

COMPANY No: 04170092
CHARITY No: 1095623

Conservatoire for Dance and Drama

Financial Statements

31 July 2004

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Company Information

Governors	Sir Robert Reid (Chairman) Nicholas Barter Tamasin Day-Lewis Dr Mary Evelyn Katherine Farr Sir Brian Fender Ian Fisher Elizabeth Forgan OBE Peter Gruen Ian Horsbrugh Veronica Lewis MBE Ellen Newman Sue Storr John Talbot John Whitney
Joint Principals	Veronica Lewis MBE 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
– from 1 August 2004	Central School of Ballet Circus Space London Academy of Music and Dramatic Art
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 UK LLP 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 2004. These are the third 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

In 2003/04, CDD completed its third year as a higher education institution. The first cohort of degree students who entered CDD in 2001 graduated from LCDS and RADA. Following the successful bids to expand CDD in 2002/03, two new schools, Bristol Old Vic Theatre School (BOVTS) and Northern School of Contemporary Dance (NSCD), became full affiliates of CDD and further steps were taken to ensure that CDD could expand again in 2004/05. During the year, CDD's administrative and governance arrangements were developed and secured.

Governance and administration

The year started with the expansion to four affiliates and CDD focused on ensuring that the new affiliates were fully involved in all aspects of CDD activity. Board and committee membership was recast to reflect the expanded conservatoire, as was the management model. CDD increased staff hours to ensure sufficient administrative support and a CDD-wide committee timetable was established, ensuring that affiliates could organise their own corporate calendars and the smooth transfer of information be effected between CDD and its affiliates. As part of the broader development of its capability, CDD put in place a risk strategy and register and a human resources strategy.

Teaching, learning and artistic collaboration

In addition to securing CDD's infrastructure, 2003/04 saw many exciting developments in joint artistic activity between affiliates. This included residencies from Trisha Brown Dance Company, the Merce Cunningham Dance Company and work with designer Jaroslav Molina. LCDS, RADA and NSCD collaborated on a CDD gala performance in the Riley Theatre at NSCD in Leeds to celebrate the expansion of CDD and its new regional identity. This was an opportunity for students to meet one another and to see each other perform.

Collaborative activity was fostered by a joint working group on artistic and curriculum development. This provided opportunities for staff to share practice and develop ideas. As well as the gala performance, this group led to the establishment of a regular inter-affiliate staff seminar devoted to discussion about vocational training in a conservatoire setting. BOVTS and NSCD developed a joint project in which design students from BOVTS worked on costume designs with student choreographers from NSCD and produced a CD-Rom of the final performance.

CDD successfully secured HEFCE funding for a project focused on improving access to its affiliate schools for disabled students and providing high quality support for such students commensurate with conservatoire-level training. A Disability Project Manager was appointed who completed a full audit of provision in the schools in December 2003 and spent the rest of the year supporting schools in developing their policies and practice. This project has had tangible results with one school, RADA, admitting for the first time a student with a visual impairment onto its BA acting course.

Report of the Board of Governors continued

Expansion

CDD was set up with the intention that it should encompass a number of small, specialist vocational providers. Having brought in four schools, with evenly-balanced student numbers in dance and drama and a profile that extended beyond London, CDD devoted time and resources to implementing the next stage of expansion, including responding to government initiatives, notably to transfer Dance and Drama Award funding into the higher education sector and to give priority to developing foundation degrees. CDD successfully bid for additional student number places to allow expansion for three more affiliates: Central School of Ballet (CSB), Circus Space and the London Academy of Music and Dramatic Art (LAMDA). These schools further strengthen CDD's portfolio programmes adding a contrasting strand of drama training and introducing classical ballet training and circus as new art forms. These developments serve the future of these exceptional institutions and strengthen the profile of CDD as a national and international leader in vocational training in dance, drama and circus arts.

The first three years

As noted above, 2003/04 saw the completion of CDD's first three years as an Higher Education institution, able to offer fully funded places to all home and EU students seeking vocational training in the UK's leading schools. CDD schools can now choose students on the basis of their talent and suitability for training. This has led to an increase in applications by some 85% in the founding affiliates alone. Students at conservatoire schools will in due course have opportunities to work with counterparts at other affiliates, thus increasing their exposure to dance, drama and circus arts. Staff have formal and informal opportunities to work together, share practice and develop new ways of teaching which will, it is hoped, lead to further developments in vocational training and education. At every level, CDD aims to be able to enhance the experience of those engaged in teaching, learning and research in dance, drama and circus arts.

STUDENT NUMBERS, AWARDS AND ACHIEVEMENTS

Student numbers rose, following affiliation of BOVTS and NSCD, from 347 in 2002/03 to 664 in 2003/04 of whom 48 (7.2%) were from outside the EU. 488 of the 616 EU students were from the UK. 143 students took courses at BOVTS, 187 at LCDS, 163 at NSCD and 171 at RADA.

Bristol Old Vic Theatre School's courses are validated by the University of the West of England and, from the 3 year Acting course, 12 Students graduated with a BA in Professional Acting. This was out of an intake of 13. One student had left at the beginning of the final year in order to play a leading role in a film in India followed by other film and television engagements. The full complement of 14 students on the 2 year Acting course graduated with a Diploma in Professional Acting and all 7 of the 1 year group graduated with a Certificate of Higher Education in Professional Acting. Employment for these graduates has been excellent with engagements ranging across theatre - West End, Regional, Touring, Royal National Theatre, English Theatre Frankfurt, etc., films - including a lead in a Hollywood musical made by NBC and a very wide range of television and radio. Of students on the technical courses, 4 graduated from the 2 year Stage Management and Technical course with a Diploma in Professional Stage Management and 13 graduated from the 3 year course with a BA in Professional Stage Management. Employment for these graduates covers all areas of theatre, film and television and ranges from stage management with a variety of companies including Birmingham Royal Ballet, through lighting design, production electrics, TV continuity, sound on 'Mary Poppins' transferring to the West End to assistant camera on a feature film. Only one graduate is working outside the sector (in a bank) in order to reduce his level of debt before pursuing theatre employment. All 4 students on the 2 year Costume course graduated with a Diploma in Costume for Theatre, Television and Film and are now employing their skills in theatres such as Shakespeare's Globe and Northampton Deragate or in television. All 4 Design students graduated with a Postgraduate Diploma in Theatre Design - 2 with distinction (this is the School's only graded award). Again, all are employed - 3 with freelance engagements for the rest of the year and 1 as Resident Designer at the Theatre by the Lake, Keswick.

At London Contemporary Dance School, 35 students were awarded honours degrees by the University of Kent including 7 (20%) with First Class honours and 19 (54%) with Upper Second Class honours. While the number awarded First Class honours was less than in last year's exceptionally talented class, the proportion awarded First or Upper Second Class degrees (74%) is similar to previous years (77% in 2003). A further 27 students were awarded the Certificate of Higher Education in Contemporary Dance, including two students who transferred to degree programmes at other universities. 16 students were awarded the Postgraduate Diploma in Contemporary Dance, all of whom were permitted to proceed to MA studies. 4 students successfully completed the MA of whom 3 were awarded the MA degree with Distinction. Male members of last year's Postgraduate Performance Group Edge have all taken up contracts with companies including Bare Bones, Felix Ruckert, AMP and Richard Alston Dance Company. The female members have also gone on to work with artists such as Henri Oguike and are completing work on their MA studies. Several BA (Hons) graduates have been working with Maresa von Stockert on her piece "Grim(m) Desires" based in the Wapping Project for a run of several weeks

Report of the Board of Governors continued

and will be touring with her over the forthcoming year. LCDS graduates are also working with Shobana Jeyasingh, Arc Dance Company, Bawren Tavaziva, Hofesh Shechter, Siobhan Davies Dance Company, and Scottish Dance Theatre. Postgraduate choreographers have showcased pieces in Resolutions! and have made pieces for both LCDS and the NSCD.

48 Northern School of Contemporary Dance students were awarded the BPA (Hons) in Contemporary Dance by the University of Leeds including 4 with First Class Honours and 26 with Upper Second Class Honours. A further 9 students were awarded the Graduate Diploma in Professional Contemporary Dance Performance by the University of Leeds. The Armes Prize was awarded by the University of Leeds to Eleesha Drennan. Two students from the Graduate Diploma Course have set up their own companies – one based in Madrid and one based in England but with strong links with Portugal. Graduates from both courses are undertaking further training including studying at the Graham School in New York, studying for an MA in Choreography and obtaining a place with The Edge at LCDS. Other graduates have gone on to work with a number of Companies, including: Henri Oguike, DansConnect and Virtual Motion.

Some 34 RADA students were awarded the degree of BA in Acting with Honours by London University. 20 students were awarded the Graduate Diploma in Theatre Technical Arts, 10 with Distinction and 10 with Merit. A further 9 students were awarded the Graduate Certificate in Specialist Technical Skills. Graduates have found employment in productions by the Royal Shakespeare Company, the National Theatre, Peter Hall's Company and English Touring Theatre, and at the Royal Exchange Theatre, Manchester and the Old Vic. One of the Carleton Hobbs BBC competitive scholarships was awarded to Rob Hastie who was also elected by students to serve as the student member of the Board of Governors of the Conservatoire for 2003/04.

OPERATING AND FINANCIAL REVIEW

Between August 2003 and July 2004, the Conservatoire received funding from the HEFCE of nearly £5.6m. In addition, the affiliates generated tuition fees directly from students of more than £1.1m. Operating costs were less than £400,000, representing just over 5% of grant and fee income. These included some continuing set up costs which are not expected to recur.

RESERVES

The deficit for the year of £4,375 was less than budgeted for in 2003/4. Accumulated reserves carried forward largely reflect 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.

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, resigned 16 December 2003
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, resigned 16 December 2003
Ian Horsbrugh (Independent Governor)	6 June 2002
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
Robert Hastie (Student Governor)	16 December 2003, resigned 31 July 2004
Tamasin Day Lewis (Affiliate nominee)	16 December 2003
Peter Gruen (Affiliate nominee)	16 December 2003
John Whitney (Affiliate nominee)	26 April 2004

AUDITORS

On 1 July 2004, the Grant Thornton partnership transferred its business to a limited liability partnership, Grant Thornton UK LLP. The Governors consented to extend the audit appointment to Grant Thornton UK LLP from 1 July 2004.

Grant Thornton UK LLP have indicated their willingness to continue as external auditors. 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

14 December 2004

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's resources and expenditure.

Corporate Governance Statement for the year ended 31 July 2004

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 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 the 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 three years of operation have been concerned with establishing structures and putting in place systems and procedures for effective management. With the introduction of two new affiliates from 1 August 2003 and another three affiliates on 1 August 2004, this process is continuing in relation to the affiliates.

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 above.

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 HEFCE and the applicable laws.

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 the 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.

Corporate Governance Statement continued

Academic Board

The Academic Board is chaired by the Joint Principals of the Conservatoire and membership comprises the Principal of each affiliated school, one further member 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 2003/4.

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 were outsourced during the year and Clifford Shanbury, a partner in RSM Robson Rhodes LLP, has carried out the role of Director of Finance (part time) and attended meetings with the Joint Principals and Governors when required. From October 2004, the Conservatoire has brought its financial functions in house and appointed a new Finance Director.

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 committed to exhibiting best practice in all aspects of corporate governance.

During the year, the Board has been implementing the requirements of the HEFCE guidance and has carried out an effectiveness review of internal control processes, including the management of risk. As at 1 August 2004, CDD was fully compliant with the HEFCE requirements. This process will continue in respect of the affiliates during 2004/5 to ensure that all of them, including the new affiliates on 1 August 2004, become fully compliant as soon as practicable.

Corporate Governance Statement continued

Internal Control and Risk Management continued

In line with HEFCE guidelines incorporating the Combined Code, the key elements of the Conservatoire's system of internal financial control, which is designed to discharge the responsibilities set out above, 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;
- monitoring processes in relation to the affiliates by reference to financial and other data supplied to the Conservatoire.

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 on a regular basis to report to the Board about internal control and risk;
- 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 being developed;
- Introduction of an organisation-wide risk register on risk ranking and a system of risk prioritisation based on key performance and risk indicators;
- embedding 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 Service 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 2004 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 12.

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 Recommended 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.

Opinion

In our opinion :

- the financial statements give a true and fair view of the state of affairs of the Conservatoire at 31 July 2004 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 Memoranda with the Higher Education Funding Council for England dated 1 August 2000 and 1 October 2003

Statement of Principal Accounting Policies

Year ended 31 July 2004

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 on 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 the 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.

Two affiliates (London Contemporary Dance School and the Royal Academy of Dramatic Art) had statutory accounting years ending at 31 March. The other affiliates had statutory accounting years ending at 31 July. 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 or coinciding 31 July.

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 2004

	Note	2004 £	2003 £
Income			
Funding council grants	2	5,710,012	3,542,346
Tuition fees	3	1,101,973	702,347
Interest receivable		16,752	11,628
		<hr/>	<hr/>
Total income		6,828,737	4,256,321
		<hr/>	<hr/>
Expenditure			
Grant allocations to affiliates	4	6,466,979	3,898,031
Staff costs	5	91,211	44,732
Other operating expenses	6	274,922	249,432
		<hr/>	<hr/>
Total expenditure		6,833,112	4,192,195
		<hr/>	<hr/>
(Deficit)/surplus before tax		(4,375)	64,126
Taxation		-	-
		<hr/>	<hr/>
Retained (deficit)/surplus for the period		(4,375)	64,126
		<hr/> <hr/>	<hr/> <hr/>

MOVEMENT ON INCOME AND EXPENDITURE ACCOUNT

Year ended 31 July 2004

	2004 £	2003 £
(Deficit)/surplus for the period	(4,375)	64,126
Balance brought forward	219,950	155,824
	<hr/>	<hr/>
Balance carried forward	215,575	219,950
	<hr/> <hr/>	<hr/> <hr/>

The income and expenditure account is in respect of continuing activities for the year ended 31 July 2004.

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

Balance Sheet

at 31 July 2004

	Note	2004 £	2003 £
Tangible assets			
Fixed assets	7	21,587	18,274
		-----	-----
Current assets			
Debtors		6,675	60,275
Prepayments		7,414	6,488
Cash at bank		480,552	437,008
		-----	-----
		494,641	503,771
Creditors: Amounts falling due within one year	8	(300,653)	(302,095)
		-----	-----
Net current assets		193,988	201,676
		-----	-----
Total assets less current liabilities		215,575	219,950
		-----	-----
Total net assets		215,575	219,950
		=====	=====
Reserves			
Income and expenditure account		215,575	219,950
		-----	-----
Total funds		215,575	219,950
		=====	=====

The financial statements were approved by the Board of Governors on 14 December 2004 and signed on its behalf by:

Sir Robert Reid
Chairman of the Board

Veronica Lewis MBE
Joint Principal and
Accounting Officer

Nicolas Berter
Joint Principal

Cash Flow Statement

for the year ended 31 July 2004

	Note	2004 £	2003 £
Net cash inflow from operating activities	9A	43,935	127,788
Returns on investments and servicing of finance	9B	16,752	11,628
Capital expenditure	7	(17,143)	(26,389)
		<hr/>	<hr/>
Increase in cash in the period		43,544	113,027
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation of net cash flow to movement in net funds			
Increase in cash in the period		43,544	113,027
		<hr/>	<hr/>
Change in net cash	9C	43,544	113,027
Net funds at 1 August		437,008	323,981
		<hr/>	<hr/>
Net funds at 31 July		480,552	437,008
		<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

Year ended 31 July 2004

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:

	2004 £	2003 £
a) Higher Education grants	6,341,979	3,898,031
b) Other payments for the use of staff, services etc		
London Contemporary Dance School	27,362	38,778
Royal Academy of Dramatic Art	8,925	8,944
Bristol Old Vic Theatre School	10,000	-
Northern School of Contemporary Dance	-	-
	<hr/>	<hr/>
	6,388,266	3,945,753
	<hr/> <hr/>	<hr/> <hr/>

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

London Contemporary Dance School	99,403	35,528
Royal Academy of Dramatic Art	15,870	6,945
Bristol Old Vic Theatre School	19,476	53,600
Northern School of Contemporary Dance	6,194	-
	<hr/>	<hr/>
	140,943	96,073
	<hr/> <hr/>	<hr/> <hr/>

2. FUNDING COUNCIL GRANTS

	2004 £	2003 £
HEFCE		
Recurrent grant	5,274,851	2,984,158
Selective initiatives	269,844	558,188
Capital grants	40,317	-
	<hr/>	<hr/>
	5,585,012	3,542,346
Further Education		
Grants receivable	125,000	-
	<hr/>	<hr/>
	5,710,012	3,542,346
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

Year ended 31 July 2004

3. TUITION FEES

	2004	2003
	£	£
Full-time students UK/EU	711,171	330,183
Full-time students charged overseas fees	390,802	372,164
	<hr/>	<hr/>
	1,101,973	702,347
	<hr/> <hr/>	<hr/> <hr/>

4. ALLOCATIONS TO AFFILIATES

	2004	2003
	£	£
London Contemporary Dance School	1,872,236	1,722,108
Royal Academy of Dramatic Art	1,676,849	1,640,923
Bristol Old Vic Theatre School	1,310,610	535,000
Northern School of Contemporary Dance	1,607,284	-
	<hr/>	<hr/>
	6,466,979	3,898,031
	<hr/> <hr/>	<hr/> <hr/>
Comprising allocations of income received as follows:		
Recurrent grant from the HEFCE	4,947,850	2,657,796
Specific grants from the HEFCE	292,156	537,888
Further education grants	125,000	-
Tuition fees	1,101,973	702,347
	<hr/>	<hr/>
	6,466,979	3,898,031
	<hr/> <hr/>	<hr/> <hr/>

5. STAFF COSTS

	2004	2003
	No.	No.
Staff – part time	5	5
	<hr/>	<hr/>
		£
Direct salary costs	83,679	39,529
Social Security costs	7,532	5,203
	<hr/>	<hr/>
	91,211	44,732
	<hr/> <hr/>	<hr/> <hr/>
Amounts payable to affiliates for the services of the Joint Principals	35,700	23,853
	<hr/> <hr/>	<hr/> <hr/>

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 was paid to any Governor or the Joint Principals. Expenses were reimbursed to the Joint Principals and to Governors during the year. The Conservatoire has in place Directors and Officers insurance.

Notes to the Financial Statements

Year ended 31 July 2004

6. OTHER OPERATING EXPENSES

	2004 £	2003 £
Services outsourced to affiliates and third parties	134,204	114,782
Auditors' remuneration:		
- External audit	8,460	8,460
- Internal audit	1,234	-
Office expenses	9,117	13,063
Premises	26,970	33,395
Legal fees	2,230	8,141
Validation fees	3,511	4,737
Marketing and development projects	69,279	48,952
Bank charges	2,034	1,117
Other expenses	4,053	8,670
Depreciation	13,830	8,115
	<hr/>	<hr/>
	274,922	249,432
	<hr/> <hr/>	<hr/> <hr/>

7. FIXED ASSETS AND LEASES

	Fixtures and fittings £	Computer equipment £	Total £
At cost			
At 1 August	5,105	21,284	26,389
Additions	-	17,143	17,143
	<hr/>	<hr/>	<hr/>
At 31 July	5,105	38,427	43,532
	<hr/>	<hr/>	<hr/>
Depreciation			
At 1 August	1,021	7,094	8,115
Charges for the year	1,021	12,809	13,830
	<hr/>	<hr/>	<hr/>
At 31 July	2,042	19,903	21,945
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 July 2004	3,063	18,524	21,587
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 July 2003	4,084	14,190	18,274
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 (2003 - £26,700).

Notes to the Financial Statements

Year ended 31 July 2004

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Amounts due to affiliates	140,943	96,073
Other creditors	129,902	143,734
Accruals	29,808	62,288
	<hr/>	<hr/>
	300,653	302,095
	<hr/> <hr/>	<hr/> <hr/>

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

	2004 £	2003 £
(Deficit)/surplus for the period	(4,375)	64,126
Decrease/(increase) in debtors	52,674	(8,973)
(Decrease)/increase in creditors	(1,442)	76,148
Bank interest received included in income	(16,752)	(11,628)
Depreciation	13,830	8,115
	<hr/>	<hr/>
Net cash inflow from operating activities	43,935	127,788
	<hr/> <hr/>	<hr/> <hr/>

(B) RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2004 £	2003 £
Bank interest received	16,752	11,628
	<hr/>	<hr/>
Net cash inflow from returns on investments	16,752	11,628
	<hr/> <hr/>	<hr/> <hr/>

(C) ANALYSIS OF CHANGES IN NET FUNDS

	2004 £	2003 £
Cash at bank		
Balance at 1 August	437,008	323,981
Cash flows	43,544	113,027
	<hr/>	<hr/>
Balance at 31 July	480,552	437,008
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

Year ended 31 July 2004

10. STUDENT SUPPORT FUNDS

	2004	2003
	£	£
Balance unspent at 1 August	-	249
Funding Council grants	38,522	13,487
	<u>38,522</u>	<u>13,736</u>
Disbursed to affiliates	(38,522)	(13,736)
Balance unspent at 31 July	<u>-</u>	<u>-</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.