CENTRAL
SCHOOL
OF SPEECH & DRAMA

UNIVERSITY OF LONDON

Central School of Speech & Drama
University of London

Patron

HRH Princess Alexandra,
The Hon Lady Ogilvy GCVO

President

Michael Grandage CBE

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2011

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.

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Report by the Principal

This has been a year in which the most radical change in support for Higher Education has ushered in a sequence of measures – some responding to the perilous economic situation facing most western nations, and some driven by ideological development in the wake of a change of government. That said, Lord Browne's Review of Funding for Higher Education (NB at undergraduate level) had been set in motion by the previous government. However, his findings and recommendations were significantly tempered by the Comprehensive Spending Review which evolved in parallel to the final stage of The Browne Review, followed by the government's White Paper (June 2011). It was always envisaged that a significant rise in tuition fees would result, indeed many of The Russell Group Universities were pushing for an open market unrestricted by a cap. Much time has been spent in lobbying, and, in the case of the small specialist conservatoires, pressing for clarification (and indeed continuance) of the 'Exceptional Funding' regime. One could dwell at length on the various deliberations, but the specifics as far as Central is concerned, are as follows:

With an average cost per student of circa £15,000 annually, we have no alternative but to charge the maximum fee capped at £9,000.

Exceptional Funding will be maintained, broadly as is, for one year with the new fee/funding regime (2012/13). In the meantime there will be a review (driven by HEFCE) of how best the exceptional costs of conservatoire provision can be met in the longer term. It is to be hoped that this review will be an open and broadly based examination of the sector as a whole, hopefully conducted by an independent panel. The current tapestry of what was once known as Premium Funding grew from a variety of individual arrangements which are now difficult to reconcile across the sector, and would have to be seen as representing unfair competitive advantage in certain directions. In a system which will be largely based upon the notion of a competitive market place, such a landscape would be untenable - and would probably contravene EU regulation on fair competition. This review might be the moment at which sensible adjustment could be made.

The new student market place will be greatly influenced by statistical data and measurable benefit. People paying £9,000 will want to see what advantage will be gained over other courses perhaps available for less, elsewhere. Student feedback will be crucial, and in this vein it is gratifying to see Central maintaining its position in the top ten universities in the UK (6^{th} in 2009/10, and now 5^{th} in 2010/11) in the National Student Survey. Of all the various league tables this is the one which really grabs attention, being driven by the student body, and reflective of their genuine concerns and interests.

Application levels remain high. Indeed an increase for 2011/12 is unsurprising given that this is the last year of funding under the old regime. Fears that strict controls by the UK Border Agency, and indeed scaremongering in the media about 'the collapse of HE funding in the UK' have not had a significant effect on overseas recruitment. Indeed, there have been encouraging developments in applications from beyond the main US market – Australia in particular, and also Hong Kong and Singapore. This has largely followed the chance visits of staff to these countries, and begs the question as to how cost effective could it be to invest in targeted promotion more widely abroad.

The new fee regime will also bring conditions of support for wider access to those institutions charging more than £6,000 per annum. Central's Access Agreement has been formally agreed by OFFA. However, there will also be conditions attached by entry criteria for eligibility to recruit larger cohorts. These will be based on A level ratings of 'AAB' on the one hand, and a sub £7,500 fee level on the other. Such a scheme cannot be applied to the specialist conservatoires which select by highly competitive audition, and need to charge well in the excess of £7,500 to meet their very specialised cost requirements. This will be the subject of intense representation and negotiation.

The School of Professional and Community Development (SPCD) department has continued with its work in India. Indeed, Central has a number of initiatives in this subcontinent. It is costly, but brings support from the British Council – for the time being. Clearly the Indian economy is growing apace, with an entertainment industry (film in particular) which has its own needs for training and development, and research. We have invested significantly, to date, with connections now breeding further possibilities. Unlike the Chinese market, India is not breeding a student customer base in our sector – as yet. Its culture is that of the third world, expecting aid. But this will inevitably change, the question is how long is it reasonable for us to keep our commitment open. It would be frustrating to pull out, and then let others take over and build upon our ground work.

Another change during the year has been in HEFCE's 'third leg' of funding – HEIF (Higher Education Innovation Fund), which hitherto has supported a wide range of industry partnerships and community development. A change in the regulations, driven largely by notions of 'industry investment' has meant that our sector is largely excluded. This funding had been a powerful ingredient in SPCD work, and in brokering collaboration with many small and experimental theatre companies. We will petition for this to be reviewed in due course, but it can be seen that much of the community based work which was undertaken was directed towards the areas of society in which the rioting has more recently occurred. The Treasury has been behind the recalibration of HEIF, as a support measure for economic stimulus. Now, however, we will be looking at other measures, no doubt costly, to address issues of social unrest in deprived communities. Central has nurtured a creative approach to such work, highlighted by our work in the prison service, notably at HM Prison and Young Offender Institution Doncaster, where the Director, John Biggins was named the Public Servant of the Year at the 2010 Guardian Public Service Awards largely reflecting the kind of work in which Central has been involved.

Teacher training is a further area under pressure, with significant cuts in numbers within the drama sector. However, Central gained a glowing report from the Ofsted inspection which took place during the year, and this has resulted in a modest increase in numbers of students being supported – from the scaled down core we were expecting.

Looking ahead, the Browne Review, and the subsequent White Paper, have done little to address the needs of postgraduate study and support thereof. It is probable that support will diminish, and that the market will be squeezed by pressure of those taking on significant levels of loan repayment, for their undergraduate years, being less willing to incur greater cost for continuation into postgraduate training. Here too, the long term review of exceptional funding will need to take account of the professional need to extend training into more specialised areas beyond the three year undergraduate period. In the meantime it is advisable for us to invest short term, from our reserves, in supporting the sustained strength of Central's postgraduate structure, the largest in our sector, and fundamental to the present 'business model' of Central.

Public benefit will be an important barometer for investment in the special needs of our sector. Central's track record is excellent, even if we keep our light 'under a bushel' to some extent. Our performance programme is much more extensive than that which we advertise to the general public, together with a range of research seminars, workshops, conferences and exhibitions. Our annual residency in Cornwall (at the Minack Theatre) has now been augmented by similar residency in the Medway. The alumni gathering at Edinburgh Festival was an impressive showing of so much impact by Central students, not only from the shows which we had specifically supported, but from the huge range of involvement across dozens of shows on both the International Festival and The Fringe. From a lighting and technical standpoint – it is difficult to see how Edinburgh Festival could function without the input of Central expertise!

Central is also an important broker in a number of partnerships. This year saw The Prague Quadrennial (of scenography and theatre design/architecture) taking place again. Central curated the student section ('Scenofest') with a truly massive input of student exhibitions and performances from all over the globe. We have also maintained the collaboration which is 'Cultural Camden', and delivered the Accidental Festival as a prominent part of this (at The Roundhouse). We also continue to be a partner with the University of London's Centre for Creative Collaboration. At year end we joined the consortium of 'L CASE' of London arts orientated HEIs which has bid successfully to take on one of four AHRC funded creative hubs in the UK – the 'Culture Capital Exchange'.

In so much of this work we need to address aspects of fundraising from the private sector, to boost our marketing, and to sharpen the public profile of Central in general. To this end we have established a Department of Development and External Affairs. It is true to say that we are a long way behind our competitors in this regard, but we have made bold strides in getting this work established. At the core is a need to cultivate an institutional culture that understands the need to project Central to a much wider constituency – locally, nationally and internationally, and to engage more vigorously with the philanthropic community. It is a process which touches upon every aspect of Central. External support will be hard to attract if we cannot demonstrate a real commitment internally.

Our most public occasion is Graduation Day – in 2010 this was once again held at the Royal Festival Hall, Southbank. Honorary Fellowships were conferred on Sir Donald Sinden (presented by Sir Ronald Harwood), Marcus Davey, Paule Constable and Rae Smith. It was a truly rousing occasion, notwithstanding the economic storm clouds. It was a year in which we 'battened down the hatches' in preparation for the radical changes now looming. It will be necessary to dip into reserves through the period of adjustments and thus it was encouraging to have such a positive year end result.

Thanks are due to all who have worked so hard to achieve an excellent year's work, with such a promising outcome. Board members give freely of their time, for which we are very grateful. We said farewell to Professor Lavender (as Dean of Research), and welcomed Victoria Okotie as Director of Development and External Affairs, and also Pat O'Donnell as interim Director of Finance. Our President, Michael Grandage gives us great support and this year stepped down as Artistic Director of the Donmar after nine enormously successful years.

Central is in excellent heart, is alert to the opportunities which lie ahead in a very changed landscape - as well as the challenges of much reduced grant in aid: we are in robust financial health, even if we have had to put on hold the next phase of major capital development.

Gavin Henderson

Professor Gavin Henderson CBE
Principal

Public Benefit and Operating Review

The Central School of Speech & Drama (hereafter referred to as 'Central' or the 'School') is an exempt charity under the terms of the Charities Act 2006 and the Higher Education Funding Council for England (HEFCE) is the principal regulator of Central, both as a Higher Education Institution and as a Charity.

Central has no linked charities attached to it. The members of the Governing Body of Central are the charitable trustees of Central.

CONTEXT, OBJECTIVES AND STRATEGIES

Legal Status

Central, herein defined as the parent company, 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.

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; and
- 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.

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.

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; and
- Continue to refine and apply streamlined and enhancement-oriented approaches to quality assurance, from which staff and students derive stimulus, and which incorporate benchmarking against relevant higher education practice.

Strategic Aim 2: Jobs, partners, opportunities

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

Key strategic objectives

- Extend the scope of engagement with business and the community in subject areas, teaching methods and sharing of knowledges;
- To establish a fully integrated marketing and promotional system across the School, backed up by appropriate market research and consolidated database;
- Continue to do work of public benefit with an always greater range of the public;
- Build international dialogue and academic partnerships in the domain of research, knowledge transfer and pedagogy; and
- 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; and
- Strengthen professional and effective administration, which is sustainable and makes optimum use of defined procedures and roles, automated solutions and School-wide liaison.

Sustainability

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

PERFORMANCE REVIEW 2010/11

Strategic Performance

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

a) enhanced its rating in the National Student Survey with 92% of final year undergraduate students saying they were satisfied with their courses. This ranked Central in 5th place in the UK;

b) validated a MA in Creative Producing in response to identified industry need;

c) continued work on the HEFCE funded Leading Transformational Change 'Cultural Camden' project which aims to seek greater collaboration with partners including the Roundhouse and the Hampstead Theatre;

d) delivered a highly successful HEFCE funded Internship Programme where 87% of participants went on to paid employment;

e) launched Phase 1 of a new website to support enhanced functionality and access to information;

f) established three Research Centres;

g) successfully completed the Carbon Trust project with an approved Carbon Management Plan in place;

h) established a new Department of Development and External Affairs to integrate Fundraising with Marketing and Alumni activities; and

i) achieved financial strategy targets.

Public Benefit Performance 2010/11

The Board of Governors monitors the performance of Central against its core public benefit aims set out above. A summary of Central's key achievements for 2010/11 is presented below:

- delivered a range of higher educational professional training programmes to 892 students: 583 under-graduate taught full-time students; 201 post-graduate taught full-time students; 32 full-time PGCE students; 19 full-time PHD students; 47 part-time post-graduate taught students and 10 part-time PHD students;

- awarded 422 higher education awards: 174 Bachelor of Arts (32 at First Class); 214 Master of Arts (57 at Distinction); 32 Post-Graduate Certificates in Education and 2 Doctor of Philosophy;
- delivered a range of non-award bearing professional and community programmes to 894 students: 310 short-course students; 372 Saturday youth-theatre students and 212 summer school students;
- delivered 97 Higher Education Audition/Interview workshops in schools, colleges and youth theatres across London and England;
- delivered a range of free Summer Schools: Aim Higher for 17 students and an OFFA week for 170 7-18 year olds;
- awarded 197 OFFA access bursaries to the value of £193,000 and awarded 5 bursaries for Gap Year students from low-income groups;
- secured and distributed £27,573 from the Leverhulme Trust to offer outreach opportunities using drama and performance in a range of different social and community settings. 9 Masters and 61 under-graduate students benefited directly and it enabled over 4,000 hours of training to be contributed to communities from Brighton to Brazil and Ecuador to Exeter. Our students worked directly with 800 participants, and indirectly with a further 800. Additionally, work was toured to approximately 650 young people;
- secured and distributed Prize Funds: Clive Brook Prize (£500); Milner Awards (£4,500); Tunstall Award (£100) and the Gary Bond Award (£750);
- our students have delivered 34,000 hours working on industry placement and through engagement in community development. This has involved working directly with 7,200 participants and indirectly with 17,500 participants including audience members. 70% of industry placements have led to further opportunities of employment;
- Staged 16 Public Performances at Central and 2 Productions at Minack, Cornwall and in Medway, Kent, ran the Accidental Festival at the Roundhouse and mounted 2 Industry Design Exhibitions which were attended by in excess of 9,750 members of the public and community. In addition, Central supported the transfer of 2 Public Productions to the Edinburgh Fringe – The Captain of Kopenick and SOLD which won the prestigious Amnesty International Freedom of Expression Award; and
- Alumni presence at the Edinburgh Fringe Festival featured in over 25 productions.

Financial Review

The Financial Statements for the Year Ended 31 July 2011 show the group position for Central and include the results of CSSD Enterprises Ltd, a subsidiary company. The principal activity of CSSD Enterprises Ltd was to operate the student bar.

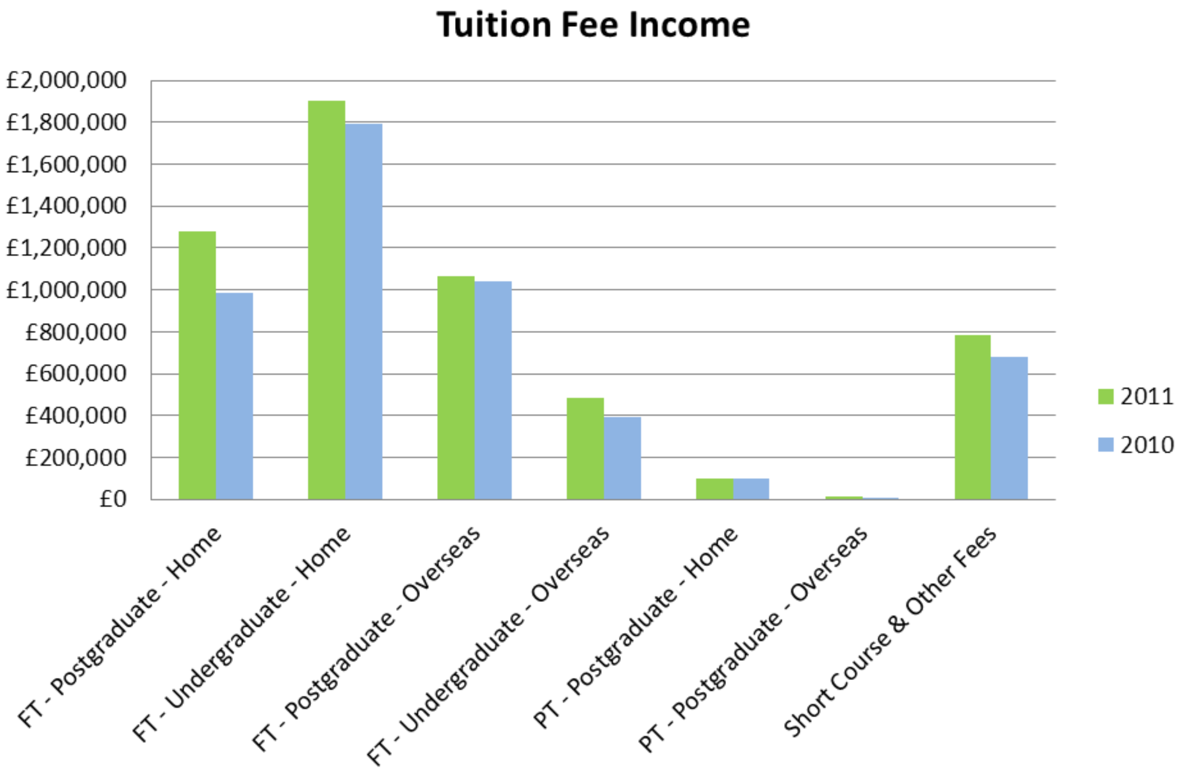
The financial performance in 2010/11 represents another strong year for the School. Against a difficult economic background, Central continues to deliver against its financial strategy. A summary of the Group Income and Expenditure Account is shown below:

	Year ended 31 July 2011 £m	Year ended 31 July 2010 £m
Income	12.6	12.9
Expenditure	(12.3)	(12.1)
Surplus for the Year	0.3	0.8
Surplus as % of Income	2.3%	6.2%

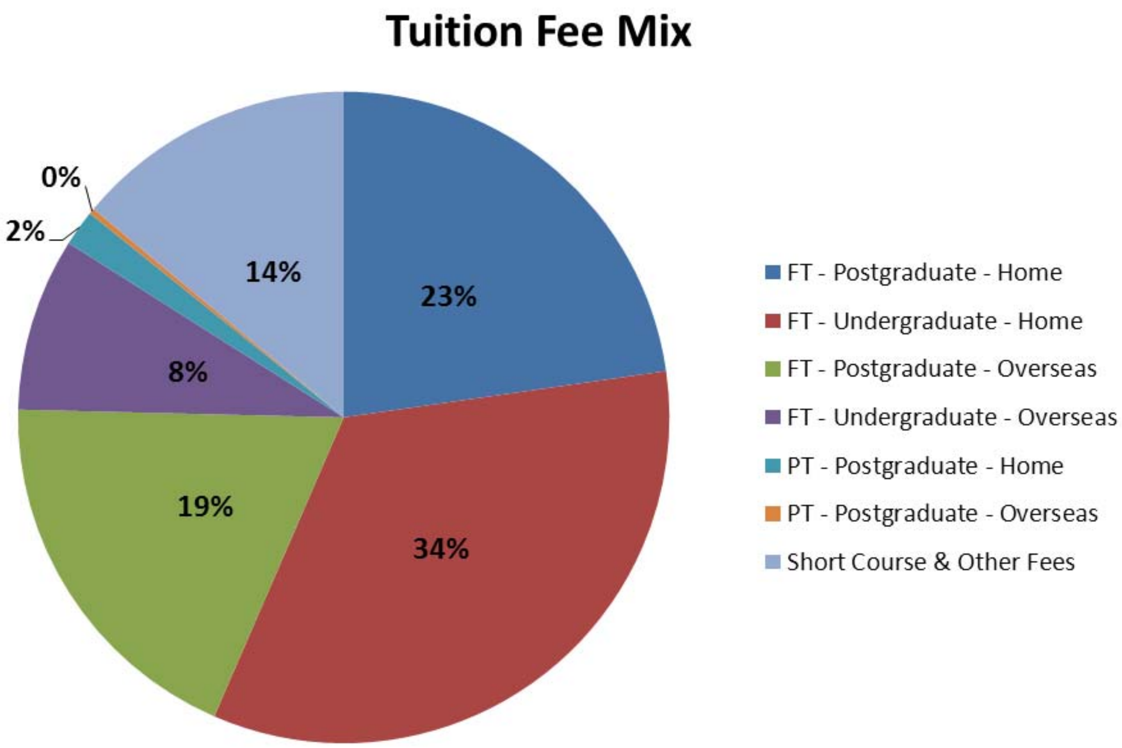
Income

Revenue Summary	**2010/11 £'000**	**2009/10 £'000**	**2008/09 £'000**	**2007/08 £'000**
Funding Council Grants	5,881	6,741	7,127	6,421
Tuition Fees	5,627	4,996	4,587	3,952
Research Grants and Contracts	131	171	88	65
Other Income	851	885	1,113	669
Endowment and Investment income	106	154	398	465
Total Operating Income	**12,596**	**12,947**	**13,313**	**11,572**

Central's total income for the year is down by £0.4m (2.7%) compared to the previous year. This net decline is due to a reduction in Funding Council Grants off-set in turn by increased tuition fee income. A year on year reduction of £860k in Funding Council Grants is driven primarily by the scheduled cessation of funds supporting the three year "Centre of Excellence for Teaching and Learning" (CETL) programme (£636k) and the Teaching Quality Enhancement programme (£111k). The recurrent mainstream teaching grant was also reduced by (£148k). Funding Council Grants now represent only 47% of total income compared to 52% in the previous year.



Tuition Fee income including Short Course fees has improved by £631k compared to 2010/11, driven primarily by increased income through Home, Full time, postgraduate and undergraduate recruitment. Short Course fees also produced a strong performance in a very competitive environment, growing income by 14% compared to 2010. This diversification of revenue streams is particularly encouraging given the future funding model adopted by the sector.



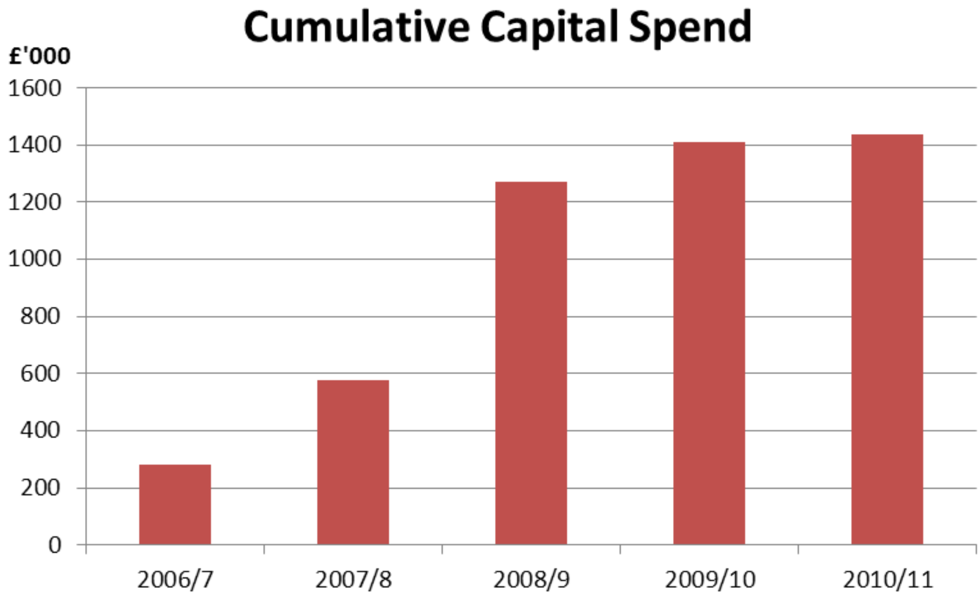
Expenditure

Expenditure Summary	2010/11 £'000	2009/10 £'000	2008/09 £'000	2007/08 £'000
Staff Costs	6,955	6,968	6,609	5,957
Other Operating Expenses	4,572	4,362	4,962	3,836
Depreciation	645	658	721	708
Interest and Other Finance costs	105	138	106	66
Total Operating Expenditure	**12,277**	**12,126**	**12,398**	**10,567**

Overall expenditure has increased by £151k compared to the previous year. Staff costs reflect the 0.4% annual pay award negotiated at a national level for 2010-11. Reduced staff costs resulting from the cessation of the CETL programme (£217k) have been re-invested across academic provision and fundraising capability within Central.
Other operating expenses have increased by £210k and account for 89% of the overall expenditure year on year increase. This represents a year on year increase of only 1.7%. Once again, reduced spend associated with the completion of the CETL (£285k) programme in the previous year has contributed to this position. Building maintenance spend of £414k has been maintained at the same level as 2010, and where appropriate, invested to enhance the student experience. Increased bursary support to the value of £257k represents a 22% increase on the previous year.
Despite increased utility prices throughout the year, the School has delivered a 16% saving on utility costs year on year, reflecting in part the Schools continued focus on carbon reduction and its contribution to a greener environment.

Capital Projects

Central has deferred the final 2 phases of a 6 phase capital investment plan but continues to invest in long term planned maintenance and repairs of the estate. Although there have been no major capital projects in-year, fixed assets increased by £253k in the year, £152k of which represents significant development of the estate which includes the building of two new studios and one new workshop.



In May 2010 Central enrolled in the Higher Education Carbon Management Programme run by the Carbon Trust. This 10 month programme was designed to assist smaller HEIs in developing a 5 year Carbon Management Plan (CMP) to reduce energy consumption to meet national public sector carbon emissions reduction targets. In April 2011 the School's CMP was completed and certified by the Carbon Trust and Hefce.

Energy efficiency projects including server load optimisation, stage scenery recycling, and lighting and insulation refurbishments to areas of historic high energy demand have been completed this year.

Investment Performance

Total cash and investment balances at the end of the year stood at £7.6m, representing an increase on the previous year of £0.6m. Of this £7.6m, £2.3m represents deposits available within 24 hours. A positive net cash inflow of £1,060k was generated from operating activities representing an improvement over the previous year of £478k. The Treasury management policy of the School reflects a low/medium appetite for risk, where liquidity and capital preservation represent the two essential criteria guiding cash management. This policy has delivered an average return of just over 2% which compares favourably against a bank base rate of 0.5% in the UK.
The final instalment of the £1.2m HEFCE 10 year interest free unsecured loan was paid in May this year.

Key Financial Indicators

	Central School of Speech and Drama		Sector Mean
	2011	2010	2010
Current Ratio	4.64	4.42	N/A
Net Liquidity (Days)	238	222	98
External Borrowing as % of total income	7	8.2	21.1

Sector mean financial indicators sourced from "Financial health of the higher education sector March 2011/06"

Central has improved year on year across all three key financial indicators. A healthy liquidity position is reflected above both at institutional level and in comparison to the sector mean. External borrowing as a % of total income has decreased from 8.2% in 2010 to 7% this year and is significantly lower than the sector mean of 21.1%.

Pensions

Central participates in two schemes, the LPFA superannuation scheme, a local government scheme which in London is managed by the London Pensions Fund Authority and the Teachers Pension Scheme (TPS). Both schemes are multi-employer, defined benefit, final salary schemes.
The latest actuarial valuation of the TPS related to the period 1 April 2001 – 31 March 2004 and showed the fund to be in deficit. The TPS is unable to identify the School's share of the underlying assets and therefore exempt from detailed reporting in the accounts in accordance with the relevant reporting standard Financial Reporting Standard 17 (FRS 17).

The LPFA scheme currently shows an FRS 17 deficit of £1.7m for Central, down slightly from £1.8m at the previous year end. The present value of the fund's defined benefit obligation has increased to £6.7m, up £0.9m on the previous year. The fund's assets in turn have increased by £1m to £5.0m. Central's share of the LPFA scheme deficit is reflected in the balance sheet in accordance with FRS 17.

Future Outlook & Key Risks

The current economic climate is extremely challenging. The funding changes which the sector faces from 2012-13 contributes to the uncertainty in the short-medium term regarding longer term financial sustainability. Undergraduate recruitment levels against a fee level of £9,000 remain unclear, as does postgraduate recruitment levels when viewed against a background of debt already incurred whilst studying as an undergraduate. Reduced funding to support initiatives such as the Centre for Excellence in Teaching and Learning (CETL) and Teaching Quality Enhancement (TQE) will hamper innovation from within, whilst the cessation of HEIF funding will curtail the School's ability to engage with external stakeholders.
However, Central faces these challenges from a position of strength, a history of prudent financial management which delivered a strong Balance Sheet reflecting low debt and a high cash balance position with a good level of reserves. In recognition of the uncertain future financial environment and building on the strong base outlined above, the Governing Body recently approved the following key strategic financial targets:

- The delivery of a break-even position (minimum) on a cumulative basis over the three year period 2011-12 to 2013-14;
- The reinstatement of the requirement to deliver a minimum planned surplus of 3% per annum to recommence with effect from 2013-14;
- Positive net assets must be maintained;
- Minimum cash balances to cover forward two months net cash outflow to be maintained; and
- Overall staff costs should not exceed 64% of annual turnover in the short term with a view to returning to a target of 60% throughout 2012-13.

The suspension of the previous requirement to deliver a minimum surplus of 3% per annum until 2013/14 demonstrates the avoidance of short termism and focuses instead on the long term financial sustainability of Central whilst at the same time protecting the quality of teaching and learning. The above targets focus attention on the following key areas of good financial management, the delivery of a sufficient surplus to ensure long term sustainability, the need to maintain a strong Balance Sheet and maintain a positive liquidity position.

Risk Management

Risk management is conducted at both a strategic and operational level across Central. It is periodically reviewed by the Governing Body, Finance and Employment Committee, Audit Committee and Executive Management Group. The reviews consider the addition or deletion of risks and the reassessment of impact and probability as well as the adequacy of action being taken to mitigate risk. The high level risk register includes certain items which are generic to the sector and not wholly within Central's control.

The three key risks which could have serious financial implications regarding the future financial health and sustainability of Central are:

- The withdrawal or significant reduction of Institution specific "Exceptional Funding"
- The ability to recruit targeted overseas students in light of tighter border controls and postgraduate student (home) numbers in light of the "new system" fee level structure.
- Pension Scheme costs and liabilities

Against the risk of reduced "Exceptional Funding", Central has engaged in pro-active lobbying to ensure the Government and Funding Council are aware and fully understand the implications not only to Central but to UK PLC if funding is withdrawn.

To combat the risk to recruitment, Central has invested in website, press and social media enhancements to seek a competitive edge to attract students worldwide. Whilst generic to the sector, and not wholly within Central's control, movements to pension scheme costs and liabilities continue to pose a significant threat to the long term sustainability of the School. In June 2010, the Government announced that public sector pensions will in future increase each year in line with the Consumer Prices Index (CPI), not the Retail Prices Index (RPI). This change has been made already, immediately reducing the value of all scheme benefits. The change was included for the purposes of the 2010 LGPS scheme valuation and it has been estimated that it resulted in a saving of approximately 1.4% on the average employer contribution rate from April 2011. However, some trade unions have mounted a legal challenge, therefore even though this change has been implemented, it may still be overturned.

The government also announced that the discount rate used to estimate the future return on current pension contributions should be reduced from RPI plus 3.5% to CPI plus 3%. It is expected that the impact of the changes will be taken into consideration during the next round of scheme valuations and this could influence the employer contribution rates from April 2012 onwards.

Central is building from a position of strength and will continue to review its Corporate Plan to ensure it remains responsive and appropriate in light of the changing environment. Central aims to focus on enhancing the student experience whilst continuing to secure value for money through effective procurement and collaborations. Where necessary, we will invest from reserves to take advantage of new opportunities as they arise.

Statement of Corporate Governance and Internal Control

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

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

Name	Category of Membership	Date of Appointment	Date of Resignation	Committees Serviced
Paul Taiano	Independent	-	-	Chairman of Board of Governors, Remuneration Committee and Nominations Committee; Finance and Employment Committee
Roger Alexander	Independent	-	-	Remuneration Committee; Finance and Employment Committee
Diana Balsdon	Independent	-	-	Chairman of Audit Committee
Ross Brown	Staff (Academic Board)	-	-	-
Victoria Dickie	Independent	-	-	-
Pippa Harris	Independent	-	-	Nominations Committee from 28 March 2011
Professor Gavin Henderson CBE	Ex Officio (Principal/CEO)	-	-	Finance and Employment Committee; Nominations Committee
David Kaye	Independent	-	28 March 2011	Chairman of Finance and Employment Committee until 28 March 2011; Nominations Committee until 28 March 2011
Kristine Langdon-Smith	Independent	-	-	-
Professor Simon McVeigh	Independent	-	-	Academic Board Monitor
Jodi Myers	Independent	-	-	Nominations Committee; Equality

				and Diversity Champion
Charles Perrin CBE	Co-opted, University of London	-	-	Finance and Employment Committee (Chair from 28 March 2011); Remuneration Committee; Health and Safety Assurance Committee
Chris Priddle	Student Union President	1 August 2010	31 July 2011	-
Peter Roberts	Independent	-	-	Deputy Chairman of Governors; Chairman of Health and Safety Assurance Committee Nominations Committee; Remuneration Committee
Martin Scott	Independent	-	-	Audit Committee
Dominic Tulett	Staff	-	-	-
Leonora Twynam	Independent	-	-	Finance and Employment Committee

On 24 October 2011, Ben Giddins, Student Governor, was co-opted to the Board of Governors'.

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 2011.

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

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

The **Governing Body** is the executive governing body. The Governing Body has a majority of independent members, chosen in accordance with strict criteria contained in the legislation. The Chair is elected from among the independent members. There is also provision for the appointment of co-opted members, and representatives of the academic staff and the student body. No members of the Governing Body receive any 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. Details of Governing Body Membership on other charities are publicly available on the Governance section of Central's website.

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, an independent Secretary to the Audit Committee, was appointed on 1 October 2005. During the year under review, Jon Allen also acted as Minuting Secretary to the Finance and Employment and Health and Safety Assurance 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 Governing Body compromised fifteen members on 31 July 2011 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 during 2010/11 and also met on a separate occasion to discuss the outcome of the periodic Effectiveness Review.

The Governing Body undertakes periodic Effectiveness Reviews. The latest review was conducted in 2010/11 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. Central validated the Framework for undertaking Effectiveness Reviews. The Effectiveness review resulted in the production of an Action Plan to enhance governance arrangements. The implementation of the Action Plan is being monitored by the Nominations Committee and the Internal Auditors. A periodic Skills Audit has been undertaken to inform the priorities for appointing to vacant positions on the Board. With effect from 2011/12, the meeting structure will be enhanced to include five full meetings of the Board to include two strategic topic meetings.

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 Assurance 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 was chaired by David Kaye until 28 March 2011. Charles Perrin CBE took over as Chair with effect from 28 March 2011. 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. Anthony Blackstock and Charles Lowe served as co-opted members on the Audit Committee throughout the year under review.

The Health and Safety Assurance 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 the 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. The implementation of the Action Plan stemming from the latest Effectiveness Review (Reviewing Governing Body Effectiveness) is being monitored by the Nominations Committee. Lee Menzies served as a co-opted member on the Nominations Committee throughout the year under review.

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; and

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 the 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 generally supervise the exercise of delegated powers by Senior Staff.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

KPMG LLP was re-appointed as Central's auditors at the Annual General Meeting of the Members on 28th March 2011.

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 & 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 & 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 & 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 & DRAMA WEBSITE

The maintenance and integrity of the Central School of Speech & 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 2011, 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 2011, and up to the date of approval of the annual report and accounts.

Paul Taiano

Paul Taiano
Chair of Governors

21/11/2011

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

We have audited the financial statements of Central School of Speech & Drama for the year ended 31 July 2011 which comprise the Group Income and Expenditure Account, the Group and Central's Balance Sheets, the Group Cash Flow Statement, the Statement of Group Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Governing Body, in accordance with the Charters and Statutes of Central and section 124B of the Education Reform Act 1988 and to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Governing Body and to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governing Body, the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Governors and auditor

As explained more fully in the Statement of Responsibilities set out on page 20 the Governing Body (whose members are also the directors of the company for the purposes of company law) is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion, on 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 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 Governing Body; and, the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and Central as at 31 July 2011 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and the Companies Act 2006.
- have been prepared in accordance with the Companies Act 2006.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the Group and Central for specific purposes have been applied to those purposes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

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 matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control (included as part of the Statement of Corporate Governance and Internal Control) is inconsistent with our knowledge of the Group and Central.

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 Central, or returns adequate for our audit have not been received from branches not visited by us; or

- Central's 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.

W Southwood

W Southwood **(Senior Statutory Auditor)**
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL

24/11/ 2011

Group Income and Expenditure Account

Year ended 31 July 2011

INCOME	Notes	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Funding body grants	2	5,881	6,741
Tuition fees and education contracts	3	5,627	4,996
Research grants and contracts	4	131	171
Other income	5	851	885
Endowment and investment income	6	106	154
Total income		12,596	12,947
EXPENDITURE			
Staff costs	7	6,955	6,968
Other operating expenses	8	4,572	4,362
Depreciation	12	645	658
Interest and other finance costs	10	105	138
Total expenditure	9	12,277	12,126
Surplus on continuing operations after depreciation of tangible fixed assets at valuation		319	821
Transfer from / (to) accumulated income in endowment funds	21	3	2
Surplus for the year retained within general reserves		322	823

All items of income and expenditure arise from continuing operations

Pages 38 to 71 form part of these financial statements

Statement of Group Historical Cost Surpluses and Deficits

Year ended 31 July 2011

	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Surplus for the year retained within the general reserve	322	823
Valuation gains realised on disposal of fixed asset investments	-	-
Historical cost surplus for the year retained within the general reserve	322	823

Statement of Group Total Recognised Gains and Losses

Year ended 31 July 2011

	Notes	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Surplus on continuing operations after depreciation of tangible fixed assets at valuation		319	821
New endowments	21	-	-
Unrealised gains on investments	22	15	30
Increase in endowment assets	21	1	1
Actuarial gains in respect of pension schemes	35	97	135
Total recognised gains relating to the year		432	987

Reconciliation

Opening reserves and endowments		8,504	7,517
Total recognised gains for the year		432	987
Closing reserves and endowments		8,936	8,504

Balance Sheet as at 31 July

	Notes	2011 Group £000	2011 Central £000	2010 Group £000	2010 Central £000
Fixed assets					
Tangible assets	12	16,506	16,503	16,904	16,901
Investments	13	358	358	343	343
		16,864	16,861	17,247	17,244
Endowment assets	14	178	178	180	180
Current assets					
Stocks		1	-	1	-
Debtors	15	265	296	338	415
Investments	16	5,236	5,236	5,705	5,705
Cash at bank and in hand		2,348	2,317	1,267	1,191
		7,850	7,849	7,311	7,311
Less: creditors - amounts falling due within one year	17	(1,688)	(1,684)	(1,654)	(1,651)
Net current assets		6,162	6,165	5,657	5,660
Total assets less current liabilities		23,204	23,204	23,084	23,084
Less: creditors - amounts falling due after more than one year	18	(799)	(799)	(875)	(875)
Less: provisions for liabilities	19	(235)	(235)	-	-
Net assets excluding pension liability		22,170	22,170	22,209	22,209
Net pension liability	35	(1,719)	(1,719)	(1,768)	(1,768)
Net assets including pension liability		20,451	20,451	20,441	20,441

Balance Sheet as at 31 July (continued)

	Notes	2011 Group £000	2011 Central £000	2010 Group £000	2010 Central £000
Deferred capital grants	20	11,515	11,515	11,937	11,937
Endowments	21				
Expendable		15	15	13	13
Permanent		163	163	167	167
		178	178	180	180
Reserves	22				
Income and expenditure account excluding pension reserve		9,240	9,240	8,870	8,870
Pension reserve (deficit)		(1,719)	(1,719)	(1,768)	(1,768)
Income and expenditure account including pension reserve		7,521	7,521	7,102	7,102
Revaluation reserve	22	1,237	1,237	1,222	1,222
Total reserves		8,758	8,758	8,324	8,324
Reserves and endowments		8,936	8,936	8,504	8,504
TOTAL FUNDS		20,451	20,451	20,441	20,441

The financial statements were approved by the Governing Body on 21 November 2011, 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 2011

	Notes	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Net cash inflow from operating activities	23	1,060	582
Returns on investments and servicing of finance	24	73	(39)
Capital expenditure and financial investment	25	(249)	16
Management of liquid resources	26	469	(135)
Financing	27	(192)	(188)
Increase in cash		1,161	236

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 2011 £000	Year Ended 31 July 2010 £000
Increase in cash in the year		1,161	236
Change in short term deposits		(469)	135
Change in debt		192	188
Change in net funds		884	559
Net funds at 1 August		6,020	5,461
Net funds at 31 July	28	6,904	6,020

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.

Going Concern

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets. Central meets its day-to-day working capital requirements from the funding and fee income it receives and also, if needed, from surplus reserves. The current economic environment and changed funding rules create uncertainty over the future level of student demand and student fee income and the level of government funding.

Central's forecasts and projections, taking account of reasonably possible changes in funding and costs, show that Central has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing their financial statements.

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 (the parent company, also referred to as the School) 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.

Notes to the Accounts

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 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.

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.

Notes to the Accounts

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.

Notes to the Accounts

Accounting for charitable donations

Unrestricted donations

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

Notes to the Accounts

Endowment funds

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

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

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

Donations for fixed assets

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

Gifts in kind, including donated tangible fixed assets

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

Staff costs

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

Foreign currency translation

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

Notes to the Accounts

2 FUNDING BODY GRANTS	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Recurrent Grant		
HEFCE – Teaching	4,691	4,839
HEFCE – Research	299	304
Higher Education Funding Council for England	4,990	5,143
Training and Development Agency for Schools (TDA)	180	203
TOTAL RECURRENT GRANTS	5,170	5,346
Specific Grants (HEFCE)		
Centre of Excellence in Teaching & Learning	-	636
Higher Education Innovation Fund	157	145
Inherited Staff Liabilities	22	21
Supporting Professional Standards	-	18
Teaching Quality Enhancement Fund	-	111
Leading Transformational Change	78	16
Summer Schools	-	17
Undergraduate Internships	18	12
	275	976
Specific Grants (TDA)		
Training Bursaries Administration	5	5
Recruitment and Retention	-	14
Minority Ethnic Funding	(2)	(2)
Special Education Needs	6	-
	9	17
TOTAL SPECIFIC GRANTS	284	993
Deferred capital grants released in the year:		
HEFCE - Buildings	423	401
HEFCE - Equipment	4	1
TOTAL DEFERRED CAPITAL GRANTS (Note 20)	427	402
TOTAL FUNDING COUNCIL GRANTS	5,881	6,741

Notes to the Accounts

3 TUITION FEES AND EDUCATION CONTRACTS		Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Full-time Undergraduate	- Home and EU Fees	1,901	1,791
	- International and Island* Fees	484	393
Full-time Postgraduate	- Home and EU Fees	1,279	988
	- International and Island* Fees	1,062	1,040
Part-time Postgraduate	- Home and EU Fees	100	98
	- International and Island* Fees	16	7
Short course and other fees		744	650
Other education contracts		13	-
Learning and Teaching grants		28	29
Total fees paid by, or on behalf of, individual students		5,627	4,996

* Island Fees include Channel Islands and the Isle of Man

4 RESEARCH GRANTS AND CONTRACTS

Arts and Humanities Research Council	122	162
Other	9	9
	131	171

5 OTHER INCOME

Catering and conferences	269	255
Promotions and events	45	66
External services	120	119
Rental income	186	187
Theatre receipts	25	34
Donations	20	127
Shop and photocopy sales	23	23
Released from deferred capital grants (Note 20)	5	6
Other income	158	68
	851	885

6 ENDOWMENT AND INVESTMENT INCOME

Income from permanent endowments	6	1
Income from investments	15	12
Bank interest	105	88
Foreign currency translation (losses) / gains	(20)	53
	106	154

Notes to the Accounts

7 STAFF COSTS	**Year Ended 31 July 2011 FTE**	**Year Ended 31 July 2010 FTE**
Average staff numbers, expressed as full-time equivalents (FTE):		
Teaching Departments	106	114
Teaching Support Services	9	10
Administration and Central Services	35	33
Premises	5	4
Catering and Conferences	1	3
	156	164

	Year Ended 31 July 2011 £000	**Year Ended 31 July 2010 £000**
Staff costs for the above:		
Salaries	5,765	5,864
Social security costs	497	504
Other pension costs (Note 35)	688	599
	6,950	6,967
Restructuring costs	5	1
Total	6,955	6,968

Directors Emoluments	**Year Ended 31 July 2011 £000**	**Year Ended 31 July 2010 £000**
Aggregate emoluments of the 17 Directors (2010: 17) who served during the year:		
Salaries	283	310
Benefits in kind	1	1
Pension contributions	34	43
Total	318	354

Prior period has been restated to include the Student Union Director.
No non-executive directors received any emoluments during the year (2010: Nil). During the year one (2010: two) non-executive director received reimbursement of expenses of £77 (2010: £393).

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 2011 and 31 July 2010.

Emoluments of the Principal	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Salary	163	185
Benefits in kind	1	1
	164	186
Pension contributions	23	25
Total	187	211

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 2011 FTE	Year Ended 31 July 2010 FTE
£100,000 - £110,000	-	1
£110,001 - £120,000	1	-
£120,001 - £130,000	-	1
	1	2

Notes to the Accounts

8 OTHER OPERATING EXPENSES	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Auditors' remuneration – external audit, parent company, current year	36	27
Auditors' remuneration – external audit, parent company, prior year	19	-
Auditors' remuneration – external audit, subsidiary company	4	4
Auditors' remuneration – taxation and other services	10	1
Bursaries	257	211
Catering and conferences operating expenses	216	209
Cleaning	201	203
Computer and web-site maintenance	219	264
Consumables	136	150
Furniture, fittings and equipment	122	99
Hired or contracted services	474	646
Internal audit	11	11
Insurance	88	85
Legal and professional	131	186
Other expenditure	573	187
Postage, printing, stationery and periodicals	138	162
Promotions and events	297	311
Rent and rates	117	140
Repairs and general maintenance	414	429
Self-employed professionals	411	417
Staff and student travel	194	126
Staff development and recruitment	118	121
Subscriptions	223	179
Utilities	163	194
	4,572	4,362

An analysis of expenditure by activity for the year ended 31 July 2011 is shown in Note 9.

Notes to the Accounts

9 ANALYSIS OF EXPENDITURE BY ACTIVITY

YEAR ENDED 31 JULY 2011

	Staff Costs £000	Other Operating Expenses £000	Depre-ciation £000	Interest Payable £000	Total £000
Teaching Departments	4,591	1,583	25	-	6,199
Teaching Support Services	265	313	15	-	593
Administration and Central Services	1,910	2,268	129	51	4,358
Premises	154	177	476	54	861
Catering and Conferences	35	231	-	-	266
Total per Income and Expenditure Account	6,955	4,572	645	105	12,277

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

The depreciation charge has been funded by:

	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Deferred Capital Grants released (Note 20)	432	408
General Income	213	250
	645	658

Activities are as defined in the 2010 Finance Statistics Return of the Higher Education Statistics Agency (HESA).

Notes to the Accounts

10 INTEREST AND OTHER FINANCE COSTS	**Year Ended 31 July 2011 £000**	**Year Ended 31 July 2010 £000**
On bank loans, overdrafts and other loans repayable wholly or partly in more than five years	54	58
Net interest on pension scheme liabilities (Note 34)	51	80
	105	138

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 2010	17,098	650	3,213	1,586	22,547
Additions	-	-	171	82	253
Disposals	-	-	-	(225)	(225)
At 31 July 2011	17,098	650	3,384	1,443	22,575
Depreciation					
At 31 July 2010	3,630	-	749	1,264	5,643
Charge for the year	316	-	244	85	645
Disposals	-	-	-	(219)	(219)
At 31 July 2011	3,946	-	993	1,130	6,069
Net book value					
At 31 July 2011	13,152	650	2,391	313	16,506
At 31 July 2010	13,468	650	2,464	322	16,904

Notes to the Accounts

12 TANGIBLE ASSETS (continued)

	Central				
	Freehold Land and Buildings £000	Long Leasehold Land £000	Alterations and Improvements £000	Equipment £000	Total £000
Cost and valuation					
At 31 July 2010	17,098	650	3,213	1,581	22,542
Additions	-	-	171	82	253
Disposals	-	-	-	(225)	(225)
At 31 July 2011	17,098	650	3,384	1,438	22,570
Depreciation					
At 31 July 2010	3,630	-	749	1,262	5,641
Charge for the year	316	-	244	85	645
Disposals	-	-	-	(219)	(219)
At 31 July 2011	3,946	-	993	1,128	6,067
Net book value					
At 31 July 2011	13,152	650	2,391	310	16,503
At 31 July 2010	13,468	650	2,464	319	16,901

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 either to 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 Central Year Ended 31 July 2011 £000	Group and Central Year Ended 31 July 2010 £000
Balance at 1 August	343	313
Additions	-	-
Disposals	-	-
Increase / (decrease) on revaluation	15	30
Balance at 31 July	358	343
Listed investments comprise:		
Equities (listed unit trusts)	358	343
Total investments at 31 July	358	343
Equities (listed) at cost at 31 July	281	281

Investment in subsidiary company at cost	Group 2011 £	Central 2011 £	Group 2010 £	Central 2010 £
Subsidiary company	-	1	-	1

Central owns 100% of the issued share capital of CSSD Enterprises 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 2011 £000	Year Ended 31 July 2010 £000
Turnover	74	81
Cost of sales	(26)	(29)
Gross profit	48	52
Net operating expenses	(44)	(47)
Operating profit	4	5
Profit on ordinary activities before taxation	4	5
Transferred to Parent Undertaking under Gift Aid	(4)	(5)
Profit for the financial year	-	-

Notes to the Accounts

14 ENDOWMENT ASSET INVESTMENTS

	Group	
	Year Ended 31 July 2011 £000	**Year Ended 31 July 2010 £000**
Balance at 1 August	180	181
Increase / (decrease) on revaluation	1	1
Decrease in cash balances	(3)	(2)
Balance at 31 July	178	180
Endowment asset investments comprise:		
Equities (listed unit trusts)	14	13
Loans	1	5
Bank balances	163	162
Total endowment asset investments at 31 July	178	180
Fixed interest stocks and equities at cost at 31 July	11	11

Notes to the Accounts

15 DEBTORS

	Group 2011 £000	Central 2011 £000	Group 2010 £000	Central 2010 £000
Amounts falling due within one year:				
Debtors	144	144	218	218
Amounts owed by subsidiary undertaking	-	31	-	77
Prepayments and accrued income	121	121	120	120
	265	296	338	415

16 CURRENT ASSET INVESTMENTS

	Group and Central 2011 £000	2010 £000
Deposits maturing in one year or less	5,236	5,705

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2011 £000	Central 2011 £000	Group 2010 £000	Central 2010 £000
Mortgages and loans (Note 18)	76	76	192	192
Creditors	442	438	522	519
Social security and other taxation	163	163	190	190
Accruals and deferred income	1,007	1,007	750	750
	1,688	1,684	1,654	1,651

Notes to the Accounts

18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group and Central 2011 £000	2010 £000
Secured loans payable by 2020	799	875

Analysis of secured and unsecured loans:

	Group and Central 2011 £000	2010 £000
Due between one and two years	81	76
Due between two and five years	272	257
Due in five years or more	446	542
Total	799	875

Summary of borrowings at 31 July 2011:

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%	76	799
					76	799

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.

Notes to the Accounts

19 PROVISIONS FOR LIABILITIES

	Enhanced Pension Costs £000
At 1 August 2010	Nil
Recognised in the year	235
As at 31 July 2011	235

Notes to the Accounts

20 DEFERRED CAPITAL GRANTS

	Group and Central		
	HEFCE £000	**Other Grants £000**	**Total £000**
At 1 August 2010			
Buildings	11,709	219	11,928
Equipment	9	-	9
Total	11,718	219	11,937
Grants Received			
Buildings	-	-	-
Equipment	10	-	10
Total	10	-	10
Released to Income and Expenditure			
Buildings	(423)	(5)	(428)
Equipment	(4)	-	(4)
Total	(427)	(5)	(432)
At 31 July 2011			
Buildings	11,286	214	11,500
Equipment	15	-	15
Total	11,301	214	11,515

Notes to the Accounts

21 ENDOWMENTS

Group and Central

	Restricted Expendable £000	Restricted Permanent £000	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Balances at 1 August				
Capital	12	151	163	163
Accumulated income	1	16	17	18
	13	167	180	181
New endowments	-	-	-	-
Investment income	5	2	7	2
Expenditure	(3)	(7)	(10)	(4)
	2	(5)	(3)	(2)
Increase / (decrease) in market value of investments	-	1	1	1
At 31 July	15	163	178	180
Represented by:				
Capital	12	151	163	163
Accumulated income	3	12	15	17
	15	163	178	180

Details of restricted permanent endowments are set out below:

	Capital value at 31 July 2011 £	Opening accumulated income £	Investment income £	Expenditure £	Closing accumulated income £	Year Received
Milner Scholarship	129,870	5,783	795	(4,700)	1,878	1998
Gary Bond Memorial Fund	12,475	1,198	1,299	(750)	1,747	1997
Jane Cowell Memorial Fund	5,136	3,235	48	-	3,283	1989
Robert Tunstall Memorial Award	2,500	187	242	(100)	329	2005
Clive Brook Prize Fund	1,000	5,890	25	(1,000)	4,915	1974
	150,981	16,293	2,409	(6,550)	12,152	

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.

Notes to the Accounts

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 fund's value.

Notes to the Accounts

22 RESERVES

	Income and Expenditure Account Reserve £000	Pension Reserve £000	Revaluation Reserve £000	Total £000
Opening reserves at 1 August 2010	8,870	(1,768)	1,222	8,324
Surplus retained for the year	322	-	-	322
Transfer between reserves: pension scheme	48	(48)	-	-
Actuarial gain in respect of pension scheme		97	-	97
Revaluations in the year	-	-	15	15
Closing reserves at 31 July 2011	9,240	(1,719)	1,237	8,758

	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
Closing reserves at 31 July 2010	8,870	(1,768)	1,222	8,324

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

Notes to the Accounts

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

	Note	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Surplus after depreciation of tangible fixed assets at valuation		319	821
Depreciation	12	645	658
Loss on disposal of fixed assets		7	21
Deferred capital grants released to income	20	(432)	(408)
Investment income	6	(106)	(154)
Interest payable		105	138
Pension cost less contributions payable		48	35
(Increase) / decrease in debtors excluding bank interest		85	(21)
Increase /(decrease) in creditors excluding loans and overdrafts		389	(508)
Net cash inflow from operating activities		1,060	582

24 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Income from endowments	6	1
Income from investments	15	12
Other interest received	93	81
Realised foreign currency translation gains	13	5
Interest paid	(54)	(138)
	73	(39)

25 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Payments made to acquire fixed assets	(249)	(764)
Deferred capital grants received		780
	(249)	16

26 MANAGEMENT OF LIQUID RESOURCES

	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Transfer (to) / from deposits	469	(135)

27 FINANCING

	Year Ended 31 July 2011 £000	Year Ended 31 July 2010 £000
Repayments of amounts borrowed	(192)	(188)

Notes to the Accounts

28 ANALYSIS OF CHANGES IN NET FUNDS

	At 31 July 2010 £000	Cash Flows £000	Other Non-Cash Changes £000	At 31 July 2011 £000
Cash at bank and in hand:				
Endowment assets (Note 14)	162	1	-	163
Other	1,220	1,160	-	2,380
	1,382	1,161	-	2,543
Short term deposits	5,705	(469)	-	5,236
Debt due within one year (Note 17)	(192)	192	(76)	(76)
Debt due after one year (Note 18)	(875)	-	76	(799)
	6,020	884	-	6,904

29 CAPITAL COMMITMENTS

	Group and Central 2011 £000	2010 £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.

30 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

31 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 July 2011 (31 July 2010: £Nil).

32 RELATED PARTY TRANSACTIONS

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

33 POST BALANCE SHEET EVENTS

No significant post balance sheet events have arisen since 31 July 2011.

34 AMOUNTS DISBURSED AS AGENT – ACCESS FUNDS

	Group and Central	
	31 July 2011 £000	31 July 2010 £000
Income:		
Excess of income over expenditure brought forward	2	2
Funding Council grants	18	18
	20	20
Expenditure:		
Disbursed to students	(16)	(18)
Excess of income over expenditure carried forward	4	2

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 2011 £000	31 July 2010 £000
TDA training bursaries	137	204

Notes to the Accounts

35 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 2011 £000**	**Year Ended 31 July 2010 £000**
Teachers' Pension Scheme : contributions paid	301	282
London Pensions Fund Authority :		
Current service cost	366	296
Early retirements cost	21	21
	688	599

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

Notes to the Accounts

Proportion of members' accrued benefits covered by the actuarial value of the assets	98%

Notes to the Accounts

35 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 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). In the year ended 31 July 2010, Central considered the LGPS scheme rules and associated members' literature and concluded that as a result, a revised actuarial assumption about the level of inflation indexation should be made; and the resulting gain of £135,000 was recognised through the Statement of Total Recognised Gains and Losses ('STRGL') in the year ended 31 July 2010. Following the issue of Urgent Issues Task Force ('UITF') Abstract 48 in December 2010, Central has reconsidered its position in respect of the above and has concluded that the above treatment of the gain remains appropriate.

A qualified independent actuary carried out a full actuarial valuation of the fund at 31 July 2011. The major assumptions used by the actuary were:

	2011	2010
RPI increases	3.5%	3.2%
CPI Increases	2.7%	2.7%
Salary increases	4.5%	4.7%
Pension increases	2.7%	2.7%
Discount rate	5.3%	5.4%

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

	2011	2010
Equities	69.0%	69.0%
Target return portfolio	11.0%	12.0%
Alternative assets	14.0%	15.0%
Other bonds	4.0%	2.0%
Cash	2.0%	2.0%

Notes to the Accounts

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

	2011	2010
Retiring today:		
Males	20.9	19.6
Females	23.9	22.5
Retiring in 20 years:		
Males	22.9	20.7
Females	25.8	23.6

Notes to the Accounts

35 PENSION SCHEMES (continued)

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

	2011		2010		2009	
	Long Term Return %	Fund Value £000	Long Term Return %	Fund Value £000	Long Term Return %	Fund Value £000
Equities	6.8%	3,388	7.3%	2,739	7.5%	2,230
Target return portfolio	4.5%	540	4.5%	476	6.2%	337
Alternative assets	5.8%	687	6.3%	595	6.7%	481
Other bonds	5.3%	196	5.4%	79	-	-
Cash	3.0%	98	3.0%	79	3.0%	222
		4,909		3,968		3,270

The following amounts at 31 July 2011 were measured in accordance with the requirements of FRS 17:

Analysis of the amounts shown in the balance sheet	31 July 2011 £000	31 July 2010 £000	31 July 2009 £000	31 July 2008 £000	31 July 2007 £000
Central's estimated assets share	4,909	3,968	3,270	3,087	2,966
Present value of scheme liabilities	(6,628)	(5,736)	(5,137)	(4,009)	(3,684)
Deficit in the scheme – net pension liability	(1,719)	(1,768)	(1,867)	(922)	(718)

Analysis of the amount charged to staff costs within operating surplus	31 July 2011 £000	31 July 2010 £000
Current service cost	333	296
Total operating charge	333	296

Analysis of the amount that is credited to other finance income / charged to interest payable	31 July 2011 £000	31 July 2010 £000
Expected return on pension scheme assets	283	238
Interest on pension scheme liabilities	(334)	(318)
Net (charge) / return	(51)	(80)

Notes to the Accounts

35 PENSION SCHEMES (continued)

Analysis of the amount that would be recognised in the statement of total recognised gains and losses (STRGL)	**31 July 2011 £000**	**31 July 2010 £000**
Actual return less expected return on pension scheme assets	159	104
Experience gains/losses	433	-
Changes in assumptions underlying the present value of the scheme liabilities	(495)	31
Actuarial gains / (losses) recognised in the STRGL	97	135

Movement in deficit in the year		
Deficit in the scheme at the beginning of the year	(1,768)	(1,868)
Movement in the year:		
Current service costs	(333)	(296)
Contributions	336	341
Other finance income	(51)	(80)
Actuarial gains / (losses)	97	135
Deficit in the scheme at the end of the year	(1,719)	(1,768)

Analysis of the movements in the present value of the scheme liabilities		
At the beginning of the year	5,736	5,147
Current service cost	333	296
Interest costs (net)	334	318
Contributions by scheme participants	114	120
Actuarial (gain) / loss	104	(31)
Benefits paid	7	(114)
At the end of the year	6,628	5,736

Analysis of movement in the market value of the scheme assets		
At the beginning of the year	3,968	3,279
Expected rate of return on scheme assets	283	238
Actuarial losses	201	104
Contribution by the employer	336	341
Contributions by scheme participants	114	120
Benefits paid	7	(114)
At the end of the year	4,909	3,968

Notes to the Accounts

35 PENSION SCHEMES (continued)

History of experience gains and losses	**2011 £000**	**2010 £000**	***2009 £000**	***2008 £000**	***2007 £000**
Experience (losses) / gains on scheme assets:	201	104	(447)	(352)	127
Experience gains on scheme liabilities:	391	-	-	201	-
Total amount recognised in the Statement of Total Recognised Gains and Losses:	97	135	(986)	(155)	476

* 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 £573,000 losses (2009/10: £670,000 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 2012 is £310,000.

The actual return on scheme assets in the year was £444,000 (2010: return £343,000).