

Conservatoire For Dance And Drama

Annual Report

Year ended 31 July 2003

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Company Information

Governors	Sir Robert Reid (Chairman) Lord Attenborough Lord Quirk Nicholas Barter Dr Mary Evelyn Katherine Farr Sir Brian Fender Ian Fisher Elizabeth Forgan OBE Ian Horsbrugh Veronica Lewis MBE Ellen Newman Sue Storr John Talbot
Joint Principals	Veronica Lewis Nicholas Barter
Director of Finance	Clifford Shanbury
Registrar, Clerk to the Board of Governors and Company Secretary	Dr John Gibbs
Address	1-7 Woburn Walk London WC1H 0JJ
Affiliates – founding	London Contemporary Dance School Royal Academy of Dramatic Art
– from 1 August 2003	Bristol Old Vic Theatre School Northern School of Contemporary Dance
Bankers	Lloyds TSB Bank Plc Central and West London Office 4 th Floor 4/6 Copthall Avenue London EC2R 7DA
Solicitors	Beachcroft Wansbroughs 30 Eastcheap London EC3M 1HD
External and Internal Auditors	Grant Thornton Grant Thornton House Melton Street Euston Square London NW1 2EP
Registered Company No	04170092
Registered Charity No	1095623

Report of the Board of Governors

The Governors present their report and the audited financial statements for the year ended 31 July 2003. These are the second financial statements since incorporation as a company limited by guarantee on 28 February 2001. The company was designated as a Higher Education institution on 1 August 2001 from when it commenced its activities.

MISSION

The creation of the Conservatoire for Dance and Drama (CDD) followed approaches by the Principal of the Royal Academy of Dramatic Art (RADA) and the Director of London Contemporary Dance School (LCDS) to the Higher Education Funding Council (HEFCE) regarding the possibility of establishing a new institution as a means of providing HEFCE funding to the leading providers of vocational training in dance and drama at higher education level. Some 18 months of detailed work was then required to establish an appropriate legal and management framework.

The founding affiliates and all those involved were, from the outset, determined that the Conservatoire should represent considerably more than simply a means of channelling funding to affiliated schools and this is reflected in the Mission Statement of the Conservatoire:

The Conservatoire for Dance and Drama comprises a number of small, specialist vocational schools, jointly committed to addressing the training needs of the dance and drama professions. The mission of the Conservatoire is to advance the art forms of dance and drama by preparing students for sustainable careers as artists. The Conservatoire aims to attract the most talented students, who are selected for training irrespective of background, and to sustain its affiliate schools' excellence and leadership in training and research.

DEVELOPMENT REVIEW

During 2002/03, CDD continued the task of putting in place governance and administrative structures. Steps included approval of charity registration, the first election of staff and students to the governing body and further recruitment of independent members to the governing body. Attention was given to developing the relationships between CDD and its affiliates in both its working and contractual dimensions. The Financial Memorandum, which sets terms and conditions for payments of grants, and the Operating Agreement, which determines relationships and responsibilities of the parties, were both completed during the year and counter-signed by the affiliates.

CDD received its first visit from the HEFCE Audit Service and underwent an evaluation of its risk management, control and governance arrangements. The report commented that "we acknowledge the considerable achievements of the Conservatoire in bringing into being a new form of Higher Education Institution, which has been achieved with clear purposes, guided by its development programmes". The institution's administrative capability was strengthened to a core level of provision by appointing a projects director (three-fifths time), an administrative secretary (half time) and an IT manager (five hours a week). Premises were taken on a short lease in January 2003 which provide a business address for CDD, office accommodation for the core staff and space for small meetings and storage of records.

From the outset, CDD intended that it would expand beyond the founding affiliates and it has been encouraged by HEFCE to proceed with expansion immediately as the opportunity arose. During 2002/03, arrangements were put in place to bring into affiliation the Northern School of Contemporary Dance and Bristol Old Vic Theatre School, to take effect from 1 August 2003. This represents an ideal regional diversification. It also enables structural and art-form equilibrium to be maintained by adding new affiliates of similar size to the founding affiliates, one each in dance and drama.

During 2002/03, international awareness of CDD began to increase. CDD has received visits from foreign guest directors and enjoyed the residency of the legendary Merce Cunningham dance company. CDD performance groups made significant foreign appearances, with performances and workshop participation in Denmark, France, Portugal and Germany.

Report of the Board of Governors continued

DEVELOPMENT REVIEW continued

CDD has already succeeded in stimulating demand for places from highly talented students who were previously unable to secure the necessary resources to access conservatoire-level training in dance and drama. The demand for places increased during the year by a further 30% for dance and 25% for drama for the 2003/04 entry. Since its inception, applications for places at the two founding affiliates have increased by 85%, and now stand at 20 per place. This has been accompanied by increased access and diversity among entrants. Social inclusion is being further addressed by a disability project, launched in 2002/03, which includes a disability project manager on a part-time, fixed-term contract, the remit of which is to review and develop disability policies and practice across the entire CDD.

ACADEMIC RESULTS AND STUDENT ACHIEVEMENT

In the academic year 2002/2003, 347 students were enrolled including 323 full time and of whom 12% were from outside the EU. A total of 167 students undertook programmes of study at RADA with 180 students taking programmes of study at LCDS. The Board is delighted to report excellent academic results for 2002/03.

At LCDS, 39 students were awarded honours degrees by the University of Kent, 11 (28.2%) with First Class honours, 19 (48.7%) with Upper Second Class honours, 6 (15.4%) with Lower Second Class honours and 3 (7.7%) with Third Class honours. The number of First Class honours degrees was higher than in any previous year and confirms that this was an exceptionally talented group of students. A further 21 students were awarded the Certificate in Contemporary Dance and 16 students the Postgraduate Diploma in Contemporary Dance, 12 of whom specialised in Performance, 2 in Choreography and 2 in Dance for the Screen. 5 of the students who took the Postgraduate Diploma programme in 2001-02 successfully completed the further work required for the award of an MA degree in 2002-03 and 3 of these students achieved the degree with Distinction.

Some 32 RADA students were awarded the degree of BA in Acting by London University, 20 students were awarded the Diploma of Higher Education in Theatre Technical Arts by King's College, and 5 students were awarded the Certificate of Higher Education in Specialist Technical Skills (Electrics, Scenic Art, Property Making or Wardrobe), also by King's College. A final year acting student won the Society of West End Theatre Olivier Awards Behrens Scholarship.

Students graduating from LCDS in 2003 have found employment performing with, amongst others Arc Dance Theatre, Fantastic Flying Fish Company in South Africa, Diversions Dance Company in Wales, Bark, Siobhan Davies Dance Company, Maresa Von Stockert, Richard Alston Dance Company and Charles Moulton. Graduates have also secured teaching positions with South East Dance and Limassol Ballet School.

Acting students graduating from RADA in 2003 have found employment in productions at, among others, Theatre Royal Northampton, Salisbury Playhouse, Donmar Warehouse, Manchester Royal Exchange, Theatre Clwyd, Nuffield Theatre Southampton, Young Vic and the Royal National Theatre, and in numerous television productions. Employers of Technical Theatre students graduating in 2003 include Queen's Theatre Hornchurch, Derby Playhouse, Sadler's Wells, Birmingham School of Speech and Drama and The Place as well as a number of West End productions.

Report of the Board of Governors continued

RESPONSIBILITIES OF THE BOARD OF GOVERNORS

In accordance with the Companies Act and the Conservatoire's Articles of Association, the Board of Governors is responsible for the administration and management of the affairs of the Conservatoire and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Conservatoire and to enable it to ensure that the financial statements are prepared in accordance with the Companies Act 1985, the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the HEFCE and the Board of Governors of the Conservatoire, the Board of Governors, through its designated office holder, is required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Conservatoire and of the surplus or deficit and cash flows for that year.

In causing the financial statements to be prepared, the Board of Governors has ensured that:

- * suitable accounting policies are selected and applied consistently;
- * judgements and estimates are made that are reasonable and prudent;
- * applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- * financial statements are prepared on the going concern basis as the Board is satisfied that the Conservatoire has adequate resources to continue in operation for the foreseeable future.

The Board of Governors has taken reasonable steps to:

- * ensure that funds from the HEFCE 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;
- * ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- * safeguard the assets of the Conservatoire and prevent and detect fraud;
- * secure the economic, efficient and effective management of the Conservatoire resources and expenditure.

OPERATING AND FINANCIAL REVIEW

Between August 2002 and July 2003, the Conservatoire received funding from the HEFCE of more than £3.5m. In addition, the affiliates generated tuition fees directly from students of more than £700,000.

Operating costs for the second year were less than £300,000, representing about 7% of grant and fee income. These included some continuing set up costs which are not expected to recur.

RESERVES

The accumulated surplus for the year of £64,126 largely reflects grant income from the HEFCE retained to finance future plans and development projects for the Conservatoire and its affiliates. For the longer term, the Conservatoire does not expect to generate significant surpluses except to meet working capital needs of between 3-5% of income in line with HEFCE guidelines. Any funds not required to meet its own operating costs will be invested in developing the education provision of its affiliates and related support functions.

Report of the Board of Governors continued

GOVERNORS

The Governors who were in office during the year were:

Name	Date of appointment
Sir Robert Reid (Independent Governor)	1 August 2001 (Chairman of the Board)
Lord Attenborough (Affiliate nominee)	1 August 2001
Ian Fisher (Affiliate nominee)	1 August 2001
John Talbot (Independent Governor)	1 August 2001 (Chairman of Finance Committee)
Elizabeth Forgan (Independent Governor)	1 August 2001
Sue Storr (Independent Governor)	1 August 2001
Nicholas Barter (Joint Principal)	1 August 2001
Veronica Lewis (Joint Principal)	1 August 2001
Lord Quirk (Affiliate nominee)	6 June 2002
Ian Horsbrugh (Independent Governor)	6 June 2002
Deborah Bull (Independent Governor)	6 June 2002, resigned 31 July 2003
Katherine Farr (Independent Governor)	7 October 2002 (Chairman of Audit Committee)
Dr Mary Evelyn (Staff Governor)	1 December 2002
Ellen Newman (Staff Governor)	1 December 2002
Sir Brian Fender (Independent Governor)	18 December 2002
Megan Brunke (Student Governor)	18 December 2002, resigned 31 July 2003

AUDITORS

Grant Thornton have indicated their willingness to continue as external auditors and a proposal to re-elect them will be put to the Annual General Meeting.

Signed on behalf of the Board

John Gibbs
Clerk to the Board of Governors

16 December 2003

Corporate Governance Statement

for the year ended 31 July 2003

The Conservatoire is an independent corporation, established as a Higher Education institution under the terms of the Education Reform Act 1988 and the Further and Higher Education Act 1992. Its objects, powers and framework of governance are set out in the Articles of Association, the current version of which was approved by the Board of Governors in August 2001, and by the Privy Council in July 2001.

The Board of Governors endeavours to conduct its business in accordance with the seven Principles identified by the Committee of Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership). It also endeavours to comply with the guidance to institutions of higher education published by the Committee of University Chairmen in its Guide for Members of Governing Bodies of Universities and Colleges in England, Wales and Northern Ireland (1988). The Board is also aware of its obligation under the Financial Memorandum (2001) with the Higher Education Funding Council for England (HEFCE), paragraphs 17 and 23 to take into account any relevant guidance on accountability, probity or value for money issued from time to time by HEFCE, the National Audit Office or the Public Accounts Committee.

As the Conservatoire was established as a Higher Education institution only on 1 August 2001, its first two years of operation has been concerned with establishing structures and putting in place systems and procedures for effective management, which are still evolving. With the introduction of two new affiliates from 1 August 2003, this process will continue but is expected to be largely complete by 31 July 2004.

A summary of the Conservatoire's arrangements is given below.

The Board of Governors

The Board of Governors, which meets formally at least three times a year, comprises lay and academic persons appointed in accordance with the Conservatoire's Articles of Government. There is a clear separation of roles of the non-executive Chairman and other non-executive Governors and the Conservatoire's Chief Executive, the Joint Principals. Staff and students are represented on the Board. The Board approves the Conservatoire's long-term objectives and strategies and provides overall financial and organisational control. The Board has a number of committees including a Finance Committee, an Audit Committee, an Academic Board, a Nominations Committee and other *ad hoc* committees as required from time to time.

The responsibilities of the Board of Governors are set out on page 4.

Finance Committee

This Committee comprises not less than three independent members of the Board and the Joint Principals, including one of the Joint Principals who carries responsibility as Accounting Officer.

The Committee is established to oversee all matters relating to the finances and business concerns of the Conservatoire and to make recommendations to the Board of Governors on appropriate courses of action in relation to these matters.

In particular, the Committee recommends to the Board of Governors the Conservatoire's annual revenue and expenditure budgets, including grant allocations to the affiliates, and monitors performance in relation to approved budgets.

Also, it recommends to the Board the annual financial statements, having been satisfied that management is properly discharging its responsibilities to control and account for the income, expenditure and assets of the Conservatoire in compliance with the guidelines of the HEFCE and the applicable laws.

Corporate Governance Statement continued

Audit Committee

The Committee comprises a Chairman, who is an independent member of the Board of Governors, with at least two further independent Governors.

The Committee meets at least twice a year with the auditors of the Conservatoire and reviews their work. The Committee considers internal audit reports, together with recommendations for the improvement of the Conservatoire's systems of internal control and management's responses and implementation plans. It also receives and considers reports from HEFCE insofar as they affect the Conservatoire's business and monitors adherence with the regulatory requirements. It reviews the Conservatoire's annual financial statements, together with the accounting policies. Whilst senior executives attend meetings of the Audit Committee as necessary, they are not members of the Committee and the Committee meets with the auditors on their own for independent discussions.

Academic Board

The Academic Board is chaired by the Joint Principals of the Conservatoire and membership comprises the Principal of each affiliated school, three further members nominated by each affiliated school, a student representative from a dance school affiliated to the Conservatoire and a student representative from a drama school affiliated to the Conservatoire. There is provision for up to three co-opted members although no members were co-opted during 2002/3.

The Board is responsible for advising the Board of Governors with regard to the academic activities of the Conservatoire and the resources required to support them, for defining the academic strategy of the Conservatoire, for scrutinising and approving quality assurance systems in affiliated schools, for considering annual reports from affiliated schools on their delivery of programmes and revision and implementation of their Learning and Teaching Strategies, for encouraging and facilitating collaboration between affiliated schools, and for identifying and disseminating good practice in learning and teaching and for ensuring that affiliated schools have in place appropriate staff development strategies.

Nominations Committee

This Committee comprises the Chairman of the Board of Governors and two other independent members of the Board.

This Committee advises the Board of Governors in relation to the appointment of independent members of the Board as and when required.

Principals Management Group

The Joint Principals carry out the responsibilities as Chief Executive of the Conservatoire, and are responsible for the organisation, direction and management of the institution and the leadership of the staff. One of the Joint Principals is designated as the Accounting Officer and takes responsibility for the conduct of the business of the Conservatoire. The Joint Principals usually meet weekly during term time with the Clerk to the Governors/Registrar to discuss issues relating to the activities of the Conservatoire. Financial services and support have been outsourced and Clifford Shanbury, a partner in RSM Robson Rhodes, carries out the role of Director of Finance (part time) and attends meetings with the Joint Principals and Governors when required.

Corporate Governance Statement continued

Internal Control and Risk Management

The Board of Governors is aware of the revised requirements of the HEFCE, the effect of which is to extend the existing requirement to provide a statement in respect of internal financial control to cover all internal controls, including financial, operational, compliance and the management of risk. However, any system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss.

The Board is taking steps to implement the full requirements of the guidance by 31 July 2004. The key elements of the Conservatoire's system of internal financial control which is being designed to discharge the responsibilities set out above will include the following :

- clear definitions of the responsibilities of the respective members of the management team;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of academic performance and regular reviews of financial results involving variance reporting and updates of forecast outturns;
- 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 as determined by the Board;
- comprehensive Financial Regulations, detailing financial controls and procedures approved by the Board.

The Conservatoire has been, and is continuing with, the development of effective risk management processes by:

- Adoption of a risk management policy and strategy, as approved by the Board in July 2003;
- Requiring regular reports from managers on the steps they are taking to manage risk in their areas of responsibility, including progress reports on key projects;
- Requesting the Audit Committee to provide oversight of risk management and the Chairman of the Audit Committee periodically to report to the Board about internal control;
- Obtaining reports from the internal auditors, which include their independent opinion of the adequacy and effectiveness of the institution's system of internal control, together with recommendations for improvement;
- A programme of risk awareness training which is to be developed;
- Development of an organisation-wide risk register on risk ranking and a system on a risk prioritisation methodology based on key performance and risk indicators;
- Introducing a process for monitoring compliance by the Conservatoire's affiliates with their obligations under the Operating Agreements in place between each of them and the Conservatoire.

The review of the effectiveness of the system of internal control is informed by:

- the work of the Principals Management Group within the institution, who have responsibility for the development and maintenance of the internal control framework;
- the work of the internal audit service, which operates to standards defined in the HEFCE Audit Code of Practice;
- the HEFCE Audit which carried out a review in January 2003;
- comments made by the external auditors in their management letter and other reports.

Independent Auditors' Report to the Board of Governors

We have audited the financial statements of the Conservatoire for the year ended 31 July 2003 which comprise an income and expenditure account, balance sheet, the cash flow statement and notes 1 to 10. These financial statements have been prepared under the historical cost convention and in accordance with the accounting policies set out on page 11.

This report is made solely to the Board of Governors. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Conservatoire and the Board of Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the governors and auditors

The Conservatoire's governors are responsible for preparing the financial statements. Our responsibility as independent auditors are established by statute, the Auditing Practices Board, the Higher Education Funding Council for England and our profession's ethical guidance. We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Statement of Recognised Practice on Accounting for Further and Higher Education Institutions. We also report to you whether income from funding bodies, grants and income for specific purposes and from restricted funds administered by the Conservatoire have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Conservatoire's statutes, and, where appropriate with the Financial Memorandum with the Higher Education Funding Council for England.

We also report to you if, in our opinion, the Report of the Board of Governors is not consistent with the financial statements, if the Conservatoire has not kept proper accounting records, the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Report of the Board of Governors and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the governors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Conservatoire's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditors' Report to the Board of Governors continued

Opinion

In our opinion :

- the financial statements give a true and fair view of the state of affairs of the Conservatoire at 31 July 2003 and of the income and expenditure for the period then ended and have been properly prepared in accordance with the Companies Act 1985 and the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions
- income from the Higher Education Funding Council for England, grants and income for specific purposes administered by the Conservatoire have been applied for the purposes for which they were received
- income has been applied in accordance with the Conservatoire's statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

Grant Thornton
Registered Auditors
Chartered Accountants
London

December 2003

Statement of Principal Accounting Policies

Year ended 31 July 2003

1. ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 1985, the Statement of Recommended Practice : Accounting for Further and Higher Education Institutions (SORP) and applicable Accounting Standards.

These accounting policies remain unchanged from the previous year.

The financial statements comprise only the financial results of the Conservatoire and do not consolidate the financial results of its affiliates to which it provides funding but in respect of which it does not exercise management or financial control.

2. RECOGNITION OF INCOME

Recurrent grants of a revenue nature and capital grants for disbursement to the affiliates are credited to income and expenditure account on a receivable basis. Grants of a capital nature applied by the Conservatoire are recognised as deferred income and credited to income and expenditure account over the useful economic life of the related assets.

Fee income from students collected by the affiliates is included gross as income of the Conservatoire and deemed to be wholly distributed to those affiliates, who account for any bad debts.

As the affiliates had statutory accounting years ending at 31 March, fee income from students collected by affiliates included in the Conservatoire's financial statements for years ended 31 July will be the fee income of the affiliates for their respective accounting years ended the previous 31 March. For the prior year comparative figures, only the fee income of the affiliates arising since the establishment of the Conservatoire on 1 August 2001 was brought into account.

3. LEASES

Rental costs under operating leases are charged to expenditure in equal annual amounts over the period of the leases.

4. EQUIPMENT

Equipment costing less than £3,000 per individual item or group of related items is written off in the year of acquisition. All other equipment is capitalised.

Additions are stated at cost. Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows :-

Fixtures and fittings	20%
Computer equipment	33%

Where equipment is acquired with the aid of specific grants it is capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the equipment.

5. TAXATION STATUS

The Conservatoire believes that it is exempt from income tax, corporation tax, capital gains tax and where relevant value added tax. Tax suffered on expenditure is included under the various expenditure heads.

Income and Expenditure Account

for the year ended 31 July 2003

	Note	2003 £	2002 £
Income			
Funding council grants	2	3,542,346	3,016,104
Tuition fees	3	702,347	557,223
Interest receivable		11,628	5,012
Total income		<u>4,256,321</u>	<u>3,578,339</u>
Expenditure			
Grant allocations to affiliates and connected institution	4	3,898,031	3,273,327
Staff costs	5	44,732	15,612
Other operating expenses	6	249,432	133,576
Total expenditure		<u>4,192,195</u>	<u>3,422,515</u>
Surplus before tax		64,126	155,824
Taxation		-	-
Retained surplus for the period		<u><u>64,126</u></u>	<u><u>155,824</u></u>

MOVEMENT ON INCOME AND EXPENDITURE ACCOUNT Year ended 31 July 2003

	2003 £	2002 £
Surplus for the period	64,126	155,824
Balance brought forward	155,824	-
Balance carried forward	<u><u>219,950</u></u>	<u><u>155,824</u></u>

The income and expenditure account is in respect of continuing activities for the year ended 31 July 2003.

There were no recognised gains or losses other than the surplus for the period.

Balance Sheet

at 31 July 2003

	Note	2003 £	2002 £
Tangible assets			
Fixed assets	7	18,274	-
		<hr/>	<hr/>
Current assets			
Debtors		60,275	4,190
Prepayments		6,488	-
Cash at bank		437,008	323,981
		<hr/>	<hr/>
		503,771	328,171
		<hr/>	<hr/>
Creditors: Amounts falling due within one year	8	(302,095)	(172,347)
		<hr/>	<hr/>
Net current assets		201,676	155,824
		<hr/>	<hr/>
Total assets less current liabilities		219,950	155,824
		<hr/>	<hr/>
Total net assets		219,950	155,824
		<hr/> <hr/>	<hr/> <hr/>
Reserves			
Income and expenditure account		219,950	155,824
		<hr/>	<hr/>
Total funds		219,950	155,824
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved by the Board of Governors on 16 December 2003 and signed on its behalf by:

Sir Robert Ried
Chairman of the Board

Veronica Lewis
Joint Principal and
Accounting Officer

Nicolas Barter
Joint Principal

Cash Flow Statement

for the year ended 31 July 2003

	Note	2003 £	2002 £
Net cash inflow from operating activities	9A	127,788	318,969
Returns on investments and servicing of finance	9B	11,628	5,012
Capital expenditure	7	(26,389)	-
Increase in cash in the period		<u>113,027</u>	<u>323,981</u>
Reconciliation of net cash flow to movement in net funds			
Increase in cash in period		<u>113,027</u>	<u>323,981</u>
Change in net cash	9C	113,027	323,981
Net funds at 1 August		<u>323,981</u>	-
Net funds at 31 July		<u>437,008</u>	<u>323,981</u>

Notes to the Financial Statements

Year ended 31 July 2003

1. RELATED PARTY TRANSACTIONS

The Conservatoire distributes Higher Education funding to its affiliates, as well as making payments to the affiliates for the provision of services of their employees and the use of their facilities and support arrangements.

During the year, the payments due to affiliates were as follows:

	2003 £	2002 £
a) Higher Education grants	3,844,431	3,273,327
b) Other payments for the use of staff, facilities etc		
London Contemporary Dance School	38,778	54,495
Royal Academy of Dramatic Art	8,944	9,903
	<u>3,892,153</u>	<u>3,337,725</u>

and the balances due to the affiliates at 31 July were as follows:

London Contemporary Dance School	35,528	55,699
Royal Academy of Dramatic Art	6,945	9,903
	<u>42,473</u>	<u>65,602</u>

2. FUNDING COUNCIL GRANTS

HEFCE	2003 £	2002 £
Recurrent grant	2,984,158	3,014,900
Selective initiatives	558,188	1,204
	<u>3,542,346</u>	<u>3,016,104</u>

Selective initiatives for 2002/3 included HEFCE Collaborating and Restructuring grants for Bristol Old Vic Theatre School (BOVTS) of £536,000.

Notes to the Financial Statements

Year ended 31 July 2003

3. TUITION FEES

	2003 £	2002 £
Full-time students UK/EU	330,183	218,357
Full-time students charged overseas fees	372,164	338,866
	<u>702,347</u>	<u>557,223</u>

4. ALLOCATION TO AFFILIATES AND CONNECTED INSTITUTIONS

	2003 £	2002 £
London Contemporary Dance School – affiliate	1,776,778	1,679,290
Royal Academy of Dramatic Art - affiliate	1,677,346	1,594,037
Bristol Old Vic Theatre School – connected institution	535,000	-
	<u>3,898,031</u>	<u>3,273,327</u>
Comprising allocations of income received as follows:		
Recurrent grant from HEFCE	2,657,796	2,714,900
Specific grants from HEFCE	537,888	1,204
Student fees	702,347	557,223
	<u>3,898,031</u>	<u>3,273,327</u>

5. STAFF COSTS

	2003 No.	2003 No.
Staff – part time	5	1
	<u>£</u>	<u>£</u>
Direct salary costs	39,529	14,400
Social Security costs	5,203	1,212
	<u>44,732</u>	<u>15,612</u>
Amounts payable to affiliates for the services of the Joint Principals	<u>23,853</u>	<u>23,750</u>

The Joint Principals are employed by the respective affiliates of which they are the Principal. Those affiliates have invoiced the Conservatoire for time spent by the Joint Principals in discharging their responsibilities for the Conservatoire.

All other requirements for services in the year were outsourced to the affiliates or other third parties.

No remuneration or expenses were paid to any Governor during the year except the Joint Principals in their executive capacity. The Conservatoire has put in place Directors and Officers insurance.

Notes to the Financial Statements

Year ended 31 July 2003

6. OTHER OPERATING EXPENSES

	2003 £	2002 £
Services outsourced to affiliates and third parties	114,782	55,358
Auditors' remuneration:		
- External audit	8,460	8,225
- Internal audit	-	1,175
Office expenses	13,063	9,313
Premises	33,395	16,214
Legal fees	8,141	4,917
Validation fees	4,737	4,038
Marketing and development projects	48,952	16,028
Capital items less than £3,000	-	1,929
Bank charges	1,117	390
Other expenses	8,670	15,989
Depreciation	8,115	-
	<u>249,432</u>	<u>133,576</u>

7. FIXED ASSETS AND LEASES

	Fixtures and fittings £	Computer equipment £	Total £
At cost			
At 1 August	-	-	-
Additions	5,105	21,284	26,389
Less: Depreciation	(1,021)	(7,094)	(8,115)
At 31 July 2003	<u>4,084</u>	<u>14,190</u>	<u>18,274</u>
At 31 July 2002	<u>-</u>	<u>-</u>	<u>-</u>

Payments which the Conservatoire is committed to make in the next year under operating leases of land and buildings expiring in more than one and less than five years are £26,700 (2002 - £Nil).

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £	2002 £
Amounts due to affiliates	96,073	65,602
Other creditors	143,734	71,553
Accruals	62,288	35,192
	<u>302,095</u>	<u>172,347</u>

Notes to the Financial Statements

Year ended 31 July 2003

9. (A) RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2003 £	2002 £
Surplus for the period	64,126	155,824
Increase in debtors	(8,973)	(4,190)
Increase in creditors	76,148	172,347
Bank interest received included in income	(11,628)	(5,012)
Depreciation	8,115	-
Net cash inflow from operating activities	<u>127,788</u>	<u>318,969</u>

(B) RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2003 £	2002 £
Bank interest received	11,628	5,012
Net cash inflow from returns on investments	<u>11,628</u>	<u>5,012</u>

(C) ANALYSIS OF CHANGES IN NET FUNDS

	2003 £	2002 £
Cash at bank		
Balance at 1 August	323,981	-
Cash flows	113,027	323,981
Balance at 31 July	<u>437,008</u>	<u>323,981</u>

10. STUDENT SUPPORT FUNDS

	2003 £	2002 £
Balance unspent at 1 August	249	-
Funding Council grants	13,487	15,043
	<u>13,736</u>	<u>15,043</u>
Disbursed to affiliates	(13,736)	(14,794)
Administrative expenses	-	-
	<u>(13,736)</u>	<u>(14,794)</u>
Balance unspent at 31 July	<u>-</u>	<u>249</u>

These Funding Council grants are available solely for students: the Conservatoire distributes these funds to affiliates which act only as the paying agents. The grants and related disbursements are therefore excluded from the Income and Expenditure account.