate Planning Statement each year. A summary of key achievements for 2009/10 is presented below:

- enhanced its rating in the National Student Survey with 90% of final year undergraduate students saying they were satisfied with their courses. This ranked Central in sixth place in the UK
- validated a MA in Acting and in Scenography
- secured a HEFCE Leading Transformational Change grant of £246k, over three years, for the ‘Cultural Camden’ project which aims to seek greater collaboration with partners including the Roundhouse and the Hampstead Theatre
- launched a new website to support enhanced functionality and access to information
- revitalised Health and Safety organisation and arrangements
- completed three projects funded under the HEFCE Learning and Teaching Capital Programme 2008-11 to enhance facilities
- implemented a single School-wide database to support Development activities and public benefit reporting
- achieved financial strategy targets

1.6 Public Benefit Performance 2009/10

The Board of Governors monitors the performance of Central against its core public benefit aims set out in 1.2 above. A summary of key achievements for 2009/10 is presented below:

- delivered 91 Higher Education Audition/Interview workshops in schools, colleges and youth theatres across London and England
- delivered a range of free Summer Schools
- delivered an AIMHIGHER Theatre in Education Tour focussing on routes into higher education
- delivered workshops to young people excluded from mainstream schooling
- delivered workshops for teachers and youth leaders on acting techniques for contemporary text
- delivered a ‘Central Road Show’ in West Yorkshire to inspire and promote access to programmes of study
- presented emerging research on widening participation at an Open University conference
- awarded 163 bursaries to the value of £211k, 15 study related and 11 community placement bursaries to students from low-income groups
- funded student innovation projects including Flashback Play Theatre who performed and delivered outreach work focusing on British and British migrant communities in London

2 FINANCIAL REVIEW

2.1 Financial Objectives

Prior to the year under review, Central set and achieved a minimum planned surplus of 3% each year. During the year under review, the Governors considered the very challenging financial environment caused by the economic downturn and expected cuts in public funding. Based on Central's past good financial performance, the need to maintain quality and retain capacity to respond to the challenges and opportunities ahead, the Governors agreed to suspend the requirement to deliver a minimum surplus of 3% per annum until 2013/14 subject to:

1) a minimum of a break-even position being achieved in each year
2) actual conditions being no worse than base-line planning assumptions
3) strong budgetary control and performance management by all managers
4) the continued implementation of strategic objectives and policies

Alongside 1 - 4 above, the Governors approved revised Financial Objectives:

a) positive net current assets
b) minimum cash balances to cover forward two months expenditure in accordance with the cash-flow statement
c) borrowing not to exceed 7% of adjusted income
d) overall staff costs not to exceed 60% of income

2.2 Results for the Year

The Financial Statements for the Year Ended 31 July 2010 show the group position for Central and include the results of CSSD Enterprises Ltd, a subsidiary company. CSSD Enterprises Ltd operated the student bar.

The Group Income and Expenditure Account shows:

	Year ended 31 July 2010 £m	**Year ended 31 July 2009 £m**
Income	12.9	13.3
Expenditure	(12.1)	(12.4)
Surplus for the Year	0.8	0.9
Surplus percentage of income	6.4%	6.9%

Income

Central's income decreased by £0.4m (2.7%) compared with the previous year.

Funding Council grants reduced by £0.39m (5.4%). Specifically the following funding streams were reduced:

- HEFCE recurrent teaching grant income reduced by £0.17m (3.3%) in line with reduced funded student numbers as funding is withdrawn from students with equivalent level qualifications (ELQ)

- HEFCE specific grants reduced by £0.39m (28.4%) as the CETT project entered its final year
- HEFCE deferred capital grants, a non-cash transfer from the balance sheet, reduced by £0.08m (15.9%) reflecting a declining trend in HEFCE capital funding
- Training and Development Agency for Schools (TDA) specific and recurrent income reduced by £0.06m (20.7%) in line with a planned reduction in student numbers

However Central did benefit from the first year of HEFCE recurrent research funding of £0.3m following a successful submission to the 2008 Research Assessment Exercise for UK research.

Tuition fees and education contract income increased by £0.41m (9.0%). The trend towards an increasing proportion of income being derived from non-EU students continued, specifically:

- full-time undergraduate Home and EU fee income increased by £0.15m (9.3%) as a result a small increase in student numbers, the introduction of higher fees for students for an equivalent level qualification (ELQ) and an inflationary uplift to student fees
- fee income from international undergraduate students increased by £0.12m (44%) as numbers increased
- Full and part time postgraduate fee income reduced by £0.19m (15.2%) as this category of student numbers reduced
- fee income from international postgraduate students increased by £0.32m (44.4%) as numbers increased
- short courses fee income increased by £0.01m (2.0%) as the Department maintained its activities in a recessionary environment
- learning and teaching grants reduced by £0.01m (19.4%) due to the funding profile of the project with the Leverhulme Trust

Research grants and contracts income from AHRC creative fellowship awards increased by £0.08m (96.4%) as further awards were received.

Other income reduced by £0.23m (20.6%), as the 2009 results included a one-off VAT refund of £0.34m relating to previous capital projects. This was partially offset by the gratefully acknowledged receipt of the Bundy legacy of £0.13m. Other than an increase in support services provided to students with disabilities of £0.04m, the remaining categories of other income were similar to the previous year.

Endowment and investment income reduced by £0.25m (61.4%) and is discussed in 2.4 below.

Expenditure

Central's expenditure decreased by £0.3m (2.2%) compared with the previous year.

Staff costs increased by £0.36m (5.4%) due to planned growth in salaries specifically:

- Salaries increased by £0.28m (4.8%) resulting from increases in visiting teaching staff, the implementation of the School's 'administration review' and nationally agreed pay awards
- Social security costs increased by £0.03m (5.0%) in line with growth in salaries as national insurance rates were similar to the previous year

- Pension costs increased by £0.08m (16.1%) as a result of increasing salaries and an increase in the ‘current service cost’, less the employer contributions, of the LGPS pension scheme

Other operating expenses reduced by £0.61m (12.3%). The reduction is spread across most categories of expenditure, partially reflects the lower activity of £0.24m in the CETT project. There are also specific reasons for some expenditure reductions:

- advertising for staff reduced by £34k (50.0%) due to a change in the mix of posts advertised during the year
- audit fees reduced by £0.03m (42.9%) due to savings from tendering services, additional services in 2009 and some internal audit from 2010 being deferred until 2011
- bad and doubtful debts reducing by £120k, (196.7%); the most significant reduction due to a reassessment of the provision held from 2009
- computer maintenance and projects expenditure increased by £0.03m (10.9%) due to the costs of completing the student records system installation
- hired and contracted services reduced by £0.07m (10.0%) due to reduced used of employment agency staff as post held open during the 2009 ‘administration review’ were filled
- repairs and general maintenance reduced by £0.08m (16.4%) reflecting that estate projects undertaken in 2010, although greater than in the previous year, related to capital expenditure
- subscriptions expenditure increased by £0.04m (30.7%) due the implementation of a new method of calculating the University of London Subscription and additional sources of professional information

Depreciation reduced by £0.06m, reflecting reducing net book values, principally from equipment purchased at the start of the CETL project.

Interest payable increased by £0.03m due to an increase in the LGPS pension scheme interest as calculated by the actuaries, reflecting the notional interest on the schemes obligations, which has increased due to the reduced discount rate used in the calculation model.

Within the Statement of Total Recognised Gains and Losses (STRGL) there is an actuarial gain in respect of the LGPS pension scheme of £0.14m. This results from a scheme change that future pension increase will no longer be in line with retail prices index (RPI), but be based upon the generally lower consumer prices index (CPI). As this is a reduction in scheme benefits, and past employer contributions have been set on the scheme paying retired members an RPI linked pension there is a one-off non-recurring gain.

Conclusion

Central set a budget for the year to achieve a surplus of 4% of income (£0.52m); the net result for the year, after non-recurring factors, was a surplus of £0.83m (6.4%). The most significant contributions to the surplus were one-off adjustments to the bad debt provision, LGPS pension scheme returns and the Bundy legacy receipt. Excluding the non-recurring factors outside of Central’s control, the Bundy legacy (£0.13m) and the LGPS scheme return (£0.12m), the surplus for the year would have been close to budget at £0.58m, equivalent to 4.5% of income.

2.3 Financial Indicators

Central monitors financial health through several key performance indicators

	Central School of Speech and Drama		Sector Mean
	2010	**2009**	**2009**
Current Ratio	4.42	3.18	1.27
Net Liquidity (Days)	222	205	83
External borrowing as a % of total income	8.2	9.4	21.2
Staff costs as a % of total income	53.8	49.6	55.3

The indicators show that Central continues in good financial health. The intention is to maintain the ratios 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. Funds are currently invested in the Schroders Charity Multi-Asset fund. The performance of investment funds 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 FTSE 100.

The investment portfolio at 1 August 2009 comprised £0.31m of investment funds and £2k in cash with the investment fund manager; £0.32m in total. After a year in which there was some recovery in investment markets the fund recovered to £0.35m, including £3k of cash with the investment manager; equivalent to an increase of 10.1% (2009: 13% reduction) of the portfolio value. The fund exceeded its RPI benchmark by 4.48%, but under performed against both the FTSE APCIMS index by 1.61% and the FTSE100 by 3.99%. Central has no plans to increase its managed investment funds beyond the levels already committed.

Short-term funds were managed by Central and invested in accordance with the Treasury Management Policy. Funds were invested in current and deposit accounts in UK and US quoted banks, earning an overall average return of 1.3% (2009: 3.5%). This is in line with money market rates, due to bank base rates remaining at historic lows throughout the year of 0.5% in the UK and 0.25% in the USA. Consequently interest receivable fell by 66% to £0.09m (2009: £0.25m) and, with inflation, the real value of cash investments is falling.

The Treasury Management Policy limits exposure to financial institutions. A maximum of 33% of total cash, subject to a maximum of £3m, may be invested in any one banking group and this policy was followed throughout the year.

2.5 Payment of Creditors

Central's payment policy is to pay creditors within 30 days, unless there is a contractual reason to do otherwise. During 2010 Central sought to follow the previous Government's request that the public sector pay creditors within 10 days.

2.6 Cash Flow

During the year the combined cash and cash investments balances have increased from £6.6m to £7.0m, an increase of £0.4m (2009: reduction of £0.7m). There was an increase in cash from £1.0m to £1.2m, an increase of £0.2m (2009: reduction of £1.6m). Short term deposits increased by £0.1m to £5.7m (2009: increase £1.0m).

The increase in cash and cash investments, £0.4m, is substantially lower than the income and expenditure account surplus of £0.8m. Given that depreciation is £0.2m greater than the release of deferred capital grants, there would, all other things being equal, have been an increase in cash of £1.0m over the year. The limitation of the growth to £0.4m, a variation of £0.6m is explained by:

- decrease in creditors (£0.5m) comprising a reduction in specific grants (£0.3m) and a reduction in accruals (£0.2m)
- increase in trade debtors (£0.1m) due to the adjustment in the provision for bad and doubtful debtors

Additionally the credit resulting from the LGPS valuation is a non-cash adjustment (£0.3m).

2.7 Balance Sheet

The net assets of Central have increased by £1.4m (2009: decline £0.4m) over the year.

The pension liability has reduced by £0.1m (2009: increase £0.9m). 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. This is due to the scheme obligations being reduced by the change from RPI to CPI, (£0.3m) discussed above, being partially offset by an actuarial loss (£0.1m) and finance costs (£0.1m). If the pension liability is excluded, Central's net assets have increased over the year by £1.3m.

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.

Fixed asset values have increased (£0.1m) reflecting increases in both tangible and investment assets. Debtors are unchanged, with an increase in trade debtors being offset by a corresponding fall in prepayments and accrued income caused by the change in the bad debt provision. Cash and cash investments have increased (£0.4m), for reasons analysed above.

Creditors due within one year have reduced considerably (£0.6m), the reduction relating to reduced income balances for the CETT and Capital Investment Framework projects which were completed during 2010.

Creditors due in more than one year have reduced (£0.2m) in line with scheduled loan payments to HEFCE and Lloyds Banking Group for debts incurred during the construction of the main campus.

2.8 Post Balance Sheet Events

No significant post-balance sheet events have arisen since 31 July 2010.

2.9 Capital Projects

Although there have been no major capital projects in-year, there have been significant developments of the estate.

The Eton Avenue frontage project neared completion. This followed a successful application to HEFCE to bring forward capital spending from 2011 to 2010. Central's main frontage borders Eton Avenue, on the edge of the Belsize Park conservation area. The local area has undergone considerable redevelopment over the past decade, including the Swiss Cottage Leisure Centre, Central's West Block and the Hampstead Theatre. The School's frontage to Eton Avenue was in need of improvement. The project landscaped the site, presenting a clean and open environment to Eton Avenue and providing outdoor social and performance space for the Central community. For the first time wheelchair users were provided with direct access to the campus.

During the year refurbishment of the main Victorian building, started with the 2005 CETL works, was completed. The building's best original features have been restored, two modest extensions constructed, and spaces brought up to modern standards of comfort and safety.

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 as auditors, and a resolution to reappoint KPMG as auditors will be proposed at the forthcoming Annual General Meeting.

3 TRENDS AND FUTURE DEVELOPMENTS

3.1 Trends

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

INCOME

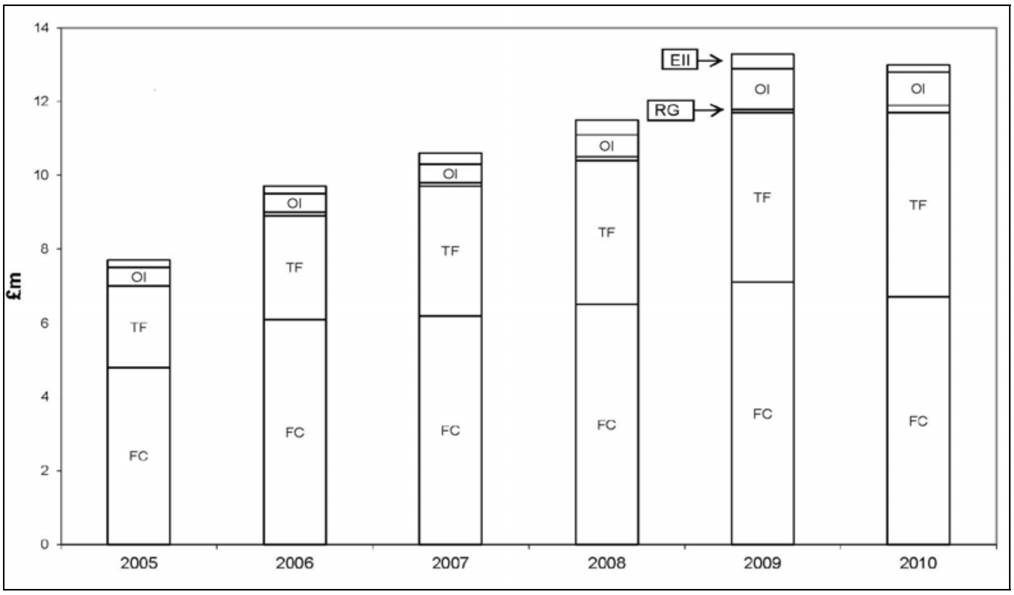
	Actual (£m):						% Change 2005 - 10
Income	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	
Funding body grants (FC)	4.8	6.1	6.2	6.5	7.1	6.7	40%
Tuition fees (TF)	2.2	2.8	3.5	3.9	4.6	5.0	127%
Research grants (RG)	0.0	0.1	0.1	0.1	0.1	0.2	20%
Other income (OI)	0.5	0.5	0.5	0.6	1.1	0.9	80%
Endowment and investment (EII)	0.2	0.2	0.3	0.4	0.4	0.1	(50%)
Total	**7.7**	**9.7**	**10.6**	**11.5**	**13.3**	**12.9**	**68%**

Key points:

a) the proportion of Funding Council grant income has reduced from 62% of total income in 2005 to 52% in 2010

b) the increase in Funding Council grant income with effect from 2006 relates to the award of CETL status and funding (average £0.5m recurrent) for five years to 2010

c) the proportion of tuition fee income has increased from 29% of total income in 2005 to 38% in 2010. This results from of the implementation of variable tuition fees with effect from 2007 and an increasing number of full cost Non-EU students



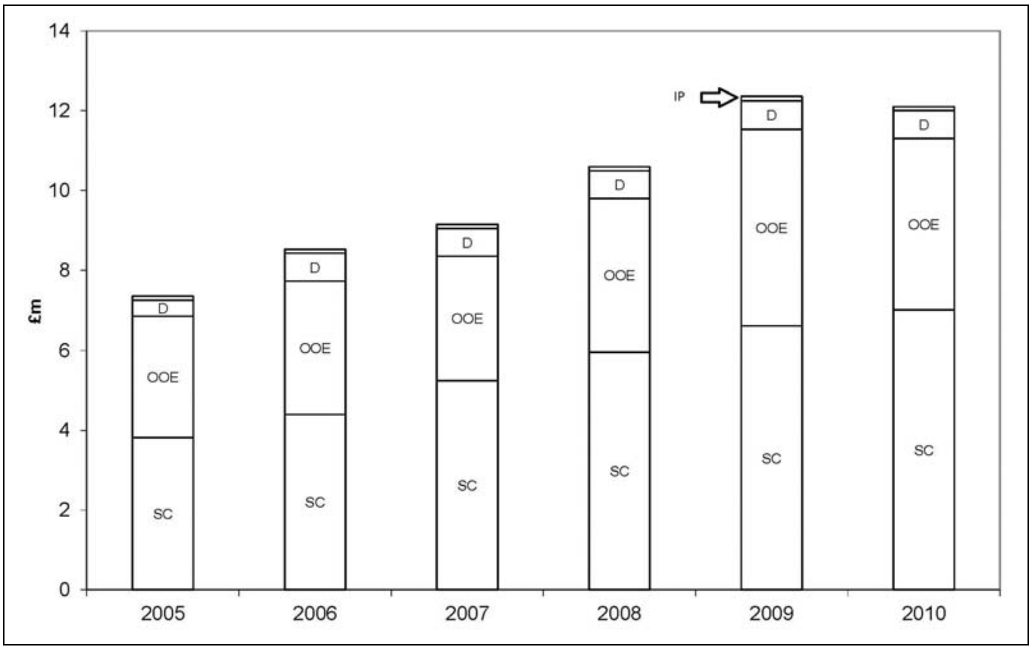
EXPENDITURE

	Actual (£m):						% Change 2005 - 10
Expenditure	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	
Staff costs (SC)	3.8	4.4	5.2	6.0	6.6	7.0	83%
Other operating expenses (OOE)	3.0	3.3	3.1	3.8	5.0	4.3	42%
Depreciation (D)	0.4	0.7	0.7	0.7	0.7	0.7	75%
Interest payable (IP)	0.1	0.1	0.1	0.1	0.1	0.1	-
Total	**7.3**	**8.5**	**9.1**	**10.6**	**12.4**	**12.1**	**65%**

Key points:

a) expenditure on pay has increased as a proportion of income being 52% in 2005, rising to 54% in 2010, but remaining within the financial strategy target of remaining below 60% of income

b) conversely expenditure on other operating expenses has fallen as a proportion of income, from 41% in 2005 to 34% in 2010



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

d) and 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.

Central is aware of the following issues which will impact on future funding:

a) the October 2010 Comprehensive Funding Review (CSR), which set Government departmental spending limits from 2011/12 to 2014/15, indicated the Government will seek savings in the region of 40% in the HEFCE teaching grant over this period, likely to be implemented in a way that removes core grant funding from the price group 'C' and 'D' courses offered by Central

b) the withdrawal of funding for students following equivalent or lower qualifications (ELQs). This has already resulted in a loss of grant and fee income of £0.2m with a further reduction of £0.1m in 2011

c) Central currently benefits from £1.8m per annum of exceptional funds. The current HEFCE review of the funding method for Teaching, in the context of the CSR may reduce this funding

d) the Research funding formula is being reviewed and may be changed to reduce the categories of research awarded HEFCE funding, significantly reducing Central's recurrent research funding

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

b) the level of fees required to maintain the unit of resource, in the context of the CSR and the Browne review, may result in future levels of student debt that will deter prospective home students from undergraduate degrees in the creative industries

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

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

3.2.3 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 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) strong cost control and the exploration of collaborative partnerships and shared services to ensure value for money

c) growth in student numbers, for example, full cost students and postgraduate research

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

e) development of international profile to lead to increased income from overseas

f) growth in income from research grants

g) the established of a professional fundraising team and participation in the government 'matched-funding' scheme

4 CONCLUSION

The financial year 2009/10 went well for Central; unexpected non-recurring factors largely contributed to the surplus for the year of £0.83m. The five year CETL project was completed with its most successful year. The Cultural Camden project will build upon industry engagement. The campus showed the benefits of capital investment.

Looking ahead, the landscape of higher education financing is set for radical change. Subject to Parliamentary consent, higher education institutions will be able to increase graduate contribution supported by government loans, with a broadly off-setting reduction in teaching grant, with effect from the 2012/13 academic year. The period of transition is likely to be challenging.

The creative industries make a significant contribution to national prosperity and economic growth. As a specialist conservatoire, Central pre-empts and responds to industry need by developing and providing training to meet emerging career pathways that are vital to sustain creative industries. It is acknowledged that the highly specialist teaching methods to support our intensive practically focussed provision require different cost structures to other non-specialist institutions. There will be a need for Central to maintain an appropriate level of resource in order to protect and ensure the future development and supply of leading practitioners to the thriving creative industries.

Central has a strong financial basis from which to navigate the changing landscape. In managing this change, Central will seek to protect the creation of public benefit and continue to attract the very best students from a diversity of social backgrounds.

Statement of Corporate Governance and Internal Control

The following statement is provided to enable readers of the annual report and accounts of the School 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 the School are Directors of the Company. The Governors serving during the year are as shown below:

Name	Category of Membership	Date of Appointment	Date of Resignation	Committee Membership
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)	-	-	-
Victoria Dickie	Independent	-	-	-
Professor Gavin Henderson CBE	Ex Officio (Principal / CEO)	-	-	Finance and Employment Committee; Nominations Committee
Pippa Harris	Independent	29 March 2010	-	-
Emma Huet	Ex Officio (Student Union President)	23 November 2009	31 July 2010	-
David Kaye	Independent	-	-	Chairman of Finance and Employment Committee; Nominations Committee
Kristine Langdon-Smith	Independent	-	-	-
Professor Simon McVeigh	Independent	29 March 2010	-	Academic Board Monitor
Lee Menzies	Independent	-	29 March 2010	Nominations Committee
Jodi Myers	Independent	-	-	Nominations Committee; Equality and Diversity Champion

Name	Category of Membership	Date of Appointment	Date of Resignation	Committee Membership
Charles Perrin CBE	Co-opted, University of London	-	-	Finance and Employment Committee; Remuneration Committee; Health and Safety Committee
David Petherbridge	Staff	-	29 March 2010	-
Peter Roberts	Independent	-	-	Deputy Chairman of Governors from 29 March 2010; Chairman of Health and Safety Committee Nominations Committee; Remuneration Committee
Philip Robinson	Independent	-	29 March 2010	Deputy Chairman of Governors, Academic Board Monitor
Martin Scott	Independent	-	-	Audit Committee
Dominic Tulett	Staff	19 July 2010	-	-
Leonora Twynam	Independent	-	-	Finance and Employment Committee

On 19 July 2010, Chris Priddle, Student Governor, was co-opted to the Board of Governors with effect from 1 August 2010.

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 2010.

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 staff and the student body. No non-executive members of the Governing Body receive any remuneration or reimbursement 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) and Deputy CEO 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 was appointed as Minuting Secretary to the Audit Committee with effect from 1 October 2005. During the year under review, Jon Allen was also appointed as Minuting Secretary to the Finance and Employment and Health and Safety Committees.

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 2010 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 three meetings and conducted a visit to Faculty during the year under review.

The Governing Body undertakes periodic Effectiveness Reviews. The latest review commenced in Summer 2010 and formed part of the Leadership Foundation for Higher Education (LFHE) and the Committee of University Chairs (CUC) Pilot Project to Develop a New Approach for Reviewing Governing Body Effectiveness.

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 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. Charles Lowe served as a co-opted member on the Audit Committee throughout the year under review and Anthony Blackstock has agreed to also serve as a co-opted member with effect from August 2010.

The Health and Safety Committee meets 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. Lee Menzies served as a co-opted member on the nominations Committee with effect from 30 March 2010.

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 and Accountable 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

e) for the implementation of decisions of the Governors

Accountable Officer

As Accountable 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 accountable officer, 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 institution's 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 2010, 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 termly 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 review of the effectiveness of the system of internal control is informed by the internal audit unit, which operates to standards defined in the HEFCE Audit Code of Practice, and was last reviewed for effectiveness by the HEFCE Audit Service in February 2009. It is also informed by the work of 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.

The Governing Body review of the effectiveness of the system of internal control 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 2010, and up to the date of approval of the annual report and accounts.

Paul Taiano

Paul Taiano
Chair of Governors

Independent auditors' report to the Board of Governors 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 2010 which comprise the Group Income and Expenditure Account, the Statement of Group Historical Cost Surpluses and Deficits, Statement of Group Total Recognised Gains and Losses, the Balance Sheet, the Group Cash Flow Statement and the related notes. 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, as a body, in accordance with the Charters and Statutes of Central. 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 page [20], the 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 auditing 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Central's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. It also includes those audit matters specified within the Audit Code of Practice issued by the Higher Education Funding Council for England.

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 2010 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; and
- 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.

Opinion on regularity matters

- 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 and its successor bodies, grants and income for specific purposes and from other restricted funds administered by Central during the year ended 31 July 2010 have been applied for the purposes for which they were received; and

- in all material respects, income during the year ended 31 July 2010 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 and its successor bodies.

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.

NThomas

Neil Thomas **(Senior Statutory Auditor)**
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square
London
E14 5GL
November 2010

Group Income and Expenditure Account

Year ended 31 July 2010

INCOME	**Notes**	**Year Ended 31 July 2010 £000**	**Year Ended 31 July 2009 £000**
Funding body grants	2	6,741	7,127
Tuition fees and education contracts	3	4,996	4,587
Research grants and contracts	4	171	88
Other income	5	885	1,113
Endowment and investment income	6	154	398
Total income		12,947	13,313
EXPENDITURE			
Staff costs	7	6,968	6,609
Other operating expenses	8	4,362	4,962
Depreciation	12	658	721
Interest and other finance costs	10	138	106
Total expenditure	9	12,126	12,398
Surplus on continuing operations after depreciation of tangible fixed assets at valuation		821	915
Transfer from / (to) accumulated income in endowment funds	20	2	2
Surplus for the year retained within general reserves		823	917

All items of income and expenditure arise from continuing operations

Pages 36 to 63 form part of these financial statements

Statement of Group Historical Cost Surpluses and Deficits

Year ended 31 July 2010

	Year Ended 31 July 2010 £000	Year Ended 31 July 2009 £000
Surplus for the year retained within the general reserve	823	917
Valuation gains realised on disposal of fixed asset investments	-	42
Historical cost surplus for the year retained within the general reserve	823	959

Statement of Group Total Recognised Gains and Losses

Year ended 31 July 2010

	Notes	Year Ended 31 July 2010 £000	Year Ended 31 July 2009 £000
Surplus on continuing operations after depreciation of tangible fixed assets at valuation		821	915
New endowments	20	-	-
Unrealised gains / (losses) on investments	21	30	32
Increase / (decrease) in endowment assets	20	1	1
Actuarial gains / (losses) in respect of pension schemes	34	135	(986)
Total recognised (losses) / gains relating to the year		987	(38)

Reconciliation

Opening reserves and endowments	7,517	7,555
Total recognised (losses) / gains for the year	987	(38)
Closing reserves and endowments	8,504	7,517

Balance Sheet as at 31 July

	Notes	2010		2009	
		Group £000	**School £000**	**Group £000**	**School £000**
Fixed assets					
Tangible assets	12	16,904	16,901	16,821	16,817
Investments	13	343	343	313	313
		17,247	17,244	17,134	17,130
Endowment assets	14	180	180	181	181
Current assets					
Stocks		1	-	1	-
Debtors	15	338	415	310	380
Investments	16	5,705	5,705	5,570	5,570
Cash at bank and in hand		1,267	1,191	978	909
		7,311	7,311	6,859	6,859
Less: creditors - amounts falling due within one year	17	(1,654)	(1,651)	(2,158)	(2,154)
Net current assets		5,657	5,660	4,701	4,705
Total assets less current liabilities		23,084	23,084	22,016	22,016
Less: creditors - amounts falling due after more than one year	18	(875)	(875)	(1,067)	(1,067)
Net assets excluding pension liability		22,209	22,209	20,949	20,949
Net pension liability	34	(1,768)	(1,768)	(1,867)	(1,867)
Net assets including pension liability		20,441	20,441	19,082	19,082

Balance Sheet as at 31 July (continued)

	Notes	2010 Group £000	2010 School £000	2009 Group £000	2009 School £000
Deferred capital grants	19	11,937	11,937	11,565	11,565
Endowments	20				
Expendable		13	13	11	11
Permanent		167	167	170	170
		180	180	181	181
Reserves	21				
Income and expenditure account excluding pension reserve		8,870	8,870	8,011	8,011
Pension reserve (deficit)		(1,768)	(1,768)	(1,867)	(1,867)
Income and expenditure account including pension reserve		7,102	7,102	6,144	6,144
Revaluation reserve	21	1,222	1,222	1,192	1,192
Total reserves		8,324	8,324	7,336	7,336
Reserves and endowments		8,504	8,504	7,517	7,517
TOTAL FUNDS		20,441	20,441	19,082	19,082

The financial statements were approved by the Governing Body on 22 November 2010, 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

Group Cash Flow Statement

Year ended 31 July 2010

	Notes	Year Ended 31 July 2010 £000	Year Ended 31 July 2009 £000
Net cash inflow from operating activities	22	582	350
Returns on investments and servicing of finance	23	(39)	316
Capital expenditure and financial investment	24	16	(1,194)
Management of liquid resources	25	(135)	(1,002)
Financing	26	(188)	(184)
Increase/(decrease) in cash		236	(1,714)

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 2010 £000	Year Ended 31 July 2009 £000
Increase / (decrease) in cash in the year		236	(1,714)
Change in short term deposits		135	1,002
Change in debt		188	184
Unrealised foreign currency translation gains		-	82
Change in net funds		559	(446)
Net funds at 1 August		5,461	5,907
Net funds at 31 July	27	6,020	5,461

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. 408 of the Companies Act 2006 not to present its own Income and Expenditure Account.

The group 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 the Income and Expenditure Account for the financial year.

Notes to the Accounts

2 FUNDING BODY GRANTS	Year Ended 31 July 2010 £000	Year Ended 31 July 2009 £000
Recurrent Grant		
HEFCE – Teaching	4,839	5,006
HEFCE – Research	304	-
Higher Education Funding Council for England	5,143	5,006
Training and Development Agency for Schools (TDA)	203	226
TOTAL RECURRENT GRANTS	5,346	5,232
Specific Grants (HEFCE)		
Centre of Excellence in Teaching & Learning	636	981
Higher Education Innovation Fund	145	116
Inherited Staff Liabilities	21	20
Research and Development	-	36
Teaching Capital Investment Fund	-	159
Supporting Professional Standards	18	-
Teaching Quality Enhancement Fund	111	49
Minority Subjects (Voice)	-	2
Leading Transformational Change	16	-
Summer Schools	17	3
Undergraduate Internships	12	-
	976	1,366
Specific Grants (TDA)		
Training Bursaries Administration	5	-
Flexible Trainees	-	38
Recruitment and Retention	14	-
Minority Ethnic Funding	(2)	12
Standard Support	-	1
	17	51
TOTAL SPECIFIC GRANTS	993	1,417
Deferred capital grants released in the year:		
HEFCE - Buildings	401	369
HEFCE - Equipment	1	109
TOTAL DEFERRED CAPITAL GRANTS (Note 19)	402	478
TOTAL FUNDING COUNCIL GRANTS	6,741	7,127

Notes to the Accounts

3 TUITION FEES AND EDUCATION CONTRACTS		Year Ended 31 July 2010 £000	Year Ended 31 July 2009 £000
Full-time Undergraduate	- Home and EU Fees	1,791	1,638
	- International and Island* Fees	393	273
Full-time Postgraduate	- Home and EU Fees	988	1,229
	- International and Island* Fees	1,040	720
Part-time Postgraduate	- Home and EU Fees	98	51
	-International and Island* Fees	7	-
Short course and other fees		650	637
Other education contracts		-	3
Learning and Teaching grants		29	36
Total fees paid by, or on behalf of, individual students		4,996	4,587

* Island Fees include Channel Islands and the Isle of Man

4 RESEARCH GRANTS AND CONTRACTS		
Arts and Humanities Research Council	171	88

5 OTHER INCOME		
Catering and conferences	255	271
Promotions and events	66	38
External services	119	70
Rental income	187	179
Theatre receipts	34	33
Donations	127	3
Shop and photocopy sales	23	25
Released from deferred capital grants (Note 19)	6	6
VAT refund	-	343
Other income	68	145
	885	1,113

6 ENDOWMENT AND INVESTMENT INCOME		
Income from permanent endowments (Note 20)	1	5
Income from investments	12	8
Bank interest	88	254
Foreign currency translation gains	53	131
	154	398

Notes to the Accounts

7 STAFF COSTS	**Year Ended 31 July 2010 FTE**	**Year Ended 31 July 2009 FTE**
Average staff numbers, expressed as full-time equivalents (FTE):		
Teaching Departments	114	115
Teaching Support Services	10	7
Administration and Central Services	33	32
Premises	4	4
Catering and Conferences	3	2
	164	160

	Year Ended 31 July 2010 £000	**Year Ended 31 July 2009 £000**
Staff costs for the above:		
Salaries	5,864	5,583
Social security costs	504	479
Other pension costs (Note 34)	599	516
	6,967	6,578
Restructuring costs	1	31
Total	6,968	6,609

Directors Emoluments	**Year Ended 31 July 2010 £000**	**Year Ended 31 July 2009 £000**
Aggregate emoluments of the 20 Directors (2009: 17) who served during the year:		
Salaries	293	270
Benefits in kind	1	1
Pension contributions	41	38
Total	335	309

No non-executive directors received any emoluments during the year (2009: Nil). During the year two (2009: two) non-executive directors received reimbursement of expenses of £393 (2009: £168).

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 2010 and 31 July 2009.

Emoluments of the Principal	Year Ended 31 July 2010 £000	Year Ended 31 July 2009 £000
Salary	185	162
Benefits in kind	1	1
	186	163
Pension contributions	25	23
Total	211	186

Following consultation, the 2010 salary includes a final termination payment in respect of the closure of a previous contractual performance related pay scheme.

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	Year Ended 31 July 2010 FTE	Year Ended 31 July 2009 FTE
£100,000 - £110,000	1	-
£110,001 - £120,000	-	1
£120,001 - £130,000	1	-
	2	1

Notes to the Accounts

8 OTHER OPERATING EXPENSES	Year Ended 31 July 2010 £000	Year Ended 31 July 2009 £000
Advertising for staff	34	68
Auditors' remuneration – external audit, parent company	27	29
Auditors' remuneration – external audit, subsidiary company	4	3
Auditors' remuneration – taxation and other services	1	11
Bad and doubtful debts	(59)	61
Books and periodicals	31	29
Buildings insurance	31	32
Bursaries	211	204
Catering and conferences operating expenses	209	227
Cleaning	203	197
Computer and web-site maintenance	264	238
Consumables	150	175
Course development	14	42
Educational visits	24	65
Endowment awards and other endowment expenditure	3	7
Examination and validation costs	15	13
Furniture, fittings and equipment	99	106
General insurances	54	61
Grants to the CSSD Students Union	33	30
Heat, light, water and power	169	149
Hired or contracted services	646	710
Internal audit	11	32
Legal and professional	186	220
Loss on disposal of fixed assets	21	98
Other expenditure	131	131
Postage	36	38
Printing and stationery	95	114
Promotions and events	311	333
Rates	37	35
Registration fees	5	7
Rents	103	114
Repairs and general maintenance	429	512
Self-employed professionals	417	495
Staff and student travel	126	118
Staff development	87	90
Subscriptions	179	137
Telephone and facsimile	25	31
	4,362	4,962

An analysis of expenditure by activity for the year ended 31 July 2010 is shown in Note 9.

Notes to the Accounts

9 ANALYSIS OF EXPENDITURE BY ACTIVITY

YEAR ENDED 31 JULY 2010

	Staff Costs £000	Other Operating Expenses £000	Depre-ciation £000	Interest Payable £000	Total £000
Teaching Departments	4,516	1,653	28	-	6,197
Teaching Support Services	260	269	50	-	579
Administration and Central Services	2,015	2,103	124	80	4,322
Premises	143	114	456	58	771
Catering and Conferences	34	223	-		257
Total per Income and Expenditure Account	6,968	4,362	658	138	12,126

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

The depreciation charge has been funded by:

	Year Ended 31 July 2010 £000	Year Ended 31 July 2009 £000
Deferred Capital Grants released (Note 19)	408	484
General Income	250	237
	658	721

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 2010 £000	Year Ended 31 July 2009 £000
On bank loans, overdrafts and other loans repayable wholly or partly in more than five years	58	62
Net interest on pension scheme liabilities (Note 34)	80	44
	138	106

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 Land £000	Alterations and Improvements £000	Equipment £000	Total £000
Cost and valuation					
At 31 July 2009	17,098	650	2,491	2,170	22,409
Additions	-	-	722	40	762
Disposals	-	-	-	(624)	(624)
At 31 July 2010	17,098	650	3,213	1,586	22,547
Depreciation					
At 31 July 2009	3,314	-	535	1,739	5,588
Charge for the year	316	-	214	128	658
Disposals	-	-	-	(603)	(603)
At 31 July 2010	3,630	-	749	1,264	5,643
Net book value					
At 31 July 2010	13,468	650	2,464	322	16,904
At 31 July 2009	13,784	650	1,956	431	16,821

Notes to the Accounts

12 TANGIBLE ASSETS (continued)

	School				
	Freehold Land and Buildings £000	**Long Leasehold Land £000**	**Alterations and Improvements £000**	**Equipment £000**	**Total £000**
Cost and valuation					
At 31 July 2009	17,098	650	2,491	2,165	22,404
Additions	-	-	722	40	762
Disposals	-	-	-	(624)	(624)
At 31 July 2010	17,098	650	3,213	1,581	22,542
Depreciation					
At 31 July 2009	3,314	-	535	1,738	5,587
Charge for the year	316	-	214	127	657
Disposals	-	-	-	(603)	(603)
At 31 July 2010	3,630	-	749	1,262	5,641
Net book value					
At 31 July 2010	13,468	650	2,464	319	16,901
At 31 July 2009	13,784	650	1,956	427	16,817

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 appropriate proportion of 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 2010 £000	**Group and School** Year Ended 31 July 2009 £000
Balance at 1 August	313	286
Additions	-	281
Disposals	-	(286)
Increase / (decrease) on revaluation	30	32
Balance at 31 July	343	313
Listed investments comprise:		
Equities (listed unit trusts)	343	313
Total investments at 31 July	343	313
Equities (listed) at cost at 31 July	281	281

Investment in subsidiary company at cost	**Group 2010 £**	**School 2010 £**	**Group 2009 £**	**School 2009 £**
Subsidiary company	-	1	-	1

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

The results of the group consolidate those of CSSD Enterprises Limited.

The results of the subsidiary are as follows:	**Year Ended 31 July 2010 £000**	**Year Ended 31 July 2009 £000**
Turnover	81	86
Cost of sales	(29)	(28)
Gross profit	52	58
Net operating expenses	(47)	(46)
Operating profit	5	12
Bank interest receivable	-	1
Profit on ordinary activities before taxation	5	13
Transferred to Parent Undertaking under Gift Aid	(5)	(13)
Profit for the financial year	-	-

Notes to the Accounts

14 ENDOWMENT ASSET INVESTMENTS

	Group	
	Year Ended 31 July 2010 £000	**Year Ended 31 July 2009 £000**
Balance at 1 August	181	182
Additions	-	11
Disposals	-	(12)
Increase / (decrease) on revaluation	1	1
Decrease in cash balances	(2)	(1)
Balance at 31 July	180	181
Endowment asset investments comprise:		
Equities (listed unit trusts)	13	12
Loans	5	1
Bank balances	162	168
Total endowment asset investments at 31 July	180	181
Fixed interest stocks and equities at cost at 31 July	11	11

Notes to the Accounts

15 DEBTORS

	Group 2010 £000	School 2010 £000	Group 2009 £000	School 2009 £000
Amounts falling due within one year:				
Debtors	218	218	70	70
Amounts owed by subsidiary undertaking	-	77	-	70
Prepayments and accrued income	120	120	240	240
	338	415	310	380

16 CURRENT ASSET INVESTMENTS

	Group and School 2010 £000	Group and School 2009 £000
Deposits maturing in one year or less	5,705	5,570

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2010 £000	School 2010 £000	Group 2009 £000	School 2009 £000
Mortgages and loans (Note 18)	192	192	188	188
Creditors	522	519	497	493
Social security and other taxation	190	190	186	186
Accruals and deferred income	750	750	1,287	1,287
	1,654	1,651	2,158	2,154

Notes to the Accounts

18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group and School 2010 £000	Group and School 2009 £000
Secured loans payable by 2020	875	947
Unsecured loans payable by 2011	-	120
	875	1,067

Analysis of secured and unsecured loans:

	Group and School 2010 £000	Group and School 2009 £000
Due between one and two years	76	192
Due between two and five years	257	243
Due in five years or more	542	632
Total	875	1,067

Summary of borrowings at 31 July 2010:

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%	72	875
HEFCE	Unsecured Loan	December 2001	10 years	Interest free	120	-
					192	875

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 the end of 2011.

Notes to the Accounts

19 DEFERRED CAPITAL GRANTS

	Group and School		
	HEFCE £000	**Other Grants £000**	**Total £000**
At 1 August 2009			
Buildings	11,330	225	11,555
Equipment	10	-	10
Total	11,340	225	11,565
Grants Received			
Buildings	780	-	780
Equipment	-	-	-
Total	780	-	780
Released to Income and Expenditure			
Buildings	(401)	(6)	(407)
Equipment	(1)	-	(1)
Total	(402)	(6)	(408)
At 31 July 2010			
Buildings	11,709	219	11,928
Equipment	9	-	9
Total	11,718	219	11,937

Notes to the Accounts

20 ENDOWMENTS

Group and School

	Restricted Expendable £000	Restricted Permanent £000	Year Ended 31 July 2010 £000	Year Ended 31 July 2009 £000
Balances at 1 August 2009				
Capital	12	151	163	163
Accumulated income	0	18	18	19
	12	169	181	182
New endowments	-	-	-	-
Investment income	-	2	2	5
Expenditure	-	(4)	(4)	(7)
	-	(2)	(2)	(2)
Increase / (decrease) in market value of investments	1	-	1	1
At 31 July 2010	13	167	180	181
Represented by:				
Capital	12	151	163	162
Accumulated income	1	16	17	19
	13	167	180	181

Details of restricted permanent endowments are set out below:

	Capital value at 31 July 2010 £	Opening accumulated income £	Investment income £	Expenditure £	Closing accumulated income £	Year Received
Milner Scholarship	129,870	9,339	944	(4,500)	5,783	1998
Gary Bond Memorial Fund	12,475	154	1,044	-	1,198	1997
Jane Cowell Memorial Fund	5,136	3,189	46	-	3,235	1989
Robert Tunstall Memorial Award	2,500	172	15	-	187	2005
Clive Brook Prize Fund	1,000	5,864	26	-	5,890	1974
	150,981	18,718	2,075	(4,500)	16,293	

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

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.

Gary Bond Memorial Fund
This restricted permanent endowment is used to fund an annual award for any Acting student facing exceptional necessity.

Clive Brook Prize Fund
This restricted permanent endowment is used to fund an annual prize to a student.

Jane Cowell Memorial Fund
This restricted permanent endowment is used to fund an annual prize to a final year Acting student.

The capital value of the permanent endowments was unchanged during the year. Due to the historic low level of investment returns, care was taken in the determination of awards to maintain each funds value. Exceptionally the Gary Bond Memorial Fund award of £750 was paid from School funds in year.

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 2009	8,011	(1,867)	1,192	7,336
Surplus retained for the year	823	-	-	823
Transfer between reserves: pension scheme	36	(36)	-	-
Actuarial gain in respect of pension scheme	-	135	-	135
Revaluations in the year	-	-	30	30
Released to I&E on sale of investment asset	-	-	-	-
Closing reserves at 31 July 2010	8,870	(1,768)	1,222	8,324

	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

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 2010 £000	Year Ended 31 July 2009 £000
Surplus after depreciation of tangible fixed assets at valuation		821	915
Depreciation	12	658	721
Loss on disposal of fixed assets		21	98
Deferred capital grants released to income	19	(408)	(484)
Investment income	6	(154)	(398)
Interest payable		138	106
Pension cost less contributions payable		35	(41)
(Increase) / decrease in debtors excluding bank interest		(21)	67
(Decrease) in creditors excluding loans and overdrafts		(508)	(634)
Net cash inflow from operating activities		582	350

23 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	Year Ended 31 July 2010 £000	Year Ended 31 July 2009 £000
Income from endowments	1	5
Income from investments	12	8
Other interest received	81	360
Realised foreign currency translation gains	5	49
Interest paid	(138)	(106)
	(39)	316

24 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	Year Ended 31 July 2010 £000	Year Ended 31 July 2009 £000
Payments made to acquire fixed assets	(764)	(1,189)
Payments made to acquire investment assets	-	(281)
Payments made to acquire endowment assets	-	(11)
Proceeds from sale of fixed assets	-	204
Proceeds from sale of endowment assets	-	11
Deferred capital grants received	780	72
Endowments received	-	-
	16	(1,194)

25 MANAGEMENT OF LIQUID RESOURCES

	Year Ended 31 July 2010 £000	Year Ended 31 July 2009 £000
Transfer (to) / from deposits	(135)	(1,002)

26 FINANCING

	Year Ended 31 July 2010 £000	Year Ended 31 July 2009 £000
Repayments of amounts borrowed	(188)	(184)

Notes to the Accounts

27 ANALYSIS OF CHANGES IN NET FUNDS

	At 31 July 2009 £000	Cash Flows £000	Other Non-Cash Changes £000	At 31 July 2010 £000
Cash at bank and in hand:				
Endowment assets (Note 14)	168	(6)	-	162
Other	978	242	-	1,220
	1,146	236	-	1,382
Short term deposits	5,570	135	-	5,705
Debt due within one year (Note 17)	(188)	188	(192)	(192)
Debt due after one year (Note 18)	(1,067)	-	192	(875)
	5,461	559	-	6,020

28 CAPITAL COMMITMENTS

	Group and School 2010 £000	2009 £000
Commitments contracted at 31 July	133	-

2010 capital commitments relate to a building contract, which commenced in June 2010, for the refurbishment of the Eton Avenue frontage and the construction of the Embassy Theatre Scene Dock.

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 2010 (31 July 2009: £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 2010.

33 AMOUNTS DISBURSED AS AGENT – ACCESS FUNDS

	Group and School	
	31 July 2010 £000	**31 July 2009 £000**
Income:		
Excess of income over expenditure brought forward	(1)	(5)
Funding Council grants	18	27
	17	22
Expenditure:		
Disbursed to students	(18)	(23)
Excess of expenditure over income carried forward	(1)	(1)

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 2010 £000	**31 July 2009 £000**
TDA training bursaries	204	234

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 2010 £000**	**Year Ended 31 July 2009 £000**
Teachers' Pension Scheme : contributions paid	282	270
London Pensions Fund Authority :		
Current service cost	296	226
Past service cost		-
Early retirements cost	21	20
	599	516

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)

In its June 2010 budget, the government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Prices Index (CPI) rather than, as previously, the Retail Price Index (RPI). The School has considered the LGPS scheme rules and associated members' literature and has concluded that as a result, a revised actuarial assumption about the level of inflation indexation should be made, with the resulting gain recognised through the Statement of Total Recognised Gains and Losses ('STRGL'). At the date of these financial statements, the Urgent Issues Task Force (UITF) is in the process of consulting widely on the accounting treatment for this change and is expected to issue an Abstract towards the end of 2010. Should the Abstract call for a different accounting treatment it may be necessary to reflect any change in the financial statements for the following year.

A qualified independent actuary carried out a full actuarial valuation of the fund at 31 July 2008. The major assumptions used by the actuary were:

	2010	**2009**
RPI increases	3.2%	3.6%
CPI Increases	2.7%	n/a
Salary increases	4.7%	5.1%
Pension increases	2.7%	3.6%
Discount rate	5.4%	6.0%

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

	2010	**2009**
Equities	69.0%	68.2%
Target return portfolio	12.0%	10.3%
Alternative assets	15.0%	14.7%
Other Bonds	2.0%	-
Cash	2.0%	6.8%

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

	2010	**2009**
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:

	2010		2009		2008	
	Long Term Return %	Fund Value £000	Long Term Return %	Fund Value £000	Long Term Return %	Fund Value £000
Equities	7.3%	2,739	7.5%	2,230	7.6%	1,807
Target return portfolio	4.5%	476	6.2%	337	6.3%	605
Alternative assets	6.3%	595	6.7%	481	6.8%	687
Other Bonds	5.4%	79	-	-	-	-
Cash	3.0%	79	3.0%	222	4.8%	(12)
		3,968		3,270		3,087

The following amounts at 31 July 2010 were measured in accordance with the requirements of FRS 17:

Analysis of the amounts shown in the balance sheet	**31 July 2010 £000**	**31 July 2009 £000**	**31 July 2008 £000**	**31 July 2007 £000**	**31 July 2006 £000**
Central's estimated assets share	3,968	3,270	3,087	2,966	2,485
Present value of scheme liabilities	(5,736)	(5,137)	(4,009)	(3,684)	(3,559)
Deficit in the scheme – net pension liability	(1,768)	(1,867)	(922)	(718)	(1,074)

Analysis of the amount charged to staff costs within operating surplus	**31 July 2010 £000**	**31 July 2009 £000**
Current service cost	296	226
Past service cost		-
Total operating charge	296	226

Analysis of the amount that is credited to other finance income / charged to interest payable	**31 July 2010 £000**	**31 July 2009 £000**
Expected return on pension scheme assets	238	235
Interest on pension scheme liabilities	(318)	(279)
Net (charge) / return	(80)	(44)

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 2010 £000**	**31 July 2009 £000**
Actual return less expected return on pension scheme assets	104	(446)
Changes in assumptions underlying the present value of the scheme liabilities	31	(540)
Actuarial gains / (losses) recognised in the STRGL	135	(986)

Movement in deficit in the year

Deficit in the scheme at the beginning of the year	(1,867)	(922)
Movement in the year:		
Current service costs	(296)	(226)
Contributions	340	311
Other finance income	(80)	(44)
Actuarial gains / (losses)	135	(986)
Deficit in the scheme at the end of the year	(1,768)	(1,867)

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

At the beginning of the year	5,137	4,009
Current service cost	296	226
Interest costs (net)	318	279
Contributions by scheme participants	120	109
Actuarial (gain) / loss	(31)	540
Benefits paid	(114)	(26)
At the end of the year	5,726	5,137

Analysis of movement in the market value of the scheme assets

At the beginning of the year	3,270	3,087
Expected rate of return on scheme assets	238	235
Actuarial losses	104	(446)
Contribution by the employer	340	311
Contributions by scheme participants	120	109
Benefits paid	(114)	(26)
At the end of the year	3,958	3,270

Notes to the Accounts

34 PENSION SCHEMES (continued)

History of experience gains and losses	**2010 £000**	***2009 £000**	***2008 £000**	**2007 £000**	**2006 £000**
Experience (losses) / gains on scheme assets:	104	(446)	(352)	127	99
Experience gains on scheme liabilities:	-	-	201	-	-
Total amount recognised in the Statement of Total Recognised Gains and Losses:	135	(986)	(155)	476	(49)

* Central has elected not to restate amounts for 2009, 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 £670,000 losses (2009: £805,000 losses).

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 2011 is £366,000.

The actual return on scheme assets in the year was £343,000 (2009: charge £211,000).

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