

Royal Ballet School
(A Company Limited by Guarantee)
FINANCIAL STATEMENTS
for the year ended
31 August 2012

THURSDAY



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27/06/2013
COMPANIES HOUSE

Charity Registration No 214364
Company Registration No 547018

Royal Ballet School

REFERENCE AND ADMINISTRATIVE DETAILS

DIRECTORS

Lady Antonia Douro OBE (Chairman)
Mr Jonathan Chenevix-Trench
Mr Nicolas Chisholm
Mrs Ricki Gail Conway
Mr Jonathan Cope
Mr Richard Cunis
Ms Sarah Dorfman
Ms Clarissa Farr
Mr David Fletcher
Mrs Candida Hurst-Brown
Ms Janet Lambert
Sir David Lees
Professor Margaret Maden
Dame Monica Mason DBE
Miss Madeleine Plaut
Mr Kenneth Steele
Mr Edmund Wallis

SECRETARY

Mr Alan Winter

REGISTERED OFFICE

46 Floral Street
Covent Garden
London WC2E 9DA

AUDITOR

Crowe Clark Whitehill LLP
St Bride's House
10 Salisbury Square
LONDON
EC4Y 8EH

BANKERS

Lloyds TSB Bank plc
City of London
39 Threadneedle Street
London EC2R 8AU

Barclays Bank plc
Education Team
Level 28
Churchill Place
London E14 5HP

SOLICITORS

Forsters
31 Hill Street
London W1J 5LS

Royal Ballet School

REPORT OF THE GOVERNORS

The Governors submit their report and the financial statements of the Royal Ballet School for the year ended 31 August 2012

STRUCTURE AND GOVERNANCE

The School is a Charitable Company Limited by Guarantee (Company Number 547018) incorporated in 1955 and is a Registered Charity, number 214364. Information on a connected charity is given in Note 21 to the financial statements.

Governing Documents

The Company was established under a Memorandum of Association which established the objects and powers of the Charitable Company and is governed under its Articles of Association.

Governing Body

The School is governed by a Board of Governors whose members are also Directors of the Company and Charity Trustees. The Board is responsible for overseeing the strategy and policies for the School and meets formally three times annually as well as holding other meetings as required to perform its duties.

The directors of the Company during the year were the Members of the Board of Governors who were

Mr Jonathan Chenevix-Trench
Mr Nicolas Chisholm
Mrs Ricki Gail Conway
Mr Jonathan Cope
Mr Richard Cunis
Ms Sarah Dorfman (appointed March 2012)
Lady Antonia Douro, OBE
Ms Clarissa Farr
Mr David Fletcher
Mrs Candida Hurst-Brown
Ms Janet Lambert
Sir David Lees
Professor Margaret Maden
Dame Monica Mason, DBE (resigned June 2012)
Miss Madeleine Plaut
Mr Kenneth Steele (appointed June 2012)
Mr Edmund Wallis

Lady Sainsbury, CBE is Governor Emerita of the School.

The Board has established the following standing committees which routinely meet before each regular meeting of the Governors:

Dance Policy Committee
Academic & Pastoral Committee
Estates Committee
Finance Committee
Development & Funding Committee
Nominations Committee
Remuneration Committee

These committees between them have responsibility to the Board for all the major areas of its accountability.

The policy of the School is to secure the services of Governors from a wide variety of backgrounds whose skills and experience meet the needs of the School. The Nominations Committee meets regularly and reviews the composition of the Board, taking into account the need for succession planning as existing Governors retire.

Governor Training

All Governors are inducted into the operations of the School through briefings with the Chairman, Director and members of the Senior Management Team. The training needs of Governors are reviewed from time to time.

Royal Ballet School

REPORT OF THE GOVERNORS

and support provided as necessary. In addition, regular presentations are made to the Governing body on key issues of current and ongoing importance.

Organisational Management

The day-to-day operations of the School are managed by the Senior Management Team led by the Director. Gailene Stock, the Director, is in control of the day-to-day running of the school but is not a Member of the Board of Governors or a company director. During the year the Senior Management Team comprised the following staff:

| | |
|-------------------------------------|-----------------------|
| Director | Ms Gailene Stock |
| Chief Operating Officer | Mr Alan Winter |
| Assistant Director | Mr Jay Jolley |
| Academic and Pastoral Head | Dr Charles Runacres |
| Head of Lower School | Ms Pippa Hogg-Andrews |
| Ballet Principal Lower School | Ms Diane van Schoor |
| Head of Outreach & Teacher Training | Mr Mark Annear |
| Head of Development | Ms Sarah Eliot-Cohen |
| Head of Finance | Mrs Pippa Adamson |

The School has taken out indemnity insurance for the governors at a cost of £1,431 (2011 - £2,650).

GROUP STRUCTURE AND RELATIONSHIPS

The Royal Ballet School has a wholly owned non-charitable subsidiary, TRBS Enterprises Ltd, whose activities are immaterial to those of the charity and, in accordance with the Charities SORP 2005 consolidated accounts have not been prepared. Gift Aid receivable from this subsidiary is included in the Statement of Financial Activities.

OBJECTS AND PRINCIPAL ACTIVITIES

Charitable Objects

The School's aims are to

- Train and educate full time students towards a career as classical ballet dancers
- Supply The Royal Ballet and Birmingham Royal Ballet with the majority of their dancers
- Recruit these students in the United Kingdom and throughout the world using its Outreach Programme
- Maintain its standing as a world class centre of excellence
- Contribute to the raising of national and international classical ballet teaching standards
- Nurture the young people within its care and to fulfil its responsibilities to students and their parents

The School is located on two main sites where full-time pupils and students are trained and educated. The Lower School is based at White Lodge in Richmond Park and is a boarding school for 11 to 16 year olds. The Upper School in Covent Garden trains students aged 16 to 19. In addition Upper School students are accommodated at Wolf House in West London (Year 1), Jebson House (Year 2) and seven flats (Year 3) in Covent Garden.

The School's primary objectives are to ensure the highest standards of balletic training and education of its students. These are measured by the rate of employment by international dance companies of the graduate students and the academic results achieved by students taking public examinations.

The School's Outreach programme seeks, amongst other things, to provide dance training to children from the UK who are not full-time students with the School with a particular view to assisting the most talented students to gain a full-time place in the future. Children aged 8 to 12 attend Junior and Mid-Associate classes weekly or monthly at various centres throughout the UK. Pupils aged 13 to 15 attend Senior Associate classes fortnightly in London and Birmingham. The School also runs additional Associate workshops throughout the year and Junior and Senior International Summer Schools for two weeks in July/August.

The Partnership & Access Programme was established to share the School's expertise and facilities with other schools and organisations across the UK as well as to provide greater opportunities for members of the public.

Royal Ballet School

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to access its facilities and observe the School's activities

Objectives for the Year

In addition to on-going monitoring and development of the School's core activities as outlined above, other specific objectives during the year and for the immediate future include the following

- Given the likelihood of a standstill in grant funding from the Department for Education's Music & Dance Scheme continuing until 2015, the School will
 - Implement a new management structure and reorganise services to reduce overhead and operating costs
 - Continue to develop a strategy to increase income via the trading subsidiary TRBS Enterprises Limited
 - Increase general charitable fund raising opportunities
- The Board of Governors with members of the Senior Management team will continue to take positive action to moderate the impact of any proposed grant reductions from the Department for Education
- Maintain fund raising to support scholarships
- Gain accreditation for the White Lodge Museum and Ballet Resource Centre

Public Benefit Aims and Intended Impact

The School makes a major contribution to the country's international reputation for arts and culture, specialising in the area of dance and in particular, the classical ballet art form. A place at the School is open to any young person who possesses the potential and talent to become a professional classical ballet dancer irrespective of their social or financial background, or their nationality. To this end a combination of public, private and charitable funding is available to pay for students attending the School. The Department for Education (DfE) provides grants from its Music & Dance Scheme for up to 184 fully funded UK based students or partially funded students from the European Economic Area (E E A). A small number of students pay private tuition fees. Students (mainly international but not exclusively) can be partly or fully funded from the School's charitable Endowment Fund or charitable donations.

An outreach programme exists in the School's national and international Associate programme. The programme offers young people regular access to classes (weekends in term time) and residential courses (one or two weeks in school Easter or Summer holidays). Students participating in these programmes are selected based on their potential as a classical ballet dancer rather than their ability to pay. Means-tested financial assistance is made available to all participants who qualify for a place on the programmes irrespective of age or nationality.

The School participates in a national Partnership & Access programme also funded by the DfE. This partnership programme with State Schools gives children of both primary and secondary school age access to classical ballet through the School's students and network of teaching expertise. There are five centres around the country in Blackpool, Bury St Edmonds, Dagenham, Swindon and Mansfield.

The Partnership and Access Scheme also funds a publicly accessible museum. The White Lodge Museum & Ballet Resource Centre aims to foster greater awareness of the history and cultural significance of Classical ballet, particularly that of The Royal Ballet School and Companies. Housed in an important neo-Classical Palladian building, the Museum facilitates broad public access to the Grade One-listed White Lodge in Richmond Park, and to the work of The Royal Ballet School which has occupied it since 1955. Museum staff enable the specialist preservation of the unique Royal Ballet School Collections, and the ongoing management of School records. The cataloguing and digitization of the Collections is well advanced, supporting further development of the Ballet Resource Centre database as a leading educational resource.

In setting the objectives and planning the activities the Governors have given careful consideration to the Charity Commission's general guidance on public benefit and in particular to its supplementary public benefit guidance on advancing education and on fee-charging.

ACHIEVEMENTS AND PERFORMANCE

Artistic Training

In September 2011, the School had 126 full-time pupils at the Lower School and 96 full-time pupils on the Upper School Dancers' Course, higher than in previous years. The School aims to start each academic year with a complement of 214 pupils but each student must be able to demonstrate the desire and level of ability to

Royal Ballet School

REPORT OF THE GOVERNORS

become a professional classical ballet dancer. The School expects to lose approximately 5 students during each academic year for various reasons but mostly due to the offer of professional contracts.

By 31st August 2012 97% all of the graduate students won professional contracts in spite of continuing difficult world economic conditions.

Academic Results

Academic exam results were extremely pleasing results given the wide range of academic abilities within the School that arises from an admissions policy based on balletic potential rather than academic achievement. An increasing number of students are studying with English as their second or third language. The academic curriculum at the Upper School is based on students taking one A-Level or if their English is not strong enough, English Language exams (EAL). In addition they take the BTEC Diploma in Dance (equivalent to two A-Levels) and the Trinity Diploma in Professional Dance.

A Levels

The School's full-time students once again, achieved a 100% pass rate in A-Level examinations. The School offers four A-Level subjects, Maths, English, French and Art.

| A-Level Pass Rates | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|--------------------|------|------|------|------|------|------|
| Pass Rate % | 100 | 100 | 100 | 100 | 100 | 100 |
| % of Grades A-B | 33 | 33 | 44 | 45 | 70 | 29 |

AS Level

A-S Levels are taken by first and second year Upper School students as well as some Year 11 Lower School students. Seven subjects are offered in total.

| AS-Level Pass Rates | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---------------------|------|------|------|------|------|------|
| Pass Rate % | 100 | 90 | 100 | 95 | 93 | 96 |

BTEC Diploma in Dance

All Upper School students who join the School in the 1st or 2nd year are expected to take the BTEC Diploma in Dance. The course aims to extend and develop the student's dance studies and to prepare them for having in a career in dance. The course consists of 12 units of study over 2 years, 6 per year, each worth the equivalent of one A-Level. The initial six units of study give students a Subsidiary Diploma with this being converted to a Diploma in Performing Arts (Dance) on the completion of the further 6 units. A small number of students who join the School in the second year will only be able to complete the Subsidiary Diploma. Some students opt to extend their studies further and take another 6 units resulting in an Extended Diploma in Performing Arts (Dance). Grades are awarded as Pass, Merit, and Distinction with a Distinction* being the equivalent to an A* at A-Level.

Subsidiary Diploma in Performing Arts (Dance) Pass Rates

| Grades | Number of candidates | % | Cumulative % |
|--------|----------------------|-------|--------------|
| M | 2 | 100.0 | 100.0 |

Diploma in Performing Arts (Dance) Pass Rates

| Grades | Number of candidates | % | Cumulative % |
|--------|----------------------|------|--------------|
| D*D* | 2 | 11.0 | 11.0 |
| D*D | 3 | 17.0 | 28.0 |
| DD | 6 | 34.0 | 62.0 |
| DM | 5 | 27.0 | 89.0 |
| MM | 2 | 11.0 | 100.0 |

Extended Diploma in Performing Arts (Dance) Pass Rates

| Grades | Number of candidates | % | Cumulative % |
|--------|----------------------|------|--------------|
| D*D*D* | 1 | 12.5 | 12.5 |
| D*DD | 1 | 12.5 | 25.0 |
| DDD | 1 | 12.5 | 37.5 |
| DDM | 2 | 25.0 | 62.5 |
| DMM | 3 | 37.5 | 100.0 |

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Trinity Dance Diploma

The first cohort of students studying the Trinity Diploma in Dance will be examined in the academic year 2012/13

GCSE

The School's full-time students achieved a 100% pass rate in GCSE examinations across 17 subjects, of which 92% graded A-C (with 42% A* to A grades) In addition, one student achieved an A* in Portuguese GCSE (Short Course) and one Upper School Candidate achieved a C in Business Studies GCSE (Short Course)

| GCSE Pass Rates | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|------|------|------|------|------|------|
| Overall % A*-C | 92 | 96 | 95 | 91 | 97 | 87 |
| % Pupils gaining 5 A*-C | 93 | 92 | 91 | 85 | 96 | 83 |
| % Pupils gaining 5 A*-C including English & Maths | 76 | 92 | 91 | 92 | 93 | 79 |

Outreach Programme

The Outreach Programme continued to attract a high level of applicants for its courses with 568 places being filled A new centre was opened in Newcastle offering Junior Associate classes whilst the overall number of delivery weeks in each of the other centres was increased The programme was further expanded to offer an intensive workshop for year 6 Junior Associate students, increased continuous professional development activities for private dance teachers, a teacher workshop in Guernsey and master classes and auditions held in Livorno and Palermo

Despite concerns that the international Summer School may be adversely impacted by the Olympics and Paralympics, places were highly contested with 1,253 applicants from 55 countries 350 participants came together for the courses at both the Lower and Upper Schools As a result of the auditions held at the end of the Summer School, two students were offered full-time places at the Lower School and one student was offered a full-time place at the Upper School all for the academic year 2012/13 The Summer School remains a good opportunity for the School to identify potential students

Dance Partnership & Access Programme

The Dance Partnership & Access Programme has continued its agenda of wider public engagement with Dance The department continued its work with primary school children aged 7 to 10 through its 5 primarySTEPS centres This year saw the centre at Mansfield open its door to the third cohort of students meaning that all 5 centres are operating a full programme of classes

Two local secondary schools, Ricards Lodge High School and Tiffin Boys School worked with students from the Royal Ballet School as part of the aDvANCE project The project includes students aged 16-19 from each School working to collaborate on a piece of dance performance

The project to electronically catalogue all of the museum archive continued during the year, generously funded by The Foyle Foundation The project should reach its conclusion in 2013 Museum staff started work on applying for accreditation of the Museum and Ballet Resource Centre It is hoped that an accreditation will be awarded in the academic year 2012/13

Premises

Work focussed largely on the Lower School, White Lodge premises with the external repair and repainting of the building, refurbishment of the Art block and the repair and replacement of the last of the old classroom windows A sprung floor in one of the Upper School dance studios was replaced as part of a programme of ongoing refurbishment

Fundraising

The School continued to build on its fundraising success of previous years raising a total of £814,541 The focus has been on raising funds for student scholarships and bursaries and for the ongoing support of the Partnership and Access Programme in light of the current funding freeze Other specific donations received were to support an enhanced choreographic training programme at Upper School, the future redevelopment of its website and the choreographic programme

With future funding from the Department for Education expected to remain static at best in the short term and

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an uncertain economic climate, the fundraising focus has shifted to raising general funds to support the day to day running costs of the School. Donations received will allow the school to continue providing the best training, facilities and opportunities for all the students who successfully audition for a place. The campaign started in July 2012 and £75,000 has already been raised.

Operations

The focus of the Operations Department has been the School's response to the funding pressure from the Department for Education. Despite continued cost saving measures over the last three years, it has become clear that a further £225,000 per annum will need to be saved permanently from the School's overhead leaving the management no option but to take steps to reduce its staffing bill. A two year programme of change is envisaged and the first phase of staffing changes will begin in the 2012/13 academic year.

Scholarships and Bursaries

No student should be deterred from making an application to the School due to lack of financial means

The Royal Ballet School is a member of the U.K. Government's Music and Dance Scheme designed to enable young, talented dancers and musicians to receive full-time education and training at a specialist school irrespective of their parents' financial means. Successful applicants who satisfy UK residency requirements receive means-tested financial assistance for both tuition fees and maintenance/boarding costs. Successful applicants, who satisfy European Economic Area residency requirements and are over the age of 16, receive means-tested financial assistance for tuition fees.

For students unable to access the Music and Dance Scheme, the school offers a limited number of scholarships and bursaries towards the costs of tuition and boarding. These awards are made at the Director's discretion. A total of 46 awards were made to full time students in the academic year at a cost £522,759. Additional awards totaling £5,000 were made for families facing hardship. These awards are made from the restricted hardship fund and assist parents with the costs of travel to/from the School that are not covered by The Music and Dance Scheme. 12 full music bursaries at a value of £495 per student were made. Recipients are identified by the Head of Music and the Head of Finance and are awarded to students whose families may otherwise not be able to afford music lessons or to students who have shown particular commitment to and/or aptitude for music.

Further means-tested bursaries were awarded to successful applicants of the Associates Programme and the International Summer School. A further 103 awards totaling £30,222 were made to participants of these activities.

Equal Opportunities

In order to promote an environment in which the School can call upon the widest possible range of knowledge, skill and experience, as well as ensuring compliance with the relevant legislation and codes of practice, The Royal Ballet School is committed to achieving and maintaining a workforce which represents the population within its recruitment area in terms of race or colour, nationality or national or ethnic origins, religion or belief, sex, sexual orientation or marital status and age.

To this end the School regularly reviews the operation of its recruitment, promotion, training and development policies to ensure that no applicant for employment or member of staff is disadvantaged by conditions or requirements which cannot be shown to be justifiable.

FINANCIAL REVIEW

The key to the School's financial stability is the agreement it has with the DfE. The core of the School's income comes from the DfE in the form of means tested grant aid to parents under the Music and Dance Scheme – places on the scheme are available to students from the UK and European Economic Area who meet the appropriate residency requirements. Other students, especially at the Upper School, are funded by their parents and by grants that the School receives from a number of trusts, foundations and individuals. A breakdown of the School's funding is shown in Note 1 on page 19.

Net operating income in respect of the School's ongoing activities was slightly higher than budget expectations with additional income being derived from higher than anticipated student numbers and a successful year of fundraising activities.

In 2012, The Royal Ballet School set up a trading subsidiary, TRBS Enterprises Limited with the aim of

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increasing trading activities to generate funds to support the School. TRBS Enterprises Limited has initially focused on raising funds through the hire of School premises and facilities at each site. By 31st August 2012, the company had a turnover of £51,000 with £40,000 being gifted to the School.

£550,000 was received from the DfE to run the Partnership and Access Programme, £60,000 less than the previous financial year. Despite the reduced funding a full programme of training and events was delivered with the shortfall in funding being made up by donations and other income.

The surplus of £721,000 on operating activities was offset by the depreciation charge in the year of £801,000 on the Designated Property Fund. There was a small surplus of £47,000 on restricted funds as donations for restricted purposes are usually received in advance of the expenditure being made. The net operating deficit for the year on all activities pre pension fund deficit was £33,000.

There was an unrealised actuarial loss of £478,000 on the Defined Benefit Pension Scheme arising from the actuarial valuation required by FRS17 at the Balance Sheet date. The School continued to make an annual contribution of £36,000 towards the pension fund deficit and it is anticipated that this will continue for a further 10 years in line with the School's agreement with the Pension Regulator. The 9 remaining active members of the Scheme agreed for the Scheme to cease accrual from 31st August 2012 and for their future contributions to be made in to a defined contribution scheme.

Reserves Policy

Since the School is funded annually by the DfE based on break-even budgets and given the nature of the School's funding, the School's reserves policy is not to build up significant free reserves but to maintain sufficient working capital to allow the School to fund its day to day operations.

The School's unrestricted undesignated funds were £1,353,000 at the year end if the pension fund reserve is not included. Whilst it is the policy not to build up significant free reserves the Department for Education has announced that there will be no increase in funding for the years 2012/13 for the third consecutive year. With no certainty around future funding announcements it is deemed prudent to carry this level of reserves.

Restricted and Designated Funds

Notes 15 to 17 to the financial statements set out an analysis of the School's restricted and designated funds and their attributable assets. These assets are sufficient to meet the charity's obligations on a fund by fund basis. The School's tangible assets are all held for use in the School. An explanation of the various funds is set out in the Accounting Policies note on pages 16 to 18.

RISK MANAGEMENT

The Governors are responsible for the management of the risks faced by the School. The Board reviews the risk register assisted by the Director, Chief Operating Officer and other members of the School's Senior Management Team.

A detailed Risk Register has been produced by the Senior Management Team and this is reviewed and updated each term. The Finance Committee reviews the major financial risks identified annually. Key controls used by the Governors to identify and assess risks during the year include:

- Appointment of appropriate consultants to advise with regard to risk management within the School
 - The initiation of a formal programme of risk assessments and steps taken to mitigate those risks identified
 - Comprehensive strategic planning, budgeting and management accounting
 - Established organisational structure and lines of reporting
 - Formal authorisation and approval levels
-

Royal Ballet School

REPORT OF THE GOVERNORS

The major risks identified include the following

- Loss of or reduced levels of funding from the DfE or inability of parents to meet their contributions to fees in the current economic climate
- Loss or reduced funding from the DfE for the Partnership & Access programme
- Inability to attract the most talented students because of limited funding available for scholarships
- Managing the Pension Fund Deficit
- Changes to the Teachers Pension Scheme
- Impact of reduced grant funding on the maintenance of the School's property portfolio
- Impact of the freeze on staff remuneration

Various strategies are in place to manage these risks and to ensure that they do not adversely affect the School's operations or the welfare of its students

Through the above risk management processes, the Governors anticipate that major risks will be identified and as far as practicable adequately mitigated. It is recognised that systems can only provide reasonable, but not absolute, assurance that major risks have been adequately managed

PLANS FOR FUTURE PERIODS

The School produces an annual operating budget which is based on the School's business plan. The Senior Management team produced an updated business plan in 2010 and this was duly approved by the Governors in May 2010. This plan runs until August 2013 and reflects the School's primary current objective to continue to develop its excellent level of balletic and academic performance for full-time and part-time students. However, since 2010, economic conditions in the country have not improved and the School now knows that as part of the continuing squeeze on public finances, the DfE's funding of the Music and Dance Scheme (MDS) will continue to reduce until 2015. There are warnings that the funding situation could continue to deteriorate beyond 2015, depending on the rate of the country's economic recovery and the impact on public expenditure. As a result, the current business plan has been put on hold and a major reorganisation of the School's staffing and management structure will be undertaken in 2012/13 to reduce costs. The School continues to seek clarity from the DfE on the future of the MDS and its long term funding strategy given the constraints it is placing on the School's ability to plan long term. This will impact on the shape of the new business plan when it is re-written for 2013 and beyond. The Governors will continue to work closely with the Senior Management Team to monitor the situation and adapt any future plans as circumstances demand. Notwithstanding the current financial issues, the Governors believe the charity remains a going concern.

The Partnership and Access Programme now operates in five centres around the country and is enjoying a period of consolidation now that the three year plan agreed with the DfE has been implemented.

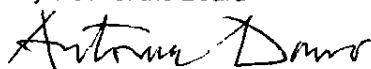
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

So far as each of the Governors is aware, there is no relevant audit information of which the charitable company's auditor is unaware. Each Governor has taken all the steps that he/she ought to have taken as a Governor in order to make himself/herself aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

AUDITOR

A resolution to reappoint Crowe Clark Whitehill, Chartered Accountants, as auditor will be put to the members at the annual general meeting.

By order of the Board



Lady Antonia Douro OBE
Chairman of Governors

27 February 2013

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STATEMENT OF GOVERNORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The Governors (who are also directors of for the purposes of company law) are responsible for preparing the Governors' Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards)

Company law requires the Governors to prepare financial statements for each financial year. Under company law the Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Governors are required to

- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charities SORP,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Governors are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions, disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006 and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL BALLET SCHOOL

We have audited the financial statements of The Royal Ballet School for the year ended 31 August 2012 set out on pages 13 to 30

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 charitable 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 charitable 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 charitable 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 governors and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the governors (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those 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 company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Governors' Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2012 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Governors Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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AUDITOR'S REPORT

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of governors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Tim Baines

Senior Statutory Auditor

For and on behalf of

Crowe Clark Whitehill LLP

Statutory Auditor

London

27 February 2013

Royal Ballet School
STATEMENT OF FINANCIAL ACTIVITIES
(Incorporating an Income and Expenditure Account)
for the year ended 31 August 2012

| | Notes | Unrestricted Funds | | | Total 2012 £000 | Total 2011 £000 |
|---|-------|-------------------------|-----------------------------|-----------------------------|-----------------------|-----------------------|
| | | General Fund £000 | Designated Funds £000 | Restricted Funds £000 | | |
| Incoming resources from charitable activities | | | | | | |
| Full time students | 1 | 7,020 | - | - | 7,020 | 6,832 |
| Outreach activities | | 656 | - | - | 656 | 578 |
| Partnership programme | | - | - | 558 | 558 | 631 |
| Performances and tours | | 230 | - | - | 230 | 160 |
| Incoming resources from generated funds | | | | | | |
| Donations | | | | | | |
| - Trading Subsidiary | 2 | 40 | - | - | 40 | - |
| - Other | | 280 | - | 535 | 815 | 1,592 |
| Activities for generating funds | | | | | | |
| - Investment income | 3 | 18 | - | - | 18 | 8 |
| - Other income | | 221 | - | - | 221 | 63 |
| TOTAL INCOMING RESOURCES | | 8,465 | - | 1,093 | 9,558 | 9,864 |
| RESOURCES EXPENDED | | | | | | |
| Costs of generating funds | 4 | 171 | - | - | 171 | 162 |
| | | 171 | - | - | 171 | 162 |
| Charitable activities | | | | | | |
| Full time students | | 6,315 | 681 | 432 | 7,428 | 7,568 |
| Outreach activities | | 878 | 80 | - | 958 | 931 |
| Partnership programme | | - | - | 614 | 614 | 839 |
| Performances and tours | | 353 | 40 | - | 393 | 303 |
| | 5 | 7,546 | 801 | 1,046 | 9,393 | 9,641 |
| Governance costs | 7 | 27 | - | - | 27 | 30 |
| TOTAL RESOURCES EXPENDED | | 7,744 | 801 | 1,046 | 9,591 | 9,833 |
| NET INCOMING/(OUTGOING) RESOURCES BEFORE OTHER RECOGNISED GAINS AND LOSSES | | 721 | (801) | 47 | (33) | 31 |
| OTHER RECOGNISED GAINS AND LOSSES | | | | | | |
| Actuarial (Losses)/Gains on Defined Benefit Pension Scheme | 23 | (478) | - | - | (478) | 800 |
| NET MOVEMENT IN FUNDS | | 243 | (801) | 47 | (511) | 831 |
| TOTAL FUNDS BROUGHT FORWARD | | 1,058 | 29,508 | 2,748 | 33,314 | 32,483 |
| TOTAL FUNDS CARRIED FORWARD | 15,16 | 1,301 | 28,707 | 2,795 | 32,803 | 33,314 |

Net incoming resources for the year arise from the charity's continuing operations

Royal Ballet School
BALANCE SHEET
for the year ended 31 August 2012

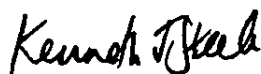
| | Notes | 2012 £000 | 2011 £000 |
|--|-------|---------------|---------------|
| FIXED ASSETS | | | |
| Tangible assets | 10 | 30,267 | 31,137 |
| CURRENT ASSETS | | | |
| Debtors | 11 | 1,211 | 1,889 |
| Cash at bank and in hand | | 4,851 | 4,685 |
| | | <u>6,062</u> | <u>6,574</u> |
| CREDITORS Amounts falling due within one year | | | |
| Deferred Income | 12 | 2,336 | 2,260 |
| Trade and other creditors | 13 | 638 | 831 |
| Bank loan | 13 | - | 1,000 |
| | | <u>3,088</u> | <u>2,483</u> |
| NET CURRENT ASSETS | | | |
| | | <u>33,355</u> | <u>33,620</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | |
| CREDITORS | | | |
| Amounts falling due after more than one year | 14 | (500) | (500) |
| Defined benefit pension scheme (liability)/surplus | 23 | (52) | 194 |
| NET ASSETS | 17 | <u>32,803</u> | <u>33,314</u> |
| CAPITAL AND RESERVES | | | |
| Unrestricted funds | | | |
| - General fund | | 1,301 | 1,058 |
| - Designated funds | | 28,707 | 29,508 |
| | | <u>30,008</u> | <u>30,566</u> |
| Total Unrestricted Funds | 15 | | |
| Restricted funds | | | |
| - Partnership and Access | | 399 | 439 |
| - Upper School Choreographic Training | | 16 | - |
| - New Ballet Fund | | 35 | - |
| - Lower School Access to Live Performance Fund | | 9 | - |
| - Web Site Fund | | 38 | - |
| - Lower School Bike Storage Facility | | 3 | - |
| - White Lodge Appeal | | 1,860 | 1,747 |
| - Bursaries and Prizes | | 435 | 529 |
| - Upper School Accommodation | | - | 33 |
| | | <u>2,795</u> | <u>2,748</u> |
| Total Restricted Funds | 16 | | |
| Total Funds | | <u>32,803</u> | <u>33,314</u> |

The financial statements on pages 13 to 30 were approved by the Board of Governors and authorised for issue on 27 February 2013 and are signed on its behalf by



Lady Antonia Douro OBE

Chairman



Kenneth Steele

Governor

Royal Ballet School
CASH FLOW STATEMENT
for the year ended 31 August 2012

| | <i>Notes</i> | 2012 £000 | 2011 £000 |
|---|--------------|--------------|--------------|
| NET CASH FLOW FROM ACTIVITIES | 25 | 179 | 904 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | 26 | (13) | (75) |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | 26 | - | (63) |
| INCREASE IN CASH | 27 | <u>166</u> | <u>766</u> |

Royal Ballet School

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with the Companies Act 2006 and follow recommendations in Accounting and Reporting by Charities Statement of Recommended Practice – Accounting and reporting by Charities issued in March 2005, and under the historical cost convention and under the going concern concept, on the understanding that the company will continue to receive sufficient financial support to enable it to meet its liabilities as and when they fall due for payment

After making enquires the Governors have a reasonable expectation that the School has adequate resources to continue its activities for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the financial statements as outlined in the Statement of Governors' Responsibilities on page 8

TANGIBLE FIXED ASSETS

Leasehold property

The original cost of the White Lodge leasehold property was fully amortised in the period 1955 to 1976, although the lease was not due to expire until 2013. Subsequent major works and additions to the leasehold property are capitalised and amortised over the unexpired period of the lease, or evenly over the expected useful lives of the major works and additions as appropriate, at rates varying between 14% and 25% per annum on cost.

In November 2005 the School surrendered its existing lease and entered into an agreement to lease the land and buildings for a further 100 years. A major redevelopment was undertaken in three phases from 2005 and completed in February 2009. Relevant costs are depreciated over the term of the lease. The buildings costs will be depreciated over 40 years.

The Floral Street property is depreciated over the term of the lease, except for buildings which are depreciated over 40 years.

Jebsen House property is depreciated over the lease term of 20 years.

Furniture, fixtures and equipment

Depreciation has been calculated by allocating cost, less any estimated residual value, evenly over the expected useful lives of the assets concerned. The expected useful lives are as follows:

| | |
|-----------------------------------|------------|
| Furniture, fixtures and equipment | 5 -7 years |
| Computer equipment | 3 years |
| Motor vehicles | 4 years |

The School's policy is to capitalise fixed assets with a cost of more than £1,000.

STOCKS

The School charges the cost of such clothing to the Statement of Financial Activities when incurred and no stocks are held in the balance sheet.

TURNOVER

Turnover consists of school fees and expenses due and receivable, grants receivable from the Department for Children, Schools and Families, income arising from the letting of the school premises and facilities, and sponsorship of the School's performances. This income is then taken to the Statement of Financial Activities when it becomes due to the school.

Royal Ballet School

ACCOUNTING POLICIES

ROYAL BALLET SCHOOL PENSION AND LIFE ASSURANCE PLAN

The School participates in defined benefit schemes and defined contribution schemes

Under the defined benefit schemes, the School makes contributions to the Teachers Pension Scheme and The Royal Ballet School Pension and Life Assurance Plan. Pension costs are assessed in accordance with actuarial advice and based on the most recent actuarial valuation of the schemes. The Royal Ballet School Pension and Life Assurance Plan was closed to new entrants during 2002. The Teachers Pension Scheme is a multi employer scheme for which the School is unable to determine its share of the assets and liabilities, contributions are charged to the Statement of Financial Activities as if the scheme were a defined contribution scheme.

Under the defined contribution schemes, the School contributes to group personal pension plans providing benefits for some employees. Pension costs are based on current salaries. Contributions are charged to the Statement of Financial Activities in the year in which they are due to the scheme.

The amount charged to the Statement of Financial Activities in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The expected return on scheme assets are included in investment income and the interest cost and interest on scheme liabilities are included within other finance costs in support costs.

Actuarial gains and losses arising from new valuations and from updating valuations to the balance sheet date are recognised in the Statement of Financial Activities.

The assets of the scheme are held separately from the School in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at the balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised in the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the Scheme Trustees have agreed a refund from the scheme at the balance sheet date. A pension liability is recognised to the extent that the School has a legal obligation to settle the liability.

OPERATING LEASES

Operating leases and the annual rentals are charged to the profit and loss on a straight line basis over the lease term.

EXPENDITURE

Resources expended are recognised in the period in which they are incurred and are allocated to the particular activity where the cost relates directly to that activity. The cost of overall direction and administration of the School's activities, comprising the salary and overhead costs of central functions are treated as Support Costs as shown in note 4. The allocation of Support Costs between activities has been reviewed during the year and these costs have been allocated in line with the estimated use of resources by each activity.

Governance costs comprise those costs incurred in compliance with regulation and good practice and include costs relating to the statutory audit and legal fees.

LIABILITIES

Liabilities are recognised at the point that there exists an obligation to make payment or transfer assets and the value of that obligation can be measured with a reasonable degree of accuracy.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the Statement of Financial Activities.

Royal Ballet School

ACCOUNTING POLICIES

FUNDS

Unrestricted Funds

Unrestricted funds are available for use at the discretion of the Governors in furtherance of the general objectives of the charity. Certain unrestricted funds are designated for other purposes. The various elements of Unrestricted Funds are as follows:

Designated Property Fund

This Fund represents the total amount (at cost less depreciation) invested in property assets for use by the School.

Designated Asset Replacement Fund

This fund represents amounts designated and set aside by Governors to enable the School to replace assets such as plant and equipment, fixtures and fittings, and computer equipment when these require replacement.

General Pensions Reserve

This fund represents balances in relation to the School's obligations in respect of the Royal Ballet School Pension & Life Assurance Plan which is a final salary scheme that is now closed to new members.

Retained Income

This represents the balance of unrestricted funds which have not been designated.

Restricted Funds

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The various specific restricted funds are as follows:

Partnership and Access Fund

This fund represents amounts provided to the School by the Department for Education to further the aims and objectives of the School's Partnership and Access programme.

Upper School Choreographic Training Fund

Choreography is integral to the students' dance education. This fund supports our current choreographic training programme and is used to enhance students' educational experience by being exposed to as wide a range as possible of different choreographic styles. This includes inviting guest musicians, choreographers and other collaborators to the School.

New Ballet Fund

This fund represents donations received for the purpose of commissioning or creating new choreography and inviting choreographers or guest teachers to the School to work with the students to commission and stage these ballets for performances throughout the year.

Lower School Access to Live Performance Fund

Access to live performance is important for all students at the School. This fund pays for the costs of Lower School students, usually from a single year group, to see a performance at The Royal Opera House or similar venue during the academic year.

Website Fund

The balance on this account represents funding secured for the School to redevelop its current website.

Lower School Bike Storage Facility

This balance represents a grant received to build a bike storage facility at the Lower School.

Appeal Fund

The balance on this fund represents gifts and donations generated by fundraising appeals to acquire a new 100 year lease at White Lodge and to redevelop the land and buildings at White Lodge.

Bursaries and Prize Fund

This fund represents donations received by the School, which are subject to the specific wishes of the donor. Movements in the fund during the year comprise gifts received and the funding of bursaries and prizes for pupils attending the school.

Royal Ballet School
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2012

| | | | |
|---|--|-----------------------|-----------------------|
| 1 | FEES RECEIVABLE | 2012 £000 | 2011 £000 |
| | Fees receivable in respect of full time students were funded as follows | | |
| | Grants from DfE | 5,240 | 5,006 |
| | Connected charity (Royal Ballet School Endowment Fund) | 148 | 128 |
| | Donations | 485 | 425 |
| | Parents | 1,147 | 1,273 |
| | | <u>7,020</u> | <u>6,832</u> |
| 2 | SUBSIDIARY COMPANIES | | |
| | The Royal Ballet School wholly owns the share capital of £100 of TRBS Enterprises Limited, which provides hire of the School premises and facilities. The company's accounting year end is 31 August. As the activities of the company are immaterial to those of the Group consolidated accounts have not been prepared. The company's trading results for the year, extracted from its audited financial statements were | | |
| | | 2012 £000 | |
| | Turnover | 51 | |
| | Cost of sales | (5) | |
| | GROSS PROFIT | <u>46</u> | |
| | Administration | (1) | |
| | Licence to Occupy | (3) | |
| | Other costs | | |
| | OPERATING PROFIT | <u>42</u> | |
| | Payment to The Royal Ballet School under Gift Aid | (40) | |
| | | <u>2</u> | |
| | NET ASSETS | <u>2</u> | |
| 3 | INVESTMENT INCOME | Total 2012 £000 | Total 2011 £000 |
| | Interest receivable | 18 | 8 |
| 4 | COST OF GENERATING FUNDS | Total 2012 £000 | Total 2011 £000 |
| | Development department | 171 | 162 |

Royal Ballet School
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2012

| | | | | | | |
|---|---|--|--------------------------------------|----------------------------------|----------------------------------|-----------------------|
| 5 | ANALYSIS OF RESOURCES EXPENDED ON CHARITABLE ACTIVITIES | Direct charitable activities £000 | Support Costs (note 6) £000 | Total 2012 £000 | Total 2011 £000 | |
| | Full time students | 3,860 | 3,568 | 7,428 | 7,568 | |
| | Outreach activities | 538 | 420 | 958 | 931 | |
| | Partnership programme | 540 | 74 | 614 | 839 | |
| | Performances and tours | 183 | 210 | 393 | 303 | |
| | | <u>5,121</u> | <u>4,272</u> | <u>9,393</u> | <u>9,641</u> | |
| 6 | ANALYSIS OF SUPPORT COSTS | Full time students £000 | Outreach activities £000 | Partnership Programme £000 | Performance and tours £000 | Total 2012 £000 |
| | Premises | 1,256 | 148 | 34 | 74 | 1,512 |
| | Staff costs | 1,097 | 129 | 34 | 65 | 1,325 |
| | Depreciation | 722 | 85 | - | 42 | 849 |
| | Other | 493 | 58 | 6 | 29 | 586 |
| | | <u>3,568</u> | <u>420</u> | <u>74</u> | <u>210</u> | <u>4,272</u> |
| | Total 2011 | 3,521 | 440 | 220 | 220 | 4,401 |

Support Costs have been allocated in line with the estimated use of resources by each activity. In previous years, the Partnership Programme was allocated 5% of support costs but as these costs were paid for by unrestricted cash, the charges were transferred back to unrestricted funds. In 2011/12 a charge of £73,571 was made from the unrestricted fund to the restricted fund which was subsequently settled by restricted monies. This charge represented the cost of office space, general administrative costs and management and admin staff.

| | | | |
|---|---|--------------|--------------|
| 7 | ANALYSIS OF GOVERNANCE COSTS | 2012 £000 | 2011 £000 |
| | Legal and professional | <u>27</u> | <u>30</u> |
| 8 | EXPENDITURE | 2012 £000 | 2011 £000 |
| | The net incoming/(outgoing) resources is after charging | | |
| | Audit fee | 27 | 27 |
| | Auditor's fees in respect of non audit services | - | 3 |
| | Interest payable | 31 | 83 |
| | Operating lease rentals - plant and machinery | 29 | 26 |
| | Depreciation | <u>870</u> | <u>925</u> |

Royal Ballet School
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2012

| EMPLOYEES | | 2012 | 2011 |
|------------------|--|--------------|--------------|
| 9a | The average weekly number of full-time equivalent persons (excluding directors) employed by the company during the year was | No | No |
| | Teaching & Teaching Support | 44 | 47 |
| | Pastoral | 15 | 14 |
| | Outreach Activities | 12 | 11 |
| | Partnership Programme | 10 | 10 |
| | Management & Administration | 34 | 35 |
| | Development | 4 | 4 |
| | | <u>119</u> | <u>121</u> |
| 9b | Staff costs | £000 | £000 |
| | Wages and salaries | 3,909 | 3,893 |
| | Social security costs | 345 | 374 |
| | Other pension costs | 349 | 438 |
| | | <u>4,603</u> | <u>4,705</u> |
| | | 2012 | 2011 |
| | | No | No |
| 9c | The number of employees whose emoluments exceeded £60,000 were | | |
| | £60,001 - £70,000 | 3 | 4 |
| | £70,001 - £80,000 | 1 | 2 |
| | £90,001 - £100,000 | 1 | - |
| | £100,001 - £105,000 | - | 1 |
| | | <u></u> | <u></u> |
| 9d | Employee cost by activity | £000 | £000 |
| | Full time students | 3,297 | 3,483 |
| | Outreach activities | 542 | 523 |
| | Partnership programme | 521 | 495 |
| | Performances and tours | 94 | 60 |
| | Other costs | 149 | 144 |
| | | <u>4,603</u> | <u>4,705</u> |

No remuneration was paid to the Governors in the current or prior year and no expenses were reimbursed to them

Royal Ballet School
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2012

10 TANGIBLE FIXED ASSETS

| | Property – Long Leasehold | | | Furniture, fixtures and equipment | | | | | Total £000 |
|---------------------------------------|---------------------------|------------------------|-------------------------|-----------------------------------|------------------------|-------------------------|---------------------------|--------|---------------|
| | Floral Street £000 | White Lodge £000 | Jebsen House £000 | Floral Street £000 | White Lodge £000 | Jebsen House £000 | Motor vehicles £000 | | |
| Cost or valuation 1 September 2011 | 14,718 | 22,651 | 787 | 838 | 1,384 | 49 | 46 | 40,473 | |
| 31 August 2012 | 14,718 | 22,651 | 787 | 838 | 1,384 | 49 | 46 | 40,473 | |
| Depreciation 1 September 2011 | 3,193 | 3,822 | 101 | 837 | 1,330 | 29 | 24 | 9,336 | |
| Charged in the year | 247 | 517 | 36 | 1 | 47 | 10 | 12 | 870 | |
| 31 August 2012 | 3,440 | 4,339 | 137 | 838 | 1,377 | 39 | 36 | 10,206 | |
| Net book value 31 August 2012 | 11,278 | 18,312 | 650 | - | 7 | 10 | 10 | 30,267 | |
| 31 August 2011 | 11,525 | 18,829 | 686 | 1 | 54 | 20 | 22 | 31,137 | |

Royal Ballet School
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2012

| | | | |
|----|--|--------------|--------------|
| 11 | DEBTORS | 2012 £000 | 2011 £000 |
| | School fees | | |
| | - parents | 695 | 694 |
| | - DfE | 155 | 164 |
| | Connected charity (see note 21) | 151 | 773 |
| | Other debtors | 19 | 38 |
| | Prepayments and accrued income | 191 | 220 |
| | | <u>1,211</u> | <u>1,889</u> |
| 12 | DEFERRED INCOME | 2012 £000 | 2011 £000 |
| | Parents | 875 | 740 |
| | DfE | 1,400 | 1,500 |
| | Other | 61 | 20 |
| | | <u>2,336</u> | <u>2,260</u> |
| 13 | CREDITORS | 2012 £000 | 2011 £000 |
| | Amounts falling due within one year | | |
| | Obligations under hire purchase contracts and finance leases | 20 | - |
| | Trade creditors | 95 | 152 |
| | Taxation and social security | 100 | 104 |
| | Other creditors | 42 | 25 |
| | Accruals | 381 | 550 |
| | Bank loan | - | 1,000 |
| | | <u>638</u> | <u>1,831</u> |
| 14 | CREDITORS | 2012 £000 | 2011 £000 |
| | Amounts falling due in more than five years | | |
| | Bank loans | 500 | 500 |
| | | <u>500</u> | <u>500</u> |

Bank loans comprise a secured fixed rate loan from Barclays Bank for £500,000 repayable by November 2030. A charge is held by Barclays bank over the White Lodge lease. The interest rate applying to the loan is 6.01% per annum and excludes mandatory costs.

Royal Ballet School
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2012

15 UNRESTRICTED FUNDS

| | Balance at 1 September 2011 £000 | Incoming resources £000 | Resources expended £000 | Gains/ (Losses) £000 | Balance at 31 August 2012 £000 |
|------------------------|---|-------------------------------|-------------------------------|----------------------------|---|
| <u>Designated</u> | | | | | |
| Property fund | 29,301 | - | (801) | - | 28,500 |
| Asset replacement fund | 207 | - | - | - | 207 |
| | <u>29,508</u> | <u>-</u> | <u>(801)</u> | <u>-</u> | <u>28,707</u> |
| <u>General</u> | | | | | |
| Pensions reserve fund | 194 | 232 | - | (478) | (52) |
| Retained Income | 864 | 8,233 | (7,744) | - | 1,353 |
| | <u>1,058</u> | <u>8,465</u> | <u>(7,744)</u> | <u>(478)</u> | <u>1,301</u> |
| Total | <u>30,566</u> | <u>8,465</u> | <u>(8,545)</u> | <u>(478)</u> | <u>30,008</u> |

16 RESTRICTED FUNDS

| | Balance at 1 September 2011 £000 | Incoming resources £000 | Resources expended £000 | Transfers £000 | Balance at 31 August 2012 £000 |
|--|---|-------------------------------|-------------------------------|-------------------|---|
| Partnership and Access fund | 439 | 574 | (614) | - | 399 |
| Upper School Choreographic Training | - | 10 | - | 6 | 16 |
| New Ballet Fund | - | 22 | (48) | 61 | 35 |
| Lower School Access to Live Performance | - | 11 | (3) | 1 | 9 |
| Web Site Fund | - | 38 | - | - | 38 |
| Lower School Bike Storage Facility | - | - | - | 3 | 3 |
| Appeal – White Lodge | 1,747 | 113 | - | - | 1,860 |
| Upper School Accommodation | 33 | (7) | (26) | - | - |
| Bursaries and prize fund | 529 | 332 | (355) | (71) | 435 |
| | <u>2,748</u> | <u>1,093</u> | <u>(1,046)</u> | <u>-</u> | <u>2,795</u> |

Royal Ballet School
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2012

17 ALLOCATION OF ASSETS

| | Unrestricted General Fund £000 | Unrestricted Designated Funds £000 | Restricted Funds £000 | Total £000 |
|---|--------------------------------------|---|-----------------------------|---------------|
| Fixed assets | 30 | 30,237 | - | 30,267 |
| Debtors | 1,211 | - | - | 1,211 |
| Cash at Bank | 3,808 | 416 | 627 | 4,851 |
| Creditors due within one year | (2,974) | - | - | (2,974) |
| Creditors due after one year | - | - | (500) | (500) |
| Defined benefit pension scheme deficit | (52) | - | - | (52) |
| Inter-fund balances | (722) | (1,946) | 2,668 | - |
| | <u>1,301</u> | <u>28,707</u> | <u>2,795</u> | <u>32,803</u> |

18 LIABILITY OF MEMBERS

The Company does not have a share capital and is limited by guarantee. In the event of the Company being wound up, the maximum amount which each member is liable to contribute is £1. There were 16 Members at the Balance Sheet date.

19 CAPITAL COMMITMENTS

| | 2012 £000 | 2011 £000 |
|---|--------------|--------------|
| Capital expenditure contracted for but not provided in the financial statements | - | - |

20 COMMITMENTS UNDER OPERATING LEASES

| | 2012 £000 | 2011 £000 |
|--|--------------|--------------|
| At 31 August the Company had commitments under non-cancellable operating leases as follows | | |
| Plant and machinery | | |
| Expiring between 1 and 2 years | 15 | - |
| Expiring between 3 and 10 years | 98 | 128 |
| | <u>113</u> | <u>128</u> |

21 RELATED PARTY TRANSACTIONS

Royal Ballet School Endowment Fund (registered charity number 285766) has as its purpose the provision of scholarships and facilities for the students at the Royal Ballet School.

During the year the School received grants of £221,578 (2011 £146,705) from the Endowment Fund to cover school fees and other costs. The School recharged £50,305 (2011 £58,289) in relation to staff costs. At the end of the year the Royal Ballet School Endowment Fund owed the Royal Ballet School £151,448 (2011 £773,822) (see note 11).

Royal Ballet School has taken the exemption given by Financial Reporting Standards 8, Related Party Disclosures, from disclosing transactions with subsidiaries.

22 PENSION COMMITMENTS

The company operates two defined benefit pension schemes, The Royal Ballet School Pension & Life Assurance Plan and the Teachers' Pension Scheme.

Royal Ballet School
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2012

The Royal Ballet School Pension & Life Assurance Plan

This pension scheme provides benefits based on final pensionable pay up to 31st August when the Scheme ceased accrual. The assets of the scheme are held separately from those of the Company, being invested with Clerical Medical and General Life Assurance Society in their Pension Contract.

Contributions to the scheme are charged to the Statement of Financial Activities in accordance with the current service cost of those employees who are members of the scheme. The contributions are determined by an independent qualified actuary, employed by Clerical Medical, on the basis of annual updates to the triennial valuations using the attained age funding method.

| | | |
|---|--------------|--------------|
| 23a | 2012 £000 | 2011 £000 |
| The amounts recognised in the balance sheet are as follows | | |
| Present value of funded obligations | (3,302) | (3,017) |
| Fair value of plan assets | 3,250 | 3,211 |
| (Deficit)/Surplus | (52) | 194 |
| Amounts in the balance sheet | | |
| Liabilities | (52) | - |
| Assets | - | 194 |
| | (52) | 194 |
| 23b | 2012 £000 | 2011 £000 |
| Changes in the present value of the defined benefit obligation are as follows | | |
| Opening defined benefit obligation | (3,017) | (3,538) |
| Service cost | (87) | (121) |
| Interest cost | (147) | (166) |
| Employee contributions | (20) | (22) |
| Actuarial (loss)/gain | (658) | 608 |
| Benefits paid | 443 | 222 |
| Settlements & Curtailments | 184 | - |
| Defined benefit obligation at end of year | (3,302) | (3,017) |
| 23c | 2012 £000 | 2011 £000 |
| Changes in the fair value of the scheme assets are as follows | | |
| Opening fair value of scheme assets | 3,211 | 2,911 |
| Expected return | 150 | 136 |
| Actuarial gain | 181 | 192 |
| Employer contributions | 131 | 172 |
| Employee contributions | 20 | 22 |
| Benefits paid | (443) | (222) |
| Fair value of scheme assets at the year end | 3,250 | 3,211 |

Royal Ballet School
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| | | | |
|-----|---|--------------|--------------|
| 23d | | 2012 £000 | 2011 £000 |
| | Amounts included within the Statement of Financial Activities are as follows | | |
| | Employer Contributions | 132 | 172 |
| | Current service cost | (87) | (121) |
| | Expected return on scheme assets | 150 | 136 |
| | Interest on pension liabilities | (147) | (166) |
| | Cost of settlement and curtailments | 184 | - |
| | Total amount charged within net incoming resources | 232 | 21 |
| | Actuarial (losses) and gains | (478) | 800 |
| | Total amount charged to the Statement of Financial Activities | (246) | 821 |
| | The Royal Ballet School expects to contribute £36,000 to its defined benefit scheme in 2012. The cumulative total of recognised actuarial gains and losses is £(844,000). | | |
| 23e | | 2012 £000 | 2011 £000 |
| | The major categories of scheme assets as a percentage of the total Scheme assets are as follows | | |
| | Cash and other net assets | 0% | 0% |
| | Group pension contract | 100% | 100% |

Royal Ballet School
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| | | | |
|-----|--|--------------|--------------|
| 23f | | 2012 £000 | 2011 £000 |
| | Principal assumptions at the balance sheet date (expressed as weighted averages) | | |
| | Discount rate at 31 August | 3.9% | 5.4% |
| | Expected rate of return on scheme assets at 31 August | | |
| | Group pension contract | 4.1% | 4.9% |
| | Cash and other net assets | 2.5% | 3.7% |
| | Rate of increase in salaries | - | 3.6% |
| | Rate of increase of pensions in payment | 2.6% | 3.1% |
| | Rate of increase of pensions in deferment | 2.6% | 3.1% |
| | RPI Inflation | 2.6% | 3.1% |
| | CPI Inflation | 2.1% | 2.4% |
| | Life expectancy for 60 year old male | 87.2 | 87.0 |
| | Life expectancy for 40 year old male | 90.3 | 90.2 |

| | | | | | | |
|-----|---|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| 23g | | At 31 August 2012 £000 | At 31 August 2011 £000 | At 31 August 2010 £000 | At 31 August 2009 £000 | At 31 August 2008 £000 |
| | The amounts for the current and previous periods are as follows | | | | | |
| | Defined benefit obligation | (3,302) | (3,017) | (3,538) | (2,828) | (2,754) |
| | Scheme assets | 3,250 | 3,211 | 2,911 | 2,474 | 2,883 |
| | Net pension surplus/(liability) | (52) | 194 | (627) | (354) | 129 |
| | Experience adjustments on scheme liabilities | (658) | 608 | (457) | (270) | 496 |
| | Experience adjustments on scheme assets | 181 | 192 | 144 | (314) | (388) |

Teachers' Pension Scheme

The School participates in the Teachers' Pension Scheme (England and Wales) ("the TPS"), for its teaching staff. This is a multi-employer defined benefits pension scheme and it is not possible or appropriate to consistently identify the liabilities of the TPS which are attributable to the School.

On 4 July 2012 the Chief Secretary to the Treasury confirmed that the Government will be taking forward legislation based on the reformed scheme design for the Teachers' Pension Scheme to be introduced in 2015 as set out in the Teachers' Pension Scheme – Proposed Final Agreement ("the TPS Agreement"). The TPS Agreement sets out the main parameters for both the provision of future pension benefits and the structuring of the future contributions to the TPS including the basis for increasing average employee contribution rates up to 2015.

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Under the TPS Agreement, employer contribution rates from 1 April 2012 are continuing at 14.1% with employee rates varying between 6.4% and 8.8%. For subsequent years data and information is being collated to inform a Government review of the tiering structures in advance of the Department for Education consulting on contribution increases for 2013/14 onwards.

The government have set a gross cost ceiling for the main public service pension schemes of 21.7% with a net cost ceiling of 12.1% and an average employee contribution of 9.6%. The Government Actuary's Department has in a report dated 9 March 2012 concluded that the TPS Agreement scheme design is within this required cost ceiling. This conclusion is dependant on and sensitive to the data, methodology and assumptions adopted and further details on these are available in the full Government Actuary's report which is available on the Department for Education website.

The pension charge for the year includes contributions payable to the scheme of £152,156 (2011 £158,689).

24 TAXATION

The Company is a registered charity. To the extent that the company's income is applied to charitable purposes it is entitled to exemption from United Kingdom taxation under the Income and Corporation Taxes Act 1988.

| | | | |
|-----------|---|----------------------|----------------------|
| 25 | RECONCILIATION OF NET INCOMING/(OUTGOING) RESOURCES TO NET CASH INFLOW/(OUTFLOW) FROM ACTIVITIES | 2012 £000 | 2011 £000 |
| | Net (outgoing)/incoming resources | (33) | 31 |
| | Depreciation | 870 | 925 |
| | Defined benefit scheme net income | (232) | (21) |
| | Interest received | (18) | (8) |
| | Interest paid | 31 | 83 |
| | Decrease/(Increase) in debtors | 678 | (200) |
| | (Decrease)/Increase in creditors | (1,117) | 94 |
| | | <u>179</u> | <u>904</u> |
| 26 | GROSS CASH FLOWS | 2012 £000 | 2011 £000 |
| | Returns on investments and servicing of finance | | |
| | Interest received on bank deposits | 18 | 8 |
| | Interest paid on loan | (31) | (83) |
| | | <u>(13)</u> | <u>(75)</u> |
| | Capital expenditure | | |
| | Payment to acquire tangible fixed assets | - | (63) |
| | | <u>-</u> | <u>(63)</u> |
| | Total Net Cash Flow (from Note 25 and Note 26) | <u>166</u> | <u>766</u> |

Royal Ballet School
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 August 2012

| | | | | |
|----|--------------------------------------|--------------------|------------------|------------------|
| 27 | ANALYSIS OF CHANGES IN CASH AND DEBT | <i>1 September</i> | | <i>31 August</i> |
| | | <i>2011</i> | <i>Cash Flow</i> | <i>2012</i> |
| | | <i>£000</i> | <i>£000</i> | <i>£000</i> |
| | Cash in hand and at bank | 4,685 | 166 | 4,851 |
| | Bank loan | (1,500) | 1,000 | (500) |
| | | <u>3,185</u> | <u>1,166</u> | <u>4,351</u> |