

The Royal Central School of Speech and Drama
University of London
Formerly the Central School of Speech and Drama

Patron

HRH Princess Alexandra, The Hon Lady Ogilvy KG GCVO

President

Michael Grandage CBE

Vice-Presidents

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Carrie Fisher

Stephen Fry

Zoë Wanamaker

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2013

The Royal Central School of Speech and Drama is registered as a Company Limited by Guarantee, with exempt charitable status, in England and Wales under Company No. 203645. Its registered office is at Embassy Theatre Eton Avenue London NW3 3HY. VAT No. 135 6002 46.

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REPORT BY THE PRINCIPAL

The year past represents a heartening trend of underlying stability for Central - indeed Royal Central - and so too across the HE Sector in the UK. The new funding system of loans to students for payment of fees, as opposed to direct grant aid to institutions, has settled down, with application levels holding up well. The Exceptional Funding (for specialised institutions) has been sustained, following a HEFCE Review. However, the imbalance between that given to Central as opposed to the colleges of the Conservatoire for Dance and Drama remains a disadvantage, and frankly defies analysis. It is understood that a further review will report for 2015, and one has to hope that the performing arts sector (ie the Conservatoires) will eventually achieve an acknowledged tier of specialist resource, rather than the seemingly ad hoc arrangements which pertain at present.

Nonetheless, looking further ahead there must be concern as to how the student loan book will be maintained, and what this means to the regulation of student numbers. Our exemption from ABB+/A Level ratios, and the £7,500 threshold of student fee margin looks set to continue and this should be welcomed even if scope for increasing numbers is restrained thereby. Government cuts to Higher Education revenue streams would seem inevitable, given Treasury Forecasts - encouraged by the apparent success of the new regime, but there could be better news as regards capital resource. It remains to be seen how the 'non STEM' subjects will fare in this climate.

We should record the positive approach to the specialist arts sector shown by HEFCE, led by Sir Alan Langlands, Chief Executive, who leaves HEFCE, this autumn. He deserves due thanks.

Overseas recruitment to Central is buoyant, with some significant new developments. Most interesting, perhaps, is a first foray into South America - with a successful round of auditions in Santiago/Chile. Encouragingly, these represented substantial interest for the non-acting courses. It is intended to explore wider scope in South America, particularly in the run up to the Brazilian Olympics, and with the International Festival of Theatre in Bogota. Whilst the USA remains the strongest overseas market, Australia, Singapore, Hong Kong and South Korea are growing sources of recruitment. Potential exists to build interest in Canada.

Widespread concern as regards postgraduate recruitment of Home/EU students has clearly registered with HEFCE/BIS, with some dedicated funding being made available, but it still remains a worry as to whether students will have appetite to take on such financial burden, having accrued significant debt across their undergraduate years. For Central, with the highest postgraduate cohort in our specialisms in the Sector, this could be disturbing. It is all the more important that we underscore effort to build and sustain the overseas postgraduate market.

Another area of concern lies in teacher training. PGCE numbers have been greatly reduced by the Teaching Agency across the sector. It is worth remembering that it was through support for the School's teacher training programme, that Central became a funded

institution embraced by the formal government agency of the moment. Central's Ofsted inspection (of the PGCE provision), of several years ago, was very positive - but the overall numbers being supported make it difficult for the School to develop this area of work. It is clear that profound change is facing the School's system as regard teaching of the performing arts and their place in the National Curriculum. The EBacc (system of School examination) may have failed to be initiated, but changes of emphasis are undoubtedly on the way. This, in turn, may impact upon the longer term progression of students into professional arts training.

It is clear that the specialist arts sector, at many levels, has need of a better focussed professional lobby. Compelling statistics demonstrate the importance of the creative industries to the national economy and the Conservatoires can show significant achievement in terms of graduate employment, but we fail to register in comparable terms to the CBI and its related campaign for the STEM subjects. Central is active within Universities UK (and its small specialist panel) with GuildHE (and its UKADIA element), and with the newly constituted Drama UK (as successor to CDS and NCDT). There is need for the elite tier Drama and Dance colleges to combine with the Music Conservatoires of CUK to create better representation within government and related circles. The next few years will be crucial in making the case for this sector.

Profile and Royal Title

Central was accorded Royal Title at the conclusion of the Queen's Diamond Jubilee year. Whilst for many, Central will always be quite simply 'Central', this honour was made as testament to the remarkable achievement of the School over more than a century. London has long had two Royal Schools of Music; it now has two Royal Schools of Drama. Central was, of course, born within a Royal institution - the Royal Albert Hall, where the School resided for over fifty years. Central has also enjoyed Royal patronage for most of its existence, with HRH Princess Alexandra as Patron today. The University of London has Princess Anne, the Princess Royal, as its Chancellor. Both she and our Patron played important roles in proposing Central for this title. In the process, recognition was also made of the parallel history and achievement of the Webber Douglas Academy - subsumed within Central for its final two cohorts of students. Webber Douglas alumni would welcome greater scope for recognition of their legacy and involvement within the structure of Central. The University of London was pleased to recognise Central's Royal status, balancing as it does with the Royal Academy of Music as the two performing arts specialist colleges of the University.

In the year under review, Central consolidated the establishment of the Department for Development and External Affairs (DEA). The fundraising initiative has continued to grow well, with targets once again being exceeded, mostly for the generation of scholarship and bursary funds for students. At the behest of Central's President, Michael Grandage, a gala evening was held at the Noël Coward Theatre for the performance of Peter and Alice - starring alumna Dame Judi Dench. This raised a significant sum and was an important boost for the supporters' group known as the Pivot Club. Dame Judi also made a visit to Central - being presented with Honorary Fellowship and speaking with Geoff Colman by way of interaction with many students. A very happy occasion indeed.

Alumni activity continues to grow, with an annual gathering at the Edinburgh Festival and also in New York. Individual year groups meet at Central and other gatherings are held in conjunction with productions featuring Central alumni.

QAA

The Quality Assurance Agency carries out a quinquennial audit of each HEI. Their review simply states that Central meets UK expectations. It is an exercise which demands a great deal of detailed preparation and response. In this, Central was well represented by the meticulous work of Dr Andrew Redford, supported by Dr Sally Mackey and the Student Union President Matt Withers - working to the line management of Professor Simon Shepherd. Such was the general approval expressed in Central's work, the School may be treated for a 'light touch' review in future, with a major audit deferred perhaps for five to seven years.

Research Excellence Framework

Considerable work has been undertaken in preparing Central's submission to the Research Excellence Framework (REF). Central was the only Drama Conservatoire to be funded through the Research Assessment Exercise (RAE) last time round. Pressure on these dedicated resources, and priority given to subjects other than the Humanities, will make it difficult to move forward in financial terms. It will be all the more competitive, with more bids coming from other colleges and Conservatoires in this sector. Nonetheless, Central is confident that this submission will be stronger still than the last.

League Tables

Central continues to be placed well in the various league tables. The School just slipped under the 90% overall satisfaction rating in the NSS, but did better in the specific areas of satisfaction - which seems somewhat contradictory. Likewise in The Guardian's league table, the general points scoring showed a lower rating for graduate employment, but in the specific table on employment Central came out best. Quite how these ratings are achieved calls for closer attention - but Central is in the top levels of all the tables and now also in several of the American league tables.

Student Centre/Learning Centre

Re-organisation of student support was carried out during the year, and also of Learning Support (including the Library). This took some time to settle down, which may have caused some confusion with students mid-course (perhaps reflected in the NSS scoring). These areas are now functioning well. Progress is being made for the establishment of a new website in the ensuing year.

Human Resources

It is recognised that the School has a world class faculty and support team. There has been much staff movement in recent times, especially with the introduction of the new Student Centre and Learning Centre, also with the establishment of the DEA. The HR Department, under the direction of Heather Francis, has been under considerable pressure and must be thanked for the sensitive handling of these various issues.

University of London

Central benefits from a number of channels of collaboration within the University and also played a prominent part in the annual Foundation Day celebration and awarding of Honorary Degrees, presided over by the Chancellor, HRH Princess Anne, with a performance by Musical Theatre students directed by Wendy Gadian. Happily, this also happened to be the day when Central's approval for Royal Title was announced.

The School has participated in some far reaching discussions about joint services within the University and also regarding student halls of residence. We hold positions on the Quality Assurance Committee (chaired by Professor Simon Shepherd) and on the Senate House Library Committee (the Principal). Deputy Principal Debbie Scully has served on the Shared Services Working Group and also on the committee examining the future of the University of London Union (ULU). During the year it was agreed that the University should withdraw its support of ULU. The respective Colleges have each determined to channel these funds to their individual Student Unions. In due course a 'Pan London' organisation may emerge in conjunction with the NUS.

Estate Development

During the year, it was agreed to proceed with the building of 'Phase 5' of the estate development plan, and to also prepare outline scoping and masterplan for 'Phase 6' (Eton Avenue) site. Phase 5 would replace the existing Studios 1 and 2 on Buckland Crescent. After shortlisting three architectural practices and making visits to many of the arts and educational buildings for which they had been responsible, Tim Ronalds was chosen and has been appointed. A process of thorough consultation was then initiated to refine the detailed brief, together with appointment of the specialist consultants.

Subject to planning consent, Phase 5 will include replacement for Studios 1 and 2, and workshop, with additional studios (having particular regard to Film/TV and Broadcasting needs), a new 'Courtyard' studio theatre and a range of several practice rooms and offices. It is a very exciting and much needed prospect.

Phase 6 Site

In the course of the year, Camden Council ordered the removal of the advertising hoardings on the corner of the site which should become Phase 6. These hoardings have brought an income of £150,000 annually to the School, and this has supported bursaries and scholarships, youth theatre and summer schools and a number of independent

productions at fringe theatres in the Borough of Camden, as well as the Shakespeare Schools Festival. Notwithstanding the fact that these hoardings have been in place for nigh on 27 years - with no complaint, Central failed in its appeal to the Secretary of State, but continues to petition Camden Council for alternative schemes.

The campaign has attracted much media attention and given the School prominent regard within the local community. It has brought close liaison with the Camden Planning Department and this in turn will inform deliberations over Phase 5 and 6.

Performances and Events

Central produces a great many performances and exhibitions, in its various theatres and studios, as well as a range of festivals. Many are open to the general public and together with the adjacent Hampstead Theatre, with its two auditoria, and the IMAX Cinema close by, these help to make this Swiss Cottage area a major centre for theatre and entertainment in London. The Roundhouse is close by at Chalk Farm, with which Central has close ties, notably in the Accidental Festival and with the syndicate represented by 'Cultural Camden'.

Central also celebrated the 20th anniversary of its residency at the Minack Theatre in Cornwall, together with many of the local schools and community groups on that peninsula. The anniversary was celebrated with a party at this year's production (Arabian Nights at which many alumni and staff attended). It forms a significant element of the BA Date and BATP programme, with other such residencies now emerging - ie in the Medway. These amplify Central's impact in terms of public benefit, as do the many partnerships which the School enjoys with placements to arts centres, festivals, theatres, community groups, special needs schools, prisons and day care centres around the country. Central is deeply grateful to all who collaborate in these programmes.

Graduation Day

Once again, the annual Graduation ceremony was held at the Royal Festival Hall on London's South Bank. It was, as ever, a very heart-warming occasion, presided over by Central's President Michael Grandage, with the Vice-Chancellor of the University, Sir Adrian Smith giving the awards. Honorary Fellowships were bestowed upon Vanessa Redgrave, Richard Pilbrow and Ann Jellicoe - all alumni of Central.



Professor Gavin Henderson CBE
Principal

PUBLIC BENEFIT AND OPERATING REVIEW

The Royal Central School of Speech and Drama (hereafter referred to as 'Central' or the 'School') is an exempt charity under the terms of the Charities Act 2011 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 Directors and charitable Trustees of Central.

1 CONTEXT, OBJECTIVES AND STRATEGIES

1.1 Legal Status

Central, herein defined as the parent company, is incorporated as a Company Limited by Guarantee. Central was admitted as a Federal College of the University of London on 1 September 2005.

1.2 Charity Objects

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.

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:

- a) developing the leading practitioners of the performance industries;
- b) developing leading edge knowledge in performance practice and application;
- c) promoting the societal value of performance;
- d) creation of new audiences;
- e) 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;
- f) reaching out to under-represented groups to inspire interest in pursuing a career in theatre arts;
- g) developing a culture that productively uses and enjoys difference;
- h) continuing to build upon community engagement activity within Central London, nationally and internationally; and

- i) promoting widening participation and fair access through Central's Access Agreement which provides bursary support and increased investment in outreach work.

1.3 Mission

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.

This Mission statement forms the cornerstone of the existing Corporate Plan which covers the planning period 2009 - 2013. The School is currently scoping out an updated Corporate Plan which will inform and guide future performance for the five year planning period 2013 - 2018. Within this context, the Mission statement was reviewed by the Board of Governors in February this year and was found to remain valid for the planning period to 2018. The updated Corporate Plan and associated Mission statement have not yet been formally approved by the Board of Governors.

1.4 Corporate Plan

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

Within the existing Corporate Plan for the period 2009-2013, Central expected to face a number of challenges during the strategy period which included:

- a) economic downturn and changed circumstances of public funding for specialist institutions and conservatoires;
- b) the end of start-up funding for the Centre for Excellence in Training for Theatre;
- c) changing government agendas which may prioritise skills to the exclusion of scholarship and creativity;
- d) the likelihood of future abrupt, unforeseen and potentially destabilising government policy changes; indeed, a possible change of government;
- e) 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;
- f) the need to minimise negative impact on the environment, with attendant costs.

In dealing with these challenges the School recognised 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 developed and diversified its range, whilst maintaining its disciplinary culture and customary high quality. The School promoted intensive engagement with specialist knowledge with a view to developing its application in new and testing contexts. It believed there was not just opportunity, but productive dialogue, in the interrelationship with both specialist professions and diverse user groups.

1.5 Values

Central remains committed to:

- a) maintaining the 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;
- b) recognition that enhancement of learning is a project for staff and students alike, and that it takes many forms and relationships;
- c) active encouragement of diversity as a basis not only for an enriched learning experience but also for an enhanced working environment;
- d) opening doors to 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.

1.6 Strategic Aims

The School, with its Board of Governors, are currently in the process of considering revised Strategic Aims for the period 2013-2018; considering the key planning objectives over the period, along with key performance indicators and identification of potential risks. These will be endorsed during the 2013/14 Academic Year.

2 PERFORMANCE REVIEW 2012/13

2.1 Strategic Performance against the current Corporate Plan 2009 - 2013

The Board of Governors monitors Central's performance 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 strategic achievements is presented below:

- a) achieved the accolade of 'Royal Title';
- b) secured the continuation of HEFCE targeted funds to support the high cost conservatoire work at Central until 2015/16;
- c) achieved confirmation from the Quality Assurance Agency (QAA) that Central continues to meet all UK expectations. Areas of good practice identified by the QAA included: the School's admission process, its thoroughness and sensitivity to individual students' needs; the integrated and targeted approach to

- employability and career advancement; the highly effective and supportive approach to meeting the needs of students with disabilities and the excellence of the School's responsiveness and engagement with developments and innovation in the industry and the contribution it makes to the curriculum;
- d) shortlisted as a finalist in the 2013 Green Gown Awards under the 'Courses Category' for piloting a sustainable approach to theatre making within the context of Central's programme of undergraduate public productions;
 - e) celebrated the 20th Anniversary of residency at the Minack, Cornwall;
 - f) continued to enhance student services through the implementation of a new Student Centre and Learning Centre;
 - g) embarked on the Phase 5 capital Development Programme to provide an enhanced provision on campus;
 - h) exceeded its target for fundraising income; and
 - i) achieved financial strategy targets.

2.2 Public Benefit Performance 2012/13

The Board of Governors monitors Central's performance against its core public benefit aims within the Corporate Plan. A summary of key achievements for 2012/13 is presented below:

Academic and Professional

- a) a range of higher educational professional training programmes were delivered to 1008 students: 661 full-time undergraduate students; 237 full-time postgraduate students; 27 full-time PGCE students; 19 full-time PHD students; 52 part-time postgraduate students and 12 part-time PHD students;
- b) Central awarded 539 higher education awards; 224 Bachelor of Arts degrees (34 at First Class), 257 Masters of Arts degrees, 17 Certificates/Diplomas of Higher Education, 25 Postgraduate Certificates of Education, 14 Postgraduate/Diplomas and 2 PhDs;
- c) Central Connects delivered a range of non-award bearing professional and community programmes to 1076 students: 393 short-course students (including Diploma); 13 Bespoke and Business clients; 81 clients (one-to-ones); 34 clients (groups); 336 Saturday Youth Theatre students and 219 summer school students;
- d) the School secured funding from the Behrens Foundation to support Academic Programming;
- e) the Leche Trust supported a programme of seven Master Classes with industry experts including casting director Neil Rutherford, lighting designer Ben Ormerod and voice specialist Barbara Houseman. Students from across four undergraduate and postgraduate courses benefitted;
- f) Central hosted twelve UK school visits, working with 255 participants, and delivered four international visits to youth groups and charities in India, working with over 150 participants;

- g) 39 UK Higher Education Audition/Interview Workshops were delivered in schools, colleges and youth theatres across London and England with 834 participants;
- h) the 'Audition Voucher Scheme', run in conjunction with the programme of 'Higher Education Audition/Interview Workshops', entitles all participants in these workshops to a free audition/interview at Central. 112 vouchers were returned in 2012/13 in lieu of the £50 audition fee for BA Acting;
- i) a five-day intensive taster week was delivered to ten secondary school participants;
- j) the School delivered Student Ambassador training to 50 Central Students;
- k) the School attended and presented at five UK HE/Careers Fairs working with 520 participants;
- l) staff and graduates from the BA Theatre Practice course participated in TheatreCraft (a free theatre careers fair for 16 - 25 year olds), offering workshops to over 30 potential students in Props and in Scenic Art;
- m) the School co-hosted (with the Association of Sound Designers) the Theatre Sound Colloquium at the National Theatre;
- n) the School co-hosted (with Royal Holloway University) the Big Grin Symposium at the Centre for Creative Collaboration;
- o) the three-day international conference 'Song, Stage and Screen: process and performance in musical theatre' was hosted at Central in July 2013; and
- p) 416 students from across ten undergraduate and postgraduate courses took up work and volunteering placements in a range of arts organisations, schools and charities, including the National Theatre, the Royal Court Theatre, English National Opera, the RSC, Shakespeare's Globe, Cardboard Citizens, British Red Cross, Westminster Mind, Trinity Hospice, Youth Concern Trust, Langdon Park Community School and City of London Academy.

Scholarships and Support

- a) Central is committed to ensuring that financial obstacles are no deterrent to students who wish to study at the School. As such the School has secured and distributed Prize Funds and Scholarships from the following: Clive Brook Prize; Tunstall Award; Gary Bond Award; Andrew Lloyd Webber Scholarship; Guildford Academic Associates Scholarships; The Fenton Arts Scholarships; the John Thaw Scholarships; The Ernest Cook Trust Scholarship; Jeremy Brett Scholarships; Diana Wade Memorial Scholarships; the BA Technical Theatre Award; the Lilian Baylis Award and The Sir John Gielgud Charitable Trust Bursary. Alongside this, three Central Scholarships were awarded to first year students, and the School match-funded 20 scholarships through the National Scholarship Programme, meaning a total of 40 National Scholarship Programme scholarships were offered altogether;
- b) 56 OFFA access bursaries and five bursaries (for Gap Year students from low income groups) were awarded.

Public Performances and Community Engagement

- a) 18 public productions (106 public performances) were staged at Central to an audience of 7329;
- b) BA Drama, Applied Theatre and Education students staged nine performances at Minack theatre, Cornwall, alongside a programme of workshops to local primary schools;
- c) the Roger and Ingrid Pilkington Charitable Trust supported a Derby tour of *Spring Awakening*, performed by the BA Musical Theatre students;
- d) performances (one performance of *Spring Awakening* at Guildhall Theatre in Derby, and four performances of *The Wish!* at Central);
- e) graduates and current students were involved in over 38 Edinburgh productions in the 2013 Edinburgh Fringe Festival;
- f) Central opened the doors of the School as part of Open House 2012 (a not-for-profit scheme to promote public awareness and appreciation of the capital's building design and architecture, opening up buildings to the general public who do not otherwise have access). Guests included local residents, prospective students and members of the wider London community;
- g) the School extended use of its facilities to a range of community and professional organisations including the Winchester Project; Swiss Cottage Community Centre; Swiss Cottage Festival; Swiss Cottage SEN school; NCTL SEN/D National Group; Generation Arts; National Youth Theatre; Into University; Talawa; Dream Arts; Cultural Camden; English National Opera; Ambassadors Theatre Group; Leicester Curve; International Centre for Voice; Hampstead Theatre; London Drama; Shakespeare Schools Festival; Critics Circle; University of London; Jenkins & McShane Casting; BBC; Channel 4; The British Association of Dramatherapists (BADth); GuildHE; Camden Fringe Festival; The Puppet Centre; Equity; Sesame Institute; Association of Dyslexia Specialists in HE (aDshe); and a range of Alumni and Alumni start-up companies;
- h) in July 2013, Central welcomed a group of 18 local residents and theatre enthusiasts to the School to learn more about the work it does. These guests were offered complimentary tickets to a matinee performance of *Bacchai*;
- i) Central hosted eight Community Art Groups working with 316 participants;
- j) BA Theatre Practice students returned to the Roundhouse for the third consecutive year for the Accidental Festival, supported by funding from the Fidelio Trust. Over the Festival weekend more than 70 acts took place across the four spaces of the Roundhouse, as well as in a number of venues around Camden. For the first time, the festival included the 'Accidental Exchange', a series of ten free workshops in a number of performance disciplines and methodologies, taking place in the week leading up to the Festival. Over 180 workshop tickets were available, including one with the leading physical theatre company, Frantic Assembly, and one which gave participants the opportunity to perform at the Roundhouse. Other festival events were either free or priced at £4/£6, and over 2000 people attended. For a snapshot of the festival's success, see <http://www.youtube.com/watch?v=XXi-KjsdSx0>;

- k) PHD students produced the Collisions Festival, a festival of 18 events over six days, based at Central, which was attended by over 300 people. MA Performance Practices and Research students produced the Brink festival - seven events over six days, attended by over 350 people - also at Central;
- l) Central Connects delivered the third year of a Lottery funded programme working with 122 young people, ten actors and 70 older people;
- m) 3rd year BA Theatre Practice students displayed their work in a public Design & Crafts exhibition, attended by over 500 people.

Outreach and International engagement

- a) the School secured and distributed funding from the Leverhulme Trust to offer outreach opportunities using drama and performance in a range of different social and community settings. 10 Masters and 34 undergraduate students benefited directly and it enabled over 4,000 hours of training to be contributed to communities including: a two-week residency in Doncaster Prison; an Under 5s workshop tour to schools in Minack, Cornwall; applied theatre projects in Sneha, Tridha Steiner School, Shishuvan School and Don Bosco School, India; a performance project for South Africa's National Youth Day with Sibikwa Arts Centre, Benoni; a project on post-traumatic memory for DAH Teatar Research Centre, Serbia; three India-based projects with Able Disabled All People Together charity (ADAPT) in Mumbai, Tamarind Tree School in Dahanu, and Adhyayan, a new charity in Mumbai; a creative project called La Cambalacha in Guatemala which aimed to develop confidence and positive group dynamics; a series of drama workshops in Brazil with the Two Bothers Foundation (<http://2bros.org>) who create educational communities in impoverished neighbourhoods that focus on teaching languages, arts and sciences;
- b) Dream Arts has been given funding to deliver a week-long musical theatre summer project (an adaptation of Shane Meadows' film *Twenty Four Seven*) to be staged in the Embassy Theatre for 16 young people from Westminster and involving a number of visiting practitioners;
- c) Central distributed funding from Fondation Bay to offer outreach opportunities using drama and performance in a range of different London-based social and community settings. These included a project with Rewrite (<http://www.rewrite.org.uk>) an organisation for young new arrivals and refugees where students helped 15 young people devise a performance that was performed at The Blue Elephant Theatre, a project with Tender, an organisation that actively challenges domestic violence, and a project with Creative Dementia in Hendon. These projects were carried out by second year BA Drama, Applied Theatre and Education students;
- d) MA Applied Theatre students worked with a charity called Arts 4 Dementia: six participants with dementia and their carers worked on a twelve-week project with students on a drama and memory project that ended in a performance to friends and family. The charity is keen to repeat the project. MA Applied Theatre students also set up and ran two youth theatre groups in Newham at the Grass Roots Arts Centre as a pilot for a project in 2013/14. The project was for young people with and without learning difficulties, and took place

over two terms and the summer break. Finally, students from the MA Applied Theatre course devised and ran a project for Fulham Palace Museum on Victorian Beeches for Key Stage 2 school children to learn about the history of London.

FINANCIAL REVIEW

The Financial Statements for the Year Ended 31 July 2013 show the group position for Central and include the results of CSSD Enterprises Ltd, a subsidiary company. The principal activity of CSSD Enterprises Ltd is to operate the student bar.

The financial performance in 2012/13 represents another strong year for the School, where Income has grown by 6% to £14.1m, expenditure has increased by 5.6% to £13.1m resulting in an operating surplus for the year of £1m.

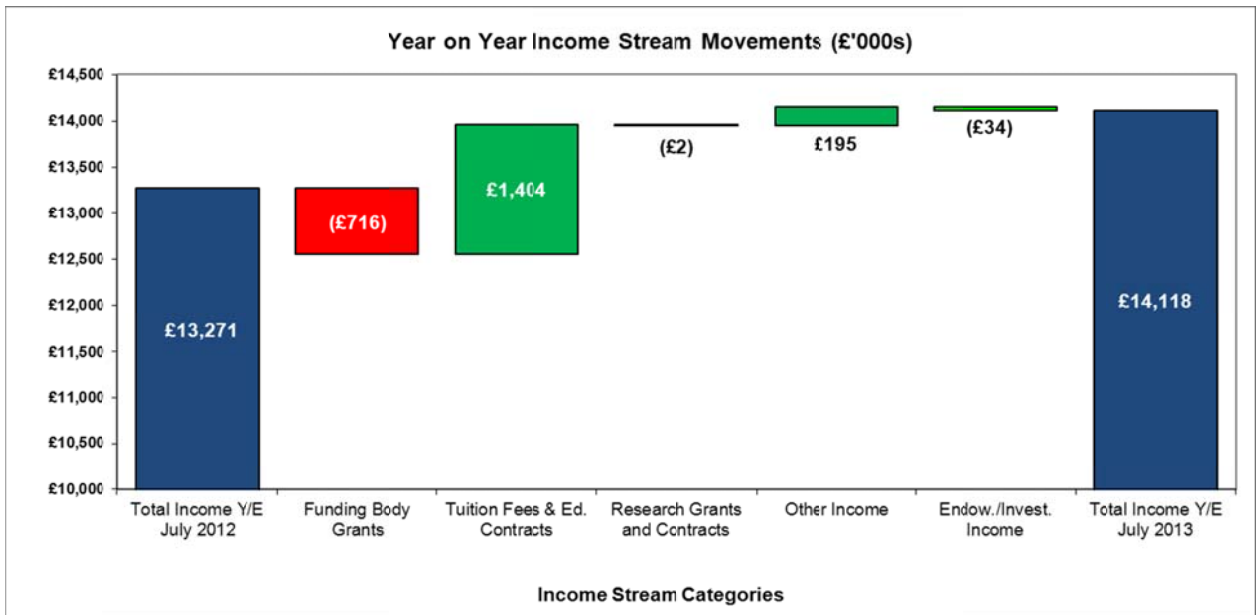
A summary of the Group Income and Expenditure Account is shown below:

| | Year ended 31 July 2013 £m | Year ended 31 July 2012 £m |
|----------------------|-------------------------------------|-------------------------------------|
| Income | 14.1 | 13.3 |
| Expenditure | (13.1) | (12.4) |
| Surplus for the Year | <u>1.0</u> | <u>0.9</u> |
| Surplus % Income | 7.1% | 6.8% |

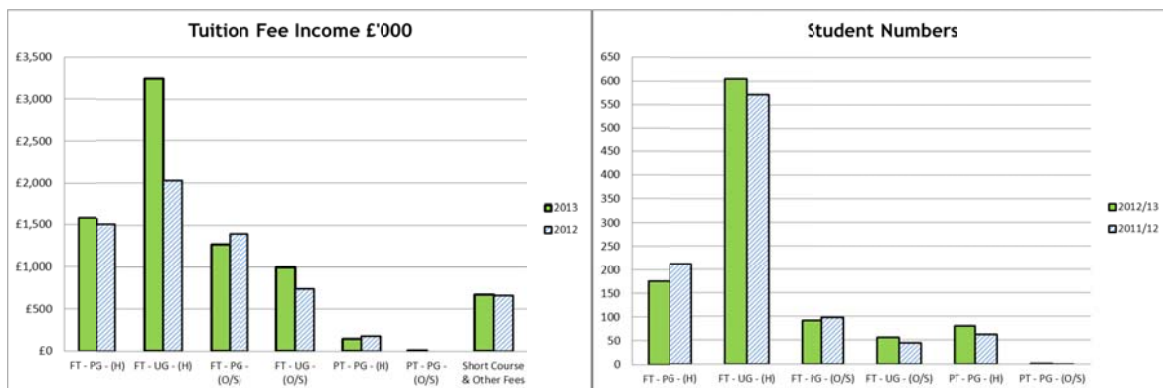
Income

| Revenue Summary | 2013 £'000 | 2012 £'000 | 2011 £'000 | 2010 £'000 |
|---------------------------------|---------------|---------------|---------------|---------------|
| Funding Council Grants | 4,690 | 5,406 | 5,881 | 6,741 |
| Tuition Fees & Support Grants | 7,936 | 6,532 | 5,627 | 4,996 |
| Research Grants and Contracts | 190 | 192 | 131 | 171 |
| Other Income | 1,220 | 1,025 | 851 | 885 |
| Endowment and Investment income | 82 | 116 | 106 | 154 |
| Total Operating Income | <u>14,118</u> | <u>13,271</u> | <u>12,596</u> | <u>12,947</u> |

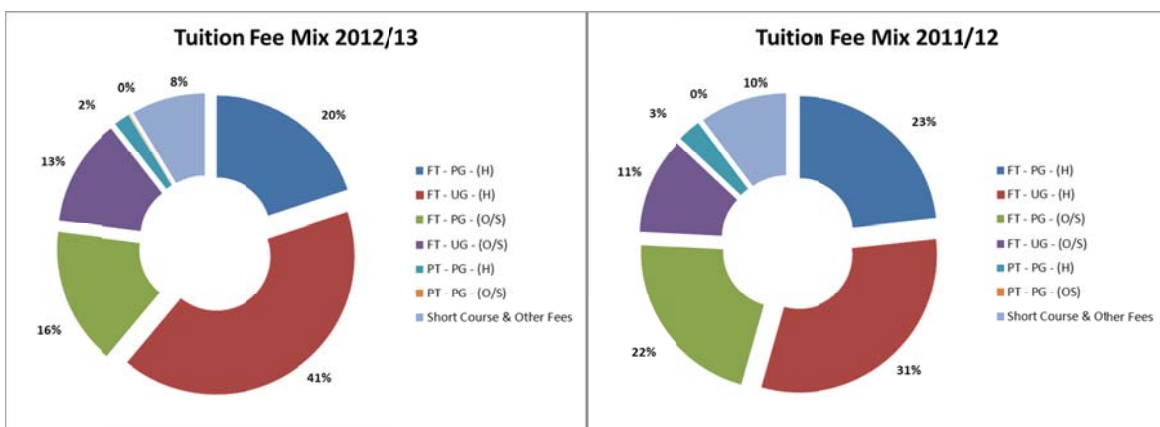
Central's total operating income for the year is up by £0.8m compared to the previous year. As highlighted in the chart below, this increase is driven primarily through increased tuition fee income and fundraising activity reflected within other income. Funding Body Grants, both HEFCE and TA, have been reduced by £716k year on year, now representing only 33% of total income compared to 41% in the previous year.



Tuition Fee income including Short Course fees has improved by £1.4m compared to 2012, £1.2m of which is attributable to the first intake of "New Regime" home undergraduate students paying the new £9k fee level.



As can be seen from the "Tuition Fee Mix" charts below, full-time home undergraduate student income increased year on year from 31% to 41% of total tuition fee income.



Other income includes income generated through fundraising activity. Whilst the School continues to experience significant early success in this area, the income has enabled

increased spend levels against strategic initiatives. This diversification of revenue streams remains a key component of the School's corporate strategy particularly in light of the "self-reliance" nature of the funding model adopted by the sector.

Expenditure

| Expenditure Summary | 2013 | 2012 | 2011 | 2010 |
|------------------------------------|---------------|---------------|---------------|---------------|
| | £'000 | £'000 | £'000 | £'000 |
| Staff Costs | 7,636 | 7,419 | 6,955 | 6,968 |
| Other Operating Expenses | 4,738 | 4,289 | 4,572 | 4,362 |
| Depreciation | 594 | 608 | 645 | 658 |
| Interest and Other Finance costs | 93 | 95 | 105 | 138 |
| Total Operating Expenditure | 13,061 | 12,411 | 12,277 | 12,126 |

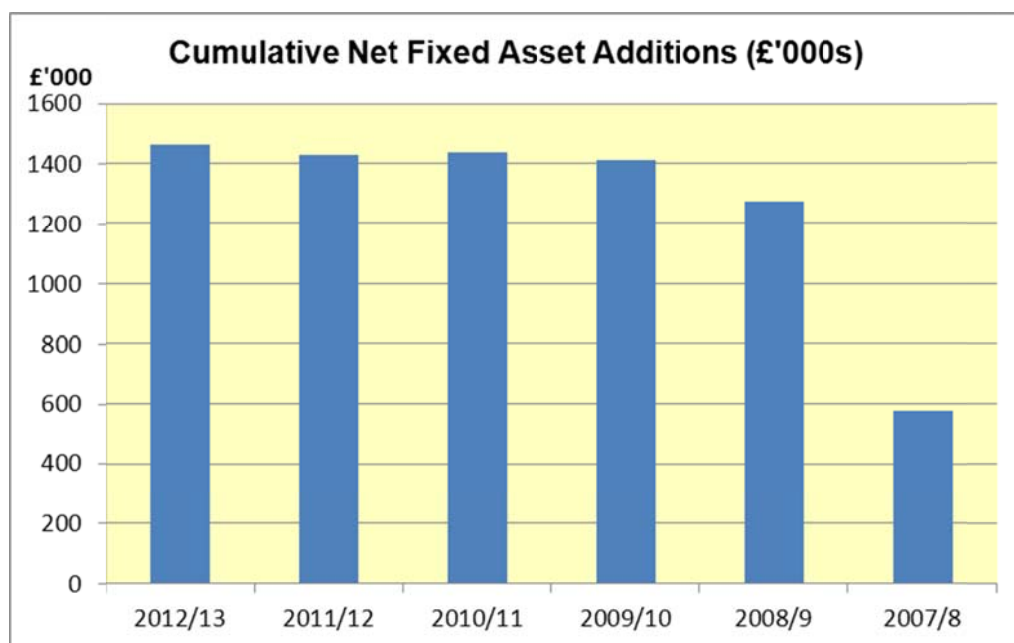
Total Operating Expenditure has increased by 5.2% year on year, driven predominately through increased spend within "Other Operating Expenses", which has increased by 10% when compared to the previous year.

Staff costs for the year 2012/13 have increased by 2.9% year on year. The underlying annual increase, however, when adjusting for prior year "one-off" restructuring costs and pension liability charges, is 5.7%. This reflects the 1% annual pay award negotiated at a national level for 2012/13 and additional staff related costs associated with maximising the School's impact on its Research Excellence Framework (REF) submission.

Other operating expenses for the year 2012/13 have increased by £449k when compared to 2011/12. This additional spend represents strategic investment supporting the student experience, process improvement initiatives, advertising, promotion and web-site development. Estate maintenance spend has also increased year on year reflecting the School's appetite for better utilisation of space and a commitment to a reduction in its carbon footprint. The bursaries spend of £220k for the year 2012/13 does not include an additional £173k awarded as Scholarships during the year; this outlay is reflected as a reduction to tuition fee income.

Capital Projects

Having previously delayed the final 2 phases of a 6 phase capital investment plan due to economic uncertainty, the School Governing Body decided it was now appropriate to move forward regarding phase 5 of the Estate Master-plan. It is anticipated that the construction of the new building outlined under phase 5 will take place during the period 2014/15 to 2015/16. With this in mind, capital spend has been kept to a minimum this year.



Investment Performance

Cash balances plus short term deposits at the end of the year stood at £10m, which represented the equivalent of 293 days of expenditure and also represents an increase on the previous year of £1.1m. A net cash inflow from operating activities of £1.2m was generated in the year. 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. Diversification of funds occurs across a range of highly rated banking institutions and is employed to reduce exposure to counter-party risk.

Key Financial Indicators

| | Royal Central School of Speech and Drama | | Sector Mean* |
|---|--|---------|--------------|
| | 2012/13 | 2011/12 | 2011/12 |
| Current Ratio | 5.69 | 4.74 | N/A |
| Net Liquidity (Days) | 293 | 275 | 118 |
| Cash flow from operating activities as % total income | 8.5% | 9.3% | 8.1% |
| External Borrowing as % of total income | 5% | 6% | 23.6% |

(* Source: "Financial health of the higher education sector" - HEFCE March 2013/04)

The above financial indicators represent a healthy liquidity position for the School, improving year on year in the Current Ratio, Liquidity and External Borrowing measures. Both Liquidity and External Borrowing indicators are significantly better when compared to the sector mean. Cash flow from operating activities is on par in absolute terms compared to the prior year (2012/13 £1.2m / 2011/12 £1.2m), in percentage terms however, the year on year decrease is driven predominately through the increase in total income.

Pensions

The School 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 TPS is unable to identify the School's share of the underlying assets and therefore exempt from detailed reporting in the financial statements in accordance with the relevant reporting standard Financial Reporting Standard 17 (FRS 17).

The LPFA scheme currently shows an FRS 17 deficit of £2.1m for the School, representing a significant decrease from a deficit of £2.9m reported at the previous year end. The £2.1m liability reflects changes in assumptions underlying the present value of the fund's obligations compared to the fair value of scheme assets as at 31 July 2013. The present value of the fund's obligations for the School has increased to £8.8m, up £0.6m on the previous year. The fund's assets in turn have increased significantly by £1.4m to £6.7m. The School's share of the LPFA scheme deficit is reflected in the balance sheet in accordance with FRS 17.

Future Outlook & Key Risks

The White Paper, 'Higher education: students at the heart of the system', set out the Government's intention to significantly change the ways in which teaching is funded and student numbers controlled, with the overall aim of increasing student choice and supporting greater diversity in higher education. In response to this paper and with effect from 2012/13 the School:

- a) Charges new regime home/EEC undergraduate student tuition fees of £9k per annum;
- b) Has implemented a revised Widening Participation / Access agreement to support the £9k tuition fee level;
- c) Suffers a gradual withdrawal of core funding from HEFCE as "old regime" students are phased out as they complete their three year study programmes;
- d) Opted out of the AAB+ policy for 2012/13 and the ABB+ policy for 2013/14 in order to retain current home/EEC undergraduate controlled student recruitment numbers. It has been assumed that the option to continue to 'opt-out' will continue beyond 2013/14;
- e) Successfully secured "Institution Specific" specialist funding valued at £1.9m per annum to 2015/16 beyond which this funding stream will once again be the subject of another review.

The above factors combined to deliver a strong financial performance in 2012/13 which extends the School's strong track record of generating surpluses to ensure sustainability and to part-fund future capital investment.

| Annual Surplus on Continuing Operations | Actual Results (£'000s) | | | | | | |
|---|-------------------------|---------|---------|---------|---------|---------|---------|
| | 2012/13 | 2011/12 | 2010/11 | 2009/10 | 2008/09 | 2007/08 | 2006/07 |
| | £1,057 | £860 | £319 | £821 | £915 | £1,005 | £1,460 |

The accumulation of surpluses, in turn, strengthens the School Balance Sheet and enables the School to invest strategically in support of its key planning priorities outlined in the corporate plan for the future five year planning period 2013 to 2018 which has yet to be endorsed by the School Governing Body. Key priorities being considered are detailed below:

- a) Continuously improve Teaching and Learning and the Student experience;
- b) Deliver increased volume and quality of research outputs whilst continuing to support research informed teaching excellence;
- c) Focus on financial health and longer term financial sustainability;
- d) Strengthen and further develop external engagement with industry;
- e) Estate Development to meet the needs of both students and staff;
- f) Maintain and enhance the quality and diversity of staff with a view to meeting the needs of students through a programme of continuous staff development.

Investment supporting the above key planning priorities will take the form of both capital investment and additional recurrent spend. It is anticipated that the capital element of the investment plan will be funded through a combination of external finance and internal reserves.

The latest School financial plans to 2015/16 indicate affordability of investment assumptions behind each key planning priority when tested against the longer term financial sustainability target of "Earnings Before Interest, Tax, Depreciation and Amortisation" (EBITDA). In light of the new funding environment across the sector where higher tuition fees replace HEFCE Teaching funds, lower capital funding and more selective research funding becomes the norm, a greater emphasis on longer term financial sustainability is required.

The Wakeham Report "Financial Sustainability and Efficiency in Full Economic Costing of Research in UK Higher Education Institutions" (June 2010) contains the following recommendation:

- HEI governing bodies should take a more proactive role in assuring themselves that there is an institution-wide strategy for financial sustainability and that the HEI has developed measures that assess the extent to which this being achieved.

With this recommendation in mind, and noting the changed funding environment, the School Governing Body agreed an EBITDA target range of 9% to 13% of Net Income commencing 2013/14 through to 2015/16. EBITDA will replace the previous School target to deliver a minimum historical cost surplus of 3% of Total Income per annum from and including 2013/14.

The table below highlights conformity of the recent financial forecasts against the School EBITDA target range.

| Financial Targets | 13/14 | 14/15 | 15/16 |
|--|--------------|--------------|--------------|
| 3% (Historical) Surplus p.a (suspended) | 5.1% | 6.6% | 5.2% |
| Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) % Total Income | 9.0% | 11.1% | 10.4% |

Whilst focused on achieving this EBITDA target, the following challenges were also factored into the financial forecasting:

- a) Continued public-sector austerity throughout the planning period leading to:
 - likely adjustments to Government funding in 2015 in light of the recent Comprehensive Spending Review (CSR)
 - increased actual and perceived poverty of those who might think of entering higher education
 - competition from new providers entering into the public funded sector;
- b) Maintain and develop research quality in an increasingly selective funding environment;
- c) Sustainability of postgraduate taught provision in a competitive and changing environment.

However, the School faces these challenges from a position of strength, noting a healthy Balance Sheet reflecting low debt and a high cash balance position with a good level of reserves and a strong track record of generating surpluses. Building on this financial platform with a focus on EBITDA targets as a measure of financial sustainability in the future combined with an ambitious capital investment plan all indicate the School's commitment and belief in continued financial sustainability. The School has therefore a reasonable expectation that adequate resources exist to continue operations for the foreseeable future and the going concern basis continues to be appropriate for preparing the annual financial statements.

Risk Management

Risk management is conducted at both a strategic and operational level across the School. It is regularly 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 the School's control.

There are two key risks to the financial health and sustainability of the School related to student recruitment. Both risks are reflected on the School Strategic Risk Register:

- a) Reduction in the number of overseas student applications / acceptances resulting in loss of forecast income;
- b) Reduction in the number of home / EU postgraduate taught student applications / acceptances resulting in loss of forecast tuition fee income and possible under-performance against the HEFCE contract.

The above risks highlight the potential for increased income volatility as a result of pressures on student recruitment, including increased competition for international

students from other countries and a significant fall in part-time undergraduate and postgraduate numbers.

The School is responding to these risks by undertaking a combination of the following actions:

- a) Development of a proactive marketing strategy;
- b) Increase the staff resource to support the marketing strategy;
- c) Investing in website, press and social media enhancements to seek a competitive edge to attract students worldwide and facilitate a more proactive press and social media campaign to correct any false reporting, highlight good news stories and promote the School's achievements;
- d) Investing in a major capital spend programme to enhance the estate and add additional capacity in order to meet student and staff needs.

Other key risks identified by the School and logged on the School Strategic Risk Register include:

- a) Unsustainable pension schemes resulting in significant pension scheme liabilities;
- b) Insufficient on-site or off-site physical space of good quality to meet operational requirements.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL

The following statement is provided to enable readers of the annual report and financial statements of The Royal Central School of Speech and Drama to obtain a better understanding of its governance and legal structure.

The Board of Governors of Central is committed to exhibiting good 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 | Committees Serviced |
|---|--|--|
| Paul Taiano <i>(Chairman of Governors)</i> | Independent | Remuneration Committee (Chair) Nominations Committee (Chair) Finance and Employment Committee Investment Committee |
| Roger Alexander | Independent | Remuneration Committee Finance and Employment Committee |
| Diana Balsdon | Independent | Audit Committee (Chair) Search Committee - Chairman of Governors |
| Professor Ross Brown | Staff (Academic Board) | Governors' Health and Safety Assurance Committee Search Committee - Chairman of Governors |
| Victoria Dickie | Independent | - |
| Pippa Harris | Independent | Nominations Committee |
| Professor Gavin Henderson CBE | Ex Officio (Principal/CEO) | Finance and Employment Committee Nominations Committee Search Committee - Chairman of Governors |
| Menna McGregor | Independent <i>(Appointed 26/11/2012)</i> | Audit Committee |
| Professor Simon McVeigh | Independent | Academic Board Monitor |
| Anne Mensah | Independent <i>(Appointed 22/10/2012)</i> | Finance and Employment Committee |
| Jodi Myers | Independent | Nominations Committee Search Committee - Chairman of Governors Equality and Diversity Champion |
| Douglas Paulson | Postgraduate Student <i>(11/6/2013 to 15/09/2013)</i> | - |
| Charles Perrin CBE | Co-opted (University of London) | Finance and Employment Committee (Chair) Investment Committee (Chair) Search Committee - Chairman of Governors (Chair) Remuneration Committee Governors' Health and Safety Assurance Committee |

| Name | Category of Membership | Committees Serviced |
|--|-------------------------|---|
| Peter Roberts <i>(Deputy Chairman of Governors)</i> | Independent | Governors' Health and Safety Assurance Committee (Chair) Nominations Committee Remuneration Committee |
| Martin Scott | Independent | Audit Committee |
| Dominic Tulett | Staff | - |
| Leonora Twynam | Independent | Finance and Employment Committee |
| Matthew Withers | Student Union President | Governors' Health and Safety Assurance Committee Search Committee -Chairman of Governors |

Sarah Fortescue, Postgraduate Student Governor, was co-opted to the Board of Governors after the year-end on 25 November 2013.

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 2013.

Central is an Independent Company Limited by Guarantee and an Exempt Charity. Central was awarded Royal Title and changed its name to The Royal Central School of Speech and Drama on 6 December 2012. Its objects, powers and framework of governance are set out in the Articles of Association. The Privy Council approved the current version of the Articles on 23 May 2013.

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

The **Governing Body** is the executive governing body. The Governing Body has a majority of independent members, chosen in accordance with strict criteria contained in the legislation. The Chair is elected from among the independent members. There is also provision for the appointment of co-opted members, and representatives of the staff and the student body. No 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 with other management responsibilities of the Clerk's role, Karen Burnell has been appointed as Deputy Clerk to Governors. During the year under review, Karen Burnell acted as Minuting Secretary to Governing Body 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 clerk 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 nineteen of whom fourteen are external independent lay members. The Governing Body comprised eighteen members on 31 July 2013 including 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. Currently the Chairman of Governors may serve for three terms of four years (a maximum of 12 years as Chair).

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 five meetings during the academic year 2012/13, including two strategic topic meetings.

The Governing Body undertakes periodic Effectiveness Reviews. A full 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 was monitored by the Nominations Committee and the Internal Auditors. A further review in relation to Governing Body meeting effectiveness was undertaken during the year and a periodic Skills Audit has been undertaken to inform the priorities for appointing to vacant positions on the Board.

Governing Body Committees

The Governing Body has established several committees including a Finance and Employment Committee, a Remuneration Committee, an Audit Committee, a Governors' Health and Safety Assurance Committee, a Nominations Committee and an Investment Committee (sub-committee of the Finance and Employment Committee). These committees are formally constituted with terms of reference and comprise mainly independent members of the Governors, one of whom is Chair. The Governing Body has also re-established a Search Committee (Chair of Governors) which is Chaired by an independent member but also includes staff and student Governors.

The Finance and Employment Committee meets at least four times a year, and is chaired by Charles Perrin CBE. 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 Investment Committee is a sub-committee of the Finance and Employment Committee and is chaired by Charles Perrin CBE. The Investment Committee meets at least two times a year to review investment strategy and policy and to monitor and review investment performance.

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

The Governors' 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 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) and the Governing Body Meeting Effectiveness Review, is being monitored by the Nominations Committee. Lee Menzies served as a co-opted member on the Nominations Committee throughout the year under review.

The Search Committee (Chairman of Governors) has been re-established to consider arrangements for the identification and selection of the successor Chairman of Governors.

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. A member of the Governing Body is invited to meetings as an observer. Academic Board 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 (CEO)

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

The Principal and Chief Executive Officer is Accountable Officer and as such 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) 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) the determination - after consultation with the Academic Board - of the institution's academic activities, and for the determination of its other activities;
- d) 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) the implementation of decisions of the Governors;
- f) in May 2013 the Privy Council and the Charity Commission confirmed approval of amendments to the Articles of Association which were duly registered with Companies House. These included the change of Company Name to The Royal Central School of Speech and Drama, following confirmation from the Cabinet Office on 25 October 2012 that permission for Royal Title had been granted to the School.

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 13 May 2013.

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.

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

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

- a) suitable accounting policies are selected and applied consistently;
- b) judgements and estimates are made that are reasonable and prudent;
- c) applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements; and
- d) financial statements are prepared on the going concern basis unless it is inappropriate to presume that the institution will continue in operation.

The Governors are satisfied that the institution has adequate resources to continue in operation for the foreseeable future; for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Governing Body has taken reasonable steps to:

- a) ensure that funds from the Higher Education Funding Council for England are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- b) ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- c) safeguard the assets of The Royal Central School of Speech and Drama and to prevent and detect fraud; and
- d) secure the economical, efficient and effective management of the institution's resources and expenditure.

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

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

- b) a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- c) regular variance reporting and updates of forecast outturns;
- d) clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Governors;
- e) comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and Governors; and
- f) a professional Internal Audit team whose annual programme is approved by the Audit Committee.

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

Publication of the Financial Statements on The Royal Central School of Speech and Drama Website

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

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

Summary Review of Controls

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

The Governing Body is of the view that there is an on-going process for identifying, evaluating and managing the institution's significant risks, that it has been in place for the year ended 31 July 2013, and up to the date of approval of the annual report and financial statements, 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) regular discussions are held at Executive and Board level to identify and keep up to date the record of risks facing the institution;
- g) a system of key performance and risk indicators has been developed;
- h) a robust risk prioritisation methodology based on risk ranking has been established;
- i) an organisation-wide risk register is maintained
- j) the Executive Management Group reviews the key strategic risks at each meeting and undertakes a review of departmental operational risk registers termly. Feedback and training is provided on an on-going basis; 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 School appointed internal audit firm "Deloitte", 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.

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 2013 and up to the date of approval of the annual report and financial statements.



Paul Taiano
Chair of Governors
25 November 2013

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY

We have audited the financial statements of The Royal Central School of Speech and Drama for the year ended 31 July 2013 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 29 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:

- a) give a true and fair view of the state of the affairs of the Group and Central as at 31 July 2013 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;

- b) have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- c) have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education; and
- d) 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:

- a) funds from whatever source administered by the Group and Central for specific purposes have been applied to those purposes; and
- b) 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:

- a) 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:

- a) 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
- b) Central's financial statements are not in agreement with the accounting records and returns;
- c) certain disclosures of directors' remuneration specified by law are not made; and
- d) we have not received all the information and explanations we require for our audit.



Fleur Nieboer (Senior Statutory Auditor)

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square, Canary Wharf

London E14 5GL

²⁷ November 2013

GROUP INCOME AND EXPENDITURE ACCOUNT

Year ended 31 July 2013

| INCOME | Notes | Year Ended 31 July 2013 £000 | Year Ended 31 July 2012 £000 |
|--|-------|------------------------------------|------------------------------------|
| Funding body grants | 2 | 4,690 | 5,406 |
| Tuition fees and education contracts | 3 | 7,936 | 6,532 |
| Research grants and contracts | 4 | 190 | 192 |
| Other income | 5 | 1,220 | 1,025 |
| Endowment and investment income | 6 | 82 | 116 |
| Total income | | 14,118 | 13,271 |
| EXPENDITURE | | | |
| Staff costs | 7 | 7,636 | 7,419 |
| Other operating expenses | 8 | 4,738 | 4,289 |
| Depreciation | 12 | 594 | 608 |
| Interest and other finance costs | 10 | 93 | 95 |
| Total expenditure | 9 | 13,061 | 12,411 |
| Surplus on continuing operations after depreciation of tangible fixed assets at valuation | | 1,057 | 860 |
| Transfer from / (to) accumulated income in endowment funds | 21 | (13) | 4 |
| Surplus for the year retained within general reserves | | 1,044 | 864 |

All items of income and expenditure arise from continuing operations.

There is no difference between the surplus on an historical cost basis.

Pages 39 to 66 form part of these financial statements.

STATEMENT OF GROUP TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 July 2013

| | Notes | Year Ended 31 July 2013 £000 | Year Ended 31 July 2012 £000 |
|--|-------|------------------------------------|------------------------------------|
| Surplus on continuing operations after depreciation of tangible fixed assets at valuation | | 1,057 | 860 |
| Unrealised gains/(losses) on investments | 22 | 43 | (14) |
| Increase / (Decrease) in endowment assets | 21 | 145 | (1) |
| Actuarial gains /(losses) in respect of pension schemes | 35 | 963 | (1,135) |
| Total recognised gains / (losses) relating to the year | | <u>2,208</u> | <u>(290)</u> |
| Reconciliation | | | |
| Opening reserves and endowments | | 8,646 | 8,936 |
| Total recognised gains / (losses) for the year | | 2,208 | (290) |
| Closing reserves and endowments | | <u>10,854</u> | <u>8,646</u> |


BALANCE SHEET AS AT 31 July

| | Notes | 2013 | | 2012 | |
|--|-------|---------------|-----------------|---------------|-----------------|
| | | Group £000 | Central £000 | Group £000 | Central £000 |
| Fixed assets | | | | | |
| Tangible assets | 12 | 15,400 | 15,398 | 15,944 | 15,942 |
| Investments | 13 | 387 | 387 | 344 | 344 |
| | | <u>15,787</u> | <u>15,785</u> | <u>16,288</u> | <u>16,286</u> |
| Endowment assets | 14 | <u>331</u> | <u>331</u> | <u>173</u> | <u>173</u> |
| Current assets | | | | | |
| Stocks | | - | - | 2 | - |
| Debtors | 15 | 379 | 409 | 342 | 377 |
| Investments | 16 | 6,574 | 6,574 | 5,111 | 5,111 |
| Cash at bank and in hand | | 3,418 | 3,388 | 3,770 | 3,740 |
| | | <u>10,371</u> | <u>10,371</u> | <u>9,225</u> | <u>9,228</u> |
| Less: creditors - amounts falling due within one year | 17 | (1,825) | (1,807) | (1,948) | (1,940) |
| Net current assets | | <u>8,547</u> | <u>8,564</u> | <u>7,277</u> | <u>7,288</u> |
| Total assets less current liabilities | | 24,664 | 24,680 | 23,738 | 23,747 |
| Less: creditors - amounts falling due after more than one year | 18 | (632) | (632) | (718) | (718) |
| Less: provisions for liabilities | 19 | (349) | (349) | (345) | (345) |
| Net assets excluding pension liability | | <u>23,683</u> | <u>23,699</u> | <u>22,675</u> | <u>22,684</u> |
| Net pension liability | 35 | (2,103) | (2,103) | (2,931) | (2,931) |
| Net assets including pension liability | | <u>21,580</u> | <u>21,596</u> | <u>19,744</u> | <u>19,753</u> |

BALANCE SHEET AS AT 31 JULY (continued)

| | Notes | 2013 | | 2012 | |
|---|-------|----------------|-----------------|----------------|-----------------|
| | | Group £000 | Central £000 | Group £000 | Central £000 |
| Deferred capital grants | 20 | 10,726 | 10,726 | 11,098 | 11,098 |
| Endowments | 21 | | | | |
| Expendable | | 22 | 22 | 11 | 11 |
| Permanent | | 309 | 309 | 162 | 162 |
| | | <u>331</u> | <u>331</u> | <u>173</u> | <u>173</u> |
| Reserves | 22 | | | | |
| Income and expenditure account excluding pension reserve | | 11,360 | 11,376 | 10,181 | 10,190 |
| Pension reserve (deficit) | | <u>(2,103)</u> | <u>(2,103)</u> | <u>(2,931)</u> | <u>(2,931)</u> |
| Income and expenditure account including pension reserve | | 9,257 | 9,273 | 7,250 | 7,259 |
| Revaluation reserve | 22 | <u>1,266</u> | <u>1,266</u> | <u>1,223</u> | <u>1,223</u> |
| Total reserves | | <u>10,523</u> | <u>10,539</u> | <u>8,473</u> | <u>8,482</u> |
| Reserves and endowments | | <u>10,854</u> | <u>10,870</u> | <u>8,646</u> | <u>8,655</u> |
| TOTAL FUNDS | | <u>21,580</u> | <u>21,596</u> | <u>19,744</u> | <u>19,753</u> |

The financial statements were approved by the Governing Body on 25 November 2013 and were signed on its behalf on that date by:



Paul Taiano
Chairman of Governors



Professor Gavin Henderson
Principal / Chief Executive



Deborah Scully
Company Secretary

GROUP CASH FLOW STATEMENT

Year ended 31 July 2013

| | Notes | Year Ended 31 July 2013 £000 | Year Ended 31 July 2012 £000 |
|---|-------|------------------------------------|------------------------------------|
| Net cash inflow from operating activities | 23 | 1,205 | 1,239 |
| Returns on investments and servicing of finance | 24 | 90 | 148 |
| Capital expenditure and financial investment | 25 | (137) | 1 |
| Management of liquid resources | 26 | (1,463) | 125 |
| Financing | 27 | (81) | (76) |
| (Decrease) / Increase in cash | | <u>(386)</u> | <u>1,437</u> |

Reconciliation of net cash flow to movement in net funds

| | Year Ended 31 July 2013 £000 | Year Ended 31 July 2012 £000 |
|---|------------------------------------|------------------------------------|
| (Decrease) / Increase in cash in the year | <u>(386)</u> | <u>1,437</u> |
| Change in short term deposits | 1,463 | (125) |
| Change in debt | <u>81</u> | <u>76</u> |
| Change in net funds | 1,158 | 1,388 |
| Net funds at 1 August | 8,292 | 6,904 |
| Net funds at 31 July | <u>9,450</u> | <u>8,292</u> |

NOTES TO THE ACCOUNTS

1 Statement of Principal Accounting Policies and 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 Central continues to adopt the going concern basis in preparing its 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.

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

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

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

Listed Investments

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

Stocks

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

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

Cash Flows and Liquid Resources

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

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

Maintenance of Premises

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

Taxation Status

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

Provisions

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

Accounting for charitable donations

Unrestricted donations

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

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.

2 Funding Body Grants

| | Year Ended 31 July 2013 £000 | Year Ended 31 July 2012 £000 |
|--|------------------------------------|------------------------------------|
| Recurrent Grant | | |
| HEFCE - Teaching | 3,913 | 4,400 |
| HEFCE - Research | 322 | 314 |
| Higher Education Funding Council for England | <u>4,235</u> | <u>4,714</u> |
| Teaching Agency (TA) | 36 | 83 |
| TOTAL RECURRENT GRANTS | <u>4,271</u> | <u>4,797</u> |
| Specific Grants (HEFCE) | | |
| Higher Education Innovation Fund | - | 22 |
| Inherited Staff Liabilities | 21 | 22 |
| Leading Transformational Change | <u>2</u> | <u>136</u> |
| | 23 | 180 |
| TOTAL SPECIFIC GRANTS | 23 | 180 |
| Deferred capital grants released in the year: | | |
| HEFCE - Buildings | 392 | 425 |
| HEFCE - Equipment | <u>4</u> | <u>4</u> |
| TOTAL DEFERRED CAPITAL GRANTS (Note 20) | 396 | 429 |
| TOTAL FUNDING COUNCIL GRANTS | <u><u>4,690</u></u> | <u><u>5,406</u></u> |

3 Tuition Fees and Education Contracts

| | Year Ended 31 July 2013 £000 | Year Ended 31 July 2012 £000 |
|---|------------------------------------|------------------------------------|
| Full-time Undergraduate - Home and EU Fees | 3,248 | 2,025 |
| - International and Island* Fees | 995 | 737 |
| Full-time Postgraduate - Home and EU Fees | 1,579 | 1,511 |
| - International and Island* Fees | 1,275 | 1,394 |
| Part-time Postgraduate - Home and EU Fees | 145 | 177 |
| - International and Island* Fees | 6 | - |
| Short course and other fees | 675 | 659 |
| Other education contracts | 13 | 1 |
| Learning and Teaching grants | - | 28 |
| Total fees paid by, or on behalf of, individual students | 7,936 | 6,532 |

* Island Fees include Channel Islands and the Isle of Man

4 Research Grants and Contracts

| | | |
|--------------------------------------|------------|------------|
| Arts and Humanities Research Council | 118 | 130 |
| Other | 72 | 62 |
| | <u>190</u> | <u>192</u> |

5 Other Income

| | | |
|---|--------------|--------------|
| Catering and conferences | 267 | 263 |
| Promotions and events | 34 | 52 |
| External services | 154 | 114 |
| Training services | 147 | 45 |
| Rental income | 197 | 196 |
| Theatre receipts | 22 | 48 |
| Donations | 249 | 196 |
| Shop and photocopy sales | 25 | 24 |
| Released from deferred capital grants (Note 20) | 6 | 6 |
| Other income | 119 | 81 |
| | <u>1,220</u> | <u>1,025</u> |

6 Endowment and Investment Income

| | Year Ended 31 July 2013 £000 | Year Ended 31 July 2012 £000 |
|----------------------------------|------------------------------------|------------------------------------|
| Income from permanent endowments | 14 | 4 |
| Income from investments | 14 | 18 |
| Bank interest | 79 | 105 |

| | | |
|---|-----------|------------|
| Foreign currency translation (losses) / gains | (25) | (11) |
| | <u>82</u> | <u>116</u> |

7 Staff Costs

| | Year Ended 31 July 2013 FTE | Year Ended 31 July 2012 FTE |
|--|-----------------------------------|-----------------------------------|
| Average staff numbers, expressed as full-time equivalents (FTE): | | |
| Teaching Departments | 108 | 114 |
| Teaching Support Services | 21 | 20 |
| Administration and Central Services | 53 | 46 |
| Premises | 5 | 5 |
| Catering and Conferences | 1 | 1 |
| | <u>188</u> | <u>186</u> |

| | Year Ended 31 July 2013 £000 | Year Ended 31 July 2012 £000 |
|-------------------------------|------------------------------------|------------------------------------|
| Staff costs for the above: | | |
| Salaries | 6,229 | 5,868 |
| Social security costs | 540 | 524 |
| Other pension costs (Note 35) | 867 | 914 |
| | <u>7,636</u> | <u>7,306</u> |
| Restructuring costs | - | 113 |
| Total | <u>7,636</u> | <u>7,419</u> |

Directors Emoluments

Aggregate emoluments of the 18 Directors (2012: 17) who served during the year:

| | | |
|-----------------------|------------|------------|
| Salaries | 294 | 290 |
| Benefits in kind | 1 | 1 |
| Pension contributions | 34 | 33 |
| Total | <u>329</u> | <u>324</u> |

The Directors' emoluments include the Principal and three other executive directors' emoluments who are employed by the School.

One non-executive director received fees of £400 for production management on the BA Drama, Applied Theatre and Education course during the year (2012: £300). During the year one (2012: one) non-executive director received reimbursement of expenses of £138 (2012: £158).

7 Staff Costs (continued)

Emoluments of the Chair of Governors

The Chair of Governors received no emoluments during the years ended 31 July 2013 and 31 July 2012.

| Emoluments of the Principal | Year Ended 31 July 2013 £000 | Year Ended 31 July 2012 £000 |
|-----------------------------|------------------------------------|------------------------------------|
| Salary | 168 | 163 |
| Benefits in kind | 1 | 1 |
| | <u>169</u> | <u>164</u> |
| Pension contributions | 23 | 23 |
| Total | <u><u>192</u></u> | <u><u>187</u></u> |

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 2013 FTE | Year Ended 31 July 2012 FTE |
|---|-----------------------------------|-----------------------------------|
| £100,000 - £110,000 | 1 | 1 |
| £110,001 - £120,000 | 1 | 1 |
| | <u>2</u> | <u>2</u> |
| | <u><u>2</u></u> | <u><u>2</u></u> |

8 Other Operating Expenses

| | Year Ended 31 July 2013 £000 | Year Ended 31 July 2012 £000 |
|---|------------------------------------|------------------------------------|
| Auditors' remuneration - external audit, parent company, current year | 38 | 37 |
| Auditors' remuneration - external audit, parent company, prior year | - | 4 |
| Auditors' remuneration - external audit, subsidiary company | 5 | 5 |
| Auditors' remuneration - taxation and other services | - | 5 |
| Bursaries | 220 | 311 |
| Catering and conferences operating expenses | 250 | 286 |
| Cleaning | 157 | 210 |
| Computer and web-site maintenance | 235 | 238 |
| Consumables | 130 | 135 |
| Furniture, fittings and equipment | 79 | 70 |
| Hire of facilities and equipment | 80 | 51 |
| Internal audit - current year | 28 | 18 |
| Internal audit - prior year | - | 6 |
| Insurance | 103 | 89 |
| Legal and professional | 214 | 176 |
| Other expenditure | 320 | 294 |
| Postage, printing, stationery and periodicals | 183 | 176 |
| Promotions and events | 357 | 288 |
| Rent and rates | 134 | 113 |
| Repairs and general maintenance | 327 | 252 |
| Self-employed professionals | 906 | 714 |
| Staff and student travel | 145 | 128 |
| Staff development and recruitment | 396 | 274 |
| Strategic Development | 84 | 40 |
| Subscriptions | 242 | 186 |
| Utilities | 105 | 183 |
| | <u>4,738</u> | <u>4,289</u> |

An analysis of expenditure by activity for the year ended 31 July 2013 is shown in Note 10.

9 Analysis of Expenditure by Activity

YEAR ENDED 31 JULY 2013

| | Staff Costs £000 | Other Operating Expenses £000 | Depre- ciation £000 | Interest Payable £000 | Total £000 |
|--|------------------------|--|---------------------------|-----------------------------|---------------|
| Teaching Departments | 4,863 | 1,173 | 23 | - | 6,059 |
| Teaching Support Services | 252 | 742 | 14 | - | 1,008 |
| Administration | 2,314 | 1,979 | 119 | 48 | 4,460 |
| Premises and Central Services | 169 | 586 | 438 | 45 | 1,238 |
| Catering and Conferences | 38 | 258 | - | - | 296 |
| Total per Income and Expenditure Account | <u>7,636</u> | <u>4,738</u> | <u>594</u> | <u>93</u> | <u>13,061</u> |

YEAR ENDED 31 JULY 2012

| | Staff Costs £000 | Other Operating Expenses £000 | Depre- ciation £000 | Interest Payable £000 | Total £000 |
|--|------------------------|--|---------------------------|-----------------------------|---------------|
| Teaching Departments | 4,636 | 1,098 | 24 | - | 5,758 |
| Teaching Support Services | 296 | 598 | 14 | - | 908 |
| Administration | 2,264 | 1,653 | 122 | 45 | 4,084 |
| Premises and Central Services | 190 | 637 | 448 | 50 | 1,325 |
| Catering and Conferences | 33 | 303 | - | - | 336 |
| Total per Income and Expenditure Account | <u>7,419</u> | <u>4,289</u> | <u>608</u> | <u>95</u> | <u>12,411</u> |

The depreciation charge has been funded by:

| | Year Ended 31 July 2013 £000 | Year Ended 31 July 2012 £000 |
|--|------------------------------------|------------------------------------|
| Deferred Capital Grants released (Note 20) | <u>402</u> | <u>435</u> |
| General Income | <u>192</u> | <u>173</u> |
| | <u>594</u> | <u>608</u> |

Activities are as defined in the 2012 Finance Statistics Return of the Higher Education Statistics Agency (HESA).

10 Interest and Other Finance Costs

| | Year Ended 31 July 2013 £000 | Year Ended 31 July 2012 £000 |
|--|------------------------------------|------------------------------------|
| On bank loans, overdrafts and other loans repayable wholly or partly in more than five years | 45 | 50 |
| Net interest on pension scheme liabilities (Note 35) | 48 | 45 |
| | <u>93</u> | <u>95</u> |

11 Taxation

The activities of the parent company are not subject to Corporation Tax. No taxation is due on the result for the year of the subsidiary company.

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 1 August 2012 | 17,098 | 650 | 3,395 | 1,423 | 22,566 |
| Additions | - | - | - | 52 | 52 |
| Disposals | - | - | - | (20) | (20) |
| At 31 July 2013 | <u>17,098</u> | <u>650</u> | <u>3,395</u> | <u>1,455</u> | <u>22,598</u> |
| Depreciation | | | | | |
| At 1 August 2012 | 4,262 | - | 1,211 | 1,149 | 6,622 |
| Charge for the year | 316 | - | 205 | 73 | 594 |
| Disposals | - | - | - | (18) | (18) |
| At 31 July 2013 | <u>4,578</u> | <u>-</u> | <u>1,416</u> | <u>1,204</u> | <u>7,198</u> |
| Net book value | | | | | |
| At 31 July 2013 | <u>12,520</u> | <u>650</u> | <u>1,979</u> | <u>251</u> | <u>15,400</u> |
| At 31 July 2012 | <u>12,836</u> | <u>650</u> | <u>2,184</u> | <u>274</u> | <u>15,944</u> |

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 1 August 2012 | 17,098 | 650 | 3,395 | 1,418 | 22,561 |
| Additions | - | - | - | 52 | 52 |
| Disposals | - | - | - | (20) | (20) |
| At 31 July 2013 | <u>17,098</u> | <u>650</u> | <u>3,395</u> | <u>1,450</u> | <u>22,593</u> |
| Depreciation | | | | | |
| At 1 August 2012 | 4,262 | - | 1,211 | 1,146 | 6,619 |
| Charge for the year | 316 | - | 205 | 73 | 594 |
| Disposals | - | - | - | (18) | (18) |
| At 31 July 2013 | <u>4,578</u> | <u>-</u> | <u>1,416</u> | <u>1,201</u> | <u>7,195</u> |
| Net book value | | | | | |
| At 31 July 2013 | <u>12,520</u> | <u>650</u> | <u>1,979</u> | <u>250</u> | <u>15,398</u> |
| At 31 July 2012 | <u>12,836</u> | <u>650</u> | <u>2,184</u> | <u>272</u> | <u>15,942</u> |

Buildings and alterations and improvements with a net book value of £12,978,000 and cost of £18,272,000 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 re-valued on 1 August 1989, and not updated since that date.

Long Leasehold (999 year lease from 1989) and Freehold land is not depreciated as it is considered to have an indefinite useful life.

13 Investments

| | Group and Central | |
|---|------------------------------------|------------------------------------|
| | Year Ended 31 July 2013 £000 | Year Ended 31 July 2012 £000 |
| Listed investments | | |
| Balance at 1 August | 344 | 358 |
| Increase / (Decrease) on revaluation | 43 | (14) |
| Balance at 31 July | <u>387</u> | <u>344</u> |
| Listed investments comprise: | | |
| Equities (listed unit trusts) | 387 | 344 |
| Total investments at 31 July | <u>387</u> | <u>344</u> |
| Equities (listed) at cost at 31 July | <u>281</u> | <u>281</u> |
| | Central 2013 | Central 2012 |
| Investment in subsidiary company at cost | £ | £ |
| Subsidiary company | <u>1</u> | <u>1</u> |

Central owns 100% of the issued share capital of CSSD Enterprises Limited which is registered in England.

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

| | Year Ended 31 July 2013 £000 | Year Ended 31 July 2012 £000 |
|--|------------------------------------|------------------------------------|
| The results of the subsidiary are as follows: | | |
| Turnover | 61 | 60 |
| Cost of sales | (22) | (22) |
| Gross profit | <u>39</u> | <u>38</u> |
| Net operating expenses | (46) | (47) |
| Operating (Loss) / Profit | <u>(7)</u> | <u>(9)</u> |
| (Loss) / Profit on ordinary activities before taxation | (7) | (9) |
| Transferred to Parent Undertaking | - | - |
| (Loss) for the financial year | <u>(7)</u> | <u>(9)</u> |

14 Endowment Asset Investments

| | <u>Group and Central</u> | |
|---|---|---|
| | <u>Year Ended 31 July 2013 £000</u> | <u>Year Ended 31 July 2012 £000</u> |
| Balance at 1 August | 173 | 178 |
| Increase / (Decrease) on revaluation | 14 | (1) |
| Increase / (Decrease) in cash balances (note 21) | 144 | (4) |
| Balance at 31 July | <u><u>331</u></u> | <u><u>173</u></u> |
| Endowment asset investments comprise: | | |
| Equities (listed unit trusts) | 155 | 11 |
| Bank balances | 176 | 162 |
| Total endowment asset investments at 31 July | <u><u>331</u></u> | <u><u>173</u></u> |
| Fixed interest stocks and equities at cost at 31 July | <u><u>142</u></u> | <u><u>11</u></u> |

| 15 Debtors | Group 2013 £000 | Central 2013 £000 | Group 2012 £000 | Central 2012 £000 |
|--|--------------------------------|----------------------------------|--------------------------------|----------------------------------|
| Amounts falling due within one year: | | | | |
| Debtors | 225 | 225 | 171 | 171 |
| Amounts owed by subsidiary undertaking | - | 30 | - | 35 |
| Prepayments and accrued income | 154 | 154 | 171 | 171 |
| | <u>379</u> | <u>409</u> | <u>342</u> | <u>377</u> |

16 Current Asset Investments

| | Group and Central 2013 £000 | 2012 £000 |
|---------------------------------------|--|----------------------|
| Deposits maturing in one year or less | <u>6,574</u> | <u>5,111</u> |

17 Creditors: amounts falling due within one year

| | Group 2013 £000 | Central 2013 £000 | Group 2012 £000 | Central 2012 £000 |
|------------------------------------|--------------------------------|----------------------------------|--------------------------------|----------------------------------|
| Mortgages and loans (Note 18) | 86 | 86 | 81 | 81 |
| Creditors | 425 | 407 | 425 | 417 |
| Social security and other taxation | 185 | 185 | 189 | 189 |
| Accruals and deferred income | 1,129 | 1,129 | 1,253 | 1,253 |
| | <u>1,825</u> | <u>1,807</u> | <u>1,948</u> | <u>1,940</u> |

18 Creditors: amounts falling due after more than one year

| | Group and Central | |
|-------------------------------|-------------------|------|
| | 2013 | 2012 |
| | £000 | £000 |
| Secured loans payable by 2020 | 632 | 718 |

Analysis of secured and unsecured loans:

| | Group and Central | |
|--------------------------------|-------------------|------|
| | 2013 | 2012 |
| | £000 | £000 |
| Due between one and two years | 90 | 86 |
| Due between two and five years | 421 | 288 |
| Due in five years or more | 121 | 344 |
| Total | 632 | 718 |

Summary of borrowings at 31 July 2013:

| 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% | 86 | 632 |
| | | | | | 86 | 632 |

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.

19 Provisions for Liabilities

| | Pension Costs £000 |
|------------------------|-----------------------|
| At 1 August 2012 | 345 |
| Recognised in the year | 4 |
| As at 31 July 2013 | 349 |

20 Deferred Capital Grants

| | Group and Central | | |
|---|-------------------|----------------------|---------------|
| | HEFCE £000 | Other Grants £000 | Total £000 |
| At 1 August 2012 | | | |
| Buildings | 10,879 | 208 | 11,087 |
| Equipment | 11 | - | 11 |
| Total | 10,890 | 208 | 11,098 |
| Grants Received | | | |
| Buildings | 30 | - | 30 |
| Total | 30 | - | 30 |
| Released to Income and Expenditure | | | |
| Buildings | (392) | (6) | (398) |
| Equipment | (4) | - | (4) |
| Total | (396) | (6) | (402) |
| At 31 July 2013 | | | |
| Buildings | 10,517 | 202 | 10,719 |
| Equipment | 7 | - | 7 |
| Total | 10,524 | 202 | 10,726 |

21 Endowments

| | Group and Central | | | |
|---|----------------------------------|---------------------------------|------------------------------------|------------------------------------|
| | Restricted Expendable £000 | Restricted Permanent £000 | Year Ended 31 July 2013 £000 | Year Ended 31 July 2012 £000 |
| Balances at 1 August | | | | |
| Capital | 11 | 151 | 162 | 163 |
| Accumulated income | - | 11 | 11 | 15 |
| | 11 | 162 | 173 | 178 |
| New endowment | - | 131 | 131 | |
| Investment income | 10 | 4 | 14 | 4 |
| Expenditure | - | (1) | (1) | (8) |
| | 10 | 134 | 144 | (4) |
| Increase / (decrease) in market value of investments | 1 | 13 | 14 | (1) |
| At 31 July | 22 | 309 | 331 | 173 |
| Represented by: | | | | |
| Capital | 11 | 151 | 162 | 162 |
| New Endowment | - | 131 | 131 | - |
| Accumulated income | 11 | 27 | 38 | 11 |
| | 22 | 309 | 331 | 173 |

21 Endowments (continued)

Details of restricted permanent endowments are set out below:

| | Capital value at 31 July 2013 £ | New Endowment £ | Opening accumulated income £ | Investment income £ | Expenditure £ | Closing accumulated income £ | Year Received |
|-----------------------------------|--|-----------------------|---------------------------------------|---------------------------|------------------|---------------------------------------|------------------|
| Nellie Watson | - | 131,280 | - | 2,262 | - | 2,262 | 2012 |
| Robert Tunstall Memorial Award | 2,500 | - | 251 | 20 | - | 271 | 2005 |
| Milner Scholarship | 129,870 | - | 1,313 | 1,054 | - | 2,367 | 1998 |
| Gary Bond Memorial Fund | 12,475 | - | 1,060 | 556 | (650) | 966 | 1997 |
| Jane Cowell Memorial Fund | 5,136 | - | 3,351 | 63 | - | 3,414 | 1989 |
| Clive Brook Prize Fund | 1,000 | - | 4,951 | 33 | (500) | 4,484 | 1974 |
| | <u>150,981</u> | <u>131,280</u> | <u>10,926</u> | <u>3,988</u> | <u>(1,150)</u> | <u>13,764</u> | |

Nellie Watson

This restricted permanent endowment is used to fund awards to performing arts 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.

Milner Scholarship

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

Gary Bond Memorial Fund

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

Jane Cowell Memorial Fund

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

Clive Brook Prize Fund

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

Due to the historic low level of investment returns, care was taken in the determination of awards to maintain each fund's value.

22 Reserves

| | Income and Expenditure Account Reserve £000 | Pension Reserve £000 | Revaluation Reserve £000 | Total £000 |
|--|---|----------------------------|--------------------------------|---------------|
| Opening reserves at 1 August 2012 | 10,181 | (2,931) | 1,223 | 8,473 |
| Surplus retained for the year | 1,044 | - | - | 1,044 |
| Transfer between reserves: pension scheme | 135 | (135) | - | - |
| Actuarial gain in respect of pension scheme | | 963 | - | 963 |
| Revaluations in the year | - | - | 43 | 43 |
| Closing reserves at 31 July 2013 | 11,360 | (2,103) | 1,266 | 10,523 |

| | Income and Expenditure Account Reserve £000 | Pension Reserve £000 | Revaluation Reserve £000 | Total £000 |
|--|---|----------------------------|--------------------------------|---------------|
| Opening reserves at 1 August 2011 | 9,240 | (1,719) | 1,237 | 8,758 |
| Surplus retained for the year | 864 | - | - | 864 |
| Transfer between reserves: pension scheme | 77 | (77) | - | - |
| Actuarial loss in respect of pension scheme | | (1,135) | - | (1,135) |
| Revaluations in the year | - | - | (14) | (14) |
| Closing reserves at 31 July 2012 | 10,181 | (2,931) | 1,223 | 8,473 |

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

23 Reconciliation of surplus before tax to net cash inflow from operating activities

| | Note | Year Ended 31 July 2013 £000 | Year Ended 31 July 2012 £000 |
|--|------|------------------------------------|------------------------------------|
| Surplus after depreciation of tangible fixed assets at valuation | | 1,057 | 860 |
| Depreciation | 12 | 594 | 608 |
| Loss on disposal of fixed assets | | 2 | 5 |
| Deferred capital grants released to income | 20 | (402) | (435) |
| Investment income | 6 | (82) | (116) |
| Interest payable | | 93 | 85 |
| Pension cost less contributions payable | | 135 | 77 |
| (Increase) /decrease in debtors excluding bank interest | | (65) | (99) |
| Increase /(decrease) in creditors excluding loans and overdrafts | | (127) | 254 |
| Net cash inflow from operating activities | | 1,205 | 1,239 |

24 Returns on investments and servicing of finance

| | Year Ended 31 July 2013 £000 | Year Ended 31 July 2012 £000 |
|---|------------------------------------|------------------------------------|
| Income from endowments | 14 | 4 |
| Income from investments | 14 | 18 |
| Other interest received | 109 | 115 |
| Realised foreign currency translation gains | (1) | 37 |
| Interest paid | (46) | (52) |
| | 90 | 122 |

25 Capital expenditure and financial investment

| | Year Ended 31 July 2013 £000 | Year Ended 31 July 2012 £000 |
|---------------------------------------|------------------------------------|------------------------------------|
| Payments made to acquire fixed assets | (36) | (17) |
| Endowment funds invested | (131) | - |
| Deferred capital grants received | 30 | 18 |
| | (137) | 1 |

26 Management of liquid resources

| | Year Ended 31 July 2013 £000 | Year Ended 31 July 2012 £000 |
|-------------------------------|------------------------------------|------------------------------------|
| Transfer (to) / from deposits | (1,463) | 125 |

27 Financing

| | Year Ended 31 July 2013 £000 | Year Ended 31 July 2012 £000 |
|--------------------------------|------------------------------------|------------------------------------|
| Repayments of amounts borrowed | (81) | (76) |

28 Analysis of changes in net funds

| | At 31 July 2012 £000 | Cash Flows £000 | Other Non-Cash Changes £000 | At 31 July 2013 £000 |
|------------------------------------|----------------------------|-----------------------|--------------------------------------|----------------------------|
| Cash at bank and in hand: | | | | |
| Endowment assets (Note 14) | 162 | 14 | - | 176 |
| Other | 3,818 | (400) | - | 3,418 |
| | <u>3,980</u> | <u>(386)</u> | <u>-</u> | <u>3,594</u> |
| Short term deposits | 5,111 | 1,463 | - | 6,574 |
| Debt due within one year (Note 17) | (81) | 81 | (86) | (86) |
| Debt due after one year (Note 18) | (718) | - | 86 | (632) |
| | <u>8,292</u> | <u>1,158</u> | <u>-</u> | <u>9,450</u> |

29 Capital commitments

There were no capital commitments at 31 July 2013 (31 July 2012 - nil).

30 Financial commitments

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

31 Contingent liabilities

There were no contingent liabilities at 31 July 2013 (31 July 2012: £Nil).

32 Related party transactions

Central has transactions with a number of organisations which fall within the definition of Related Parties under FRS8 'Related Party Disclosures'. Details of transactions, where material are shown below. The details below also include contributions from individual members of the Governing Body. In accordance with FRS8 no disclosure has been made of intra-group transactions and balances eliminated on consolidation.

| | Income/ (Expenditure) | | Nature of Transaction |
|----------------------------|-----------------------|--------------|--------------------------------------|
| | 2013 £000 | 2012 £000 | |
| CSSD Students Union | (15) | (15) | Union grant |
| Paul Taiano (Director) | 1 | 5 | Scholarship |
| Gavin Henderson (Director) | 1 | 10 | Musical and Scenography Scholarships |

33 Post balance sheet events

No significant post balance sheet events have arisen since 31 July 2013.

34 Amounts disbursed as agent-access funds

| | Group and Central | |
|--|-------------------|-----------------|
| | 31 July 2013 | 31 July 2012 |
| | £000 | £000 |
| Income: | | |
| Excess of income over expenditure brought forward | 7 | 4 |
| 2011-12 HEFCE clawback | (4) | - |
| Funding Council grants | 16 | 15 |
| | <u>19</u> | <u>19</u> |
| Expenditure: | | |
| Disbursed to students | (15) | (12) |
| Excess of income over expenditure carried forward | <u><u>4</u></u> | <u><u>7</u></u> |

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 2013 | 31 July 2012 |
|--------------------------------|--------------|--------------|
| | £000 | £000 |
| National Scholarship bursaries | 24 | - |
| TA training bursaries | 78 | - |
| TDA recurrent grants | - | 35 |
| | <u>102</u> | <u>35</u> |

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 2013 £000 | Year Ended 31 July 2012 £000 |
|---|------------------------------------|------------------------------------|
| Teachers' Pension Scheme : contributions paid | | |
| Contributions paid | 316 | 336 |
| Provision for pension costs | - | 110 |
| London Pensions Fund Authority: | | |
| Current service cost | 547 | 448 |
| Early retirements cost | - | 20 |
| | <u>863</u> | <u>914</u> |

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 | 31 March 2012 |
| The following assumptions are based on an assessment of the liabilities as at 31 March 2008, with an approximate updating to 31 March 2012 to reflect known changes. The pension increase assumption as at 31 March 2012 is based on the Consumer Price Index (CPI) expectation of inflation. | |
| Actuarial method | Projected Unit Credit Method (PUCM) |
| Rate of return (discount rate) | 4.85% |
| Rate of return in excess of pension increases | 2.80% |
| Rate of return in excess of earnings increases | 0.60% |
| Expected return on assets | n/a |

35 Pension schemes (continued)

| Statement of Financial Position | 31 March 2012 £billion | 31 March 2011 £billion | 31 March 2010 £billion | 31 March 2009 £billion | 31 March 2008 £billion |
|-----------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Total market value of assets | nil | nil | nil | nil | nil |
| Value of liabilities | (200.6) | (192.4) | (223.9) | (168.6) | (176.5) |
| Deficit | (200.6) | (192.4) | (223.9) | (168.6) | (176.5) |
| of which recoverable by employers | n/a | n/a | n/a | n/a | n/a |

| | 1 April 2011 to 31 March 2012 | 22 June 2010 to 31 March 2011 | 1 April 2009 to 31 March 2010 |
|---|-------------------------------------|-------------------------------------|-------------------------------------|
| Contribution rate | | | |
| Standard contribution rate | 24.7% | 29.3% | 32.8% |
| Members' contribution rate | 6.4% | 6.4% | 6.4% |
| Employers estimated share of standard contribution rate | 18.3% | 22.9% | 26.4% |

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

London Pensions Fund Authority (LPFA)

A qualified independent actuary carried out a full actuarial valuation of the fund at 31 March 2010 and estimated whole fund returns for the period to 31 July 2013. The major assumptions used by the actuary were:

| | 31 July 2013 | | 31 July 2012 | | 31 July 2011 | |
|-------------------|--------------|--------|--------------|--------|--------------|--------|
| | %pa | Real | %pa | Real | %pa | Real |
| RPI increases | 3.4% | - | 2.6% | - | 3.5% | 0.0% |
| CPI Increases | 2.6% | (0.8%) | 1.8% | (0.8%) | 2.7% | (0.8%) |
| Salary increases | 4.3% | 0.9% | 3.5% | 0.9% | 4.5% | 1.0% |
| Pension increases | 2.6% | (0.8%) | 1.8% | (0.8%) | 2.7% | (0.8%) |
| Discount rate | 4.8% | 1.4% | 3.9% | 1.3% | 5.3% | 1.7% |

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

| | 2013 | 2012 |
|-------------------------|-------|-------|
| Equities | 47.0% | 71.0% |
| Target return portfolio | 29.0% | 10.0% |
| Alternative assets | 8.0% | 16.0% |
| Cash | 1.0% | 3.0% |
| Cashflow matching | 15.0% | 0.0% |

35 Pension schemes (continued)

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

| | <u>2013</u> | <u>2012</u> |
|-----------------------|-------------|-------------|
| Retiring today: | | |
| Males | 21.6 | 21.5 |
| Females | 24.2 | 24.1 |
| Retiring in 20 years: | | |
| Males | 23.5 | 23.4 |
| Females | 26.0 | 26.0 |

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

| | 2013 | | 2012 | | 2011 | |
|-------------------------|-----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------------|-----------------------|
| | Long Term Return % | Fund Value £000 | Long Term Return % | Fund Value £000 | Long Term Return % | Fund Value £000 |
| Equities | 6.4% | 3,131 | 5.6% | 3,747 | 6.8% | 3,388 |
| Target return portfolio | 4.9% | 1,932 | 4.3% | 528 | 4.5% | 540 |
| Alternative assets | 5.4% | 533 | 4.6% | 845 | 5.8% | 687 |
| Cash | 0.5% | 67 | 0.5% | 158 | 3.0% | 196 |
| Cashflow matching | 3.4% | 999 | n/a | 0 | n/a | 98 |
| Other bond | n/a | | n/a | | 5.3% | |
| | | <u>6,662</u> | | <u>5,278</u> | | <u>4,909</u> |

The following amounts at 31 July 2013 were measured in accordance with the requirements of FRS 17:

| Analysis of the amounts shown in the balance sheet | <u>31 July 2013 £000</u> | <u>31 July 2012 £000</u> | <u>31 July 2011 £000</u> | <u>31 July 2010 £000</u> | <u>31 July 2009 £000</u> |
|---|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| Central's estimated assets | | | | | |
| share | 6,662 | 5,278 | 4,909 | 3,968 | 3,270 |
| Present value of scheme liabilities | (8,765) | (8,209) | (6,628) | (5,736) | (5,137) |
| Deficit in the scheme - net pension liability | <u>(2,103)</u> | <u>(2,931)</u> | <u>(1,719)</u> | <u>(1,768)</u> | <u>(1,867)</u> |
| | | | | | |
| Analysis of the amount charged to staff costs within operating surplus | | | | <u>31 July 2013 £000</u> | <u>31 July 2012 £000</u> |
| Current service cost | | | | 421 | 331 |
| Total operating charge | | | | <u>421</u> | <u>331</u> |

35 Pension schemes (continued)

| Analysis of the amount that is credited to other finance income / charged to interest payable | 31 July 2013 £000 | 31 July 2012 £000 |
|---|-------------------------|-------------------------|
| Expected return on pension scheme assets | 281 | 315 |
| Interest on pension scheme liabilities | (329) | (360) |
| Losses on curtailment and settlements | - | (36) |
| Net (charge) / return | <u>(48)</u> | <u>(81)</u> |

| Analysis of the amount that would be recognised in the statement of total recognised gains and losses (STRGL) | 31 July 2013 £000 | 31 July 2012 £000 |
|---|-------------------------|-------------------------|
| Actual return less expected return on pension scheme assets | 746 | (255) |
| Experience gains / (losses) | - | - |
| Changes in assumptions underlying the present value of the scheme liabilities | 217 | (880) |
| Actuarial (losses) / gains recognised in the STRGL | <u>963</u> | <u>(1,135)</u> |

Movement in deficit in the year

| | | |
|--|----------------|----------------|
| Deficit in the scheme at the beginning of the year | (2,931) | (1,719) |
| Movement in the year: | | |
| Current service costs | (421) | (331) |
| Contributions | 334 | 335 |
| Other finance income | (48) | (45) |
| Settlements and curtailments | - | (36) |
| Actuarial gains / (losses) | 963 | (1,135) |
| Deficit in the scheme at the end of the year | <u>(2,103)</u> | <u>(2,931)</u> |

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

| | | |
|--------------------------------------|--------------|--------------|
| At the beginning of the year | 8,209 | 6,628 |
| Current service cost | 421 | 331 |
| Interest costs (net) | 329 | 360 |
| Contributions by scheme participants | 127 | 117 |
| Losses on curtailment | - | 36 |
| Actuarial loss | (217) | 880 |
| Benefits paid | (104) | (143) |
| At the end of the year | <u>8,765</u> | <u>8,209</u> |

Analysis of movement in the market value of the scheme assets

| | | |
|--|--------------|--------------|
| At the beginning of the year | 5,278 | 4,909 |
| Expected rate of return on scheme assets | 281 | 315 |
| Actuarial losses | 746 | (255) |
| Contribution by the employer | 334 | 335 |
| Contributions by scheme participants | 127 | 117 |
| Benefits paid | (104) | (143) |
| At the end of the year | <u>6,662</u> | <u>5,278</u> |

35 Pension schemes (continued)

| History of experience gains and losses | 2013 £000 | 2012 £000 | 2011 £000 | *2010 £000 | *2009 £000 |
|---|--------------|--------------|--------------|---------------|---------------|
| Experience gains / (losses) on scheme assets | 746 | (255) | 201 | 104 | (447) |
| Experience gains on scheme liabilities | - | - | 391 | - | - |
| Total amount recognised in the Statement of Total Recognised Gains and Losses | 963 | (1,135) | 97 | 135 | (986) |

* Central has elected not to restate amounts for 2010 and 2009 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 £745,000 losses (2011-12: £1,708,000 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 schemes for the year 2014 is £331,000.

The actual return on scheme assets in the year was £1,026,000 (2012: return £59,000).