

Royal Welsh College of Music and Drama Limited
Coleg Brenhinol Cerdd a Drama Cymru Cyfyngedig

Annual Report and
Financial Statements for the year ended
31 July 2014

**Financial Statements for the year ended
31 July 2014**

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Chairman's report for the year ending 31 July 2014

In July 2013 the Board approved a five year strategy to underpin the College's development from 2012/13 to 2016/17. This strategy focuses on establishing the College as a conservatoire of international renown in a highly competitive marketplace. It is designed to enable the College to:

- compete successfully at the forefront of its UK and international peer group
- achieve its full potential as a world class cultural institution
- make a distinctive contribution to the cultural and economic life of Wales
- enhance the 'Wales brand' on an international stage
- retain and maximise the benefits of its Royal designation
- continue to deliver its unique mission within a reconfigured Welsh HE landscape.

The five year strategy is predicated on further enhancing the student experience to ensure that the College's students can successfully enter and succeed in the employment market as distinctive, highly-skilled and creative young professionals.

The College continues on this strategy with considerable assets – a committed and talented core staff; productive partnerships with leading industry organisations; world class performance facilities; successful alumni who carry our name and reputation across the industry; an ambitious and creative community with a keen sense of its identity as the Royal Welsh College.

The financial strategy takes into account the requirement to build funds to enable the College to meet the repayable element (£3.75million) of the HEFCW Capital grant from 2018 onwards and to ensure that the College finances are sustainable in an extremely challenging funding environment. It is imperative that the College continues to act as an advocate and ensure all stakeholders recognise the value of conservatoire level training to higher education, creative industries and the wider economy in Wales.

The strategy articulates a set of ambitious development plans and actions, designed to further enhance the employability and professionalism of our students while, at the same time, significantly advancing the College's profile within its peer group and the wider industry.

The College made significant progress in delivering on the aims of its Five Year Strategy. Highlights include:

- 11% increase in the NSS overall satisfaction score for Music
- Significantly larger number of music applicants marked at audition in the higher quality bands.
- Continued growth in post graduate applicants since the introduction of a post graduate framework with an increased range of specialist awards
- Delivery of a festival of new writing for theatre to coincide with the performance of four newly-commissioned plays performed by the Richard Burton Company in Cardiff and London, providing a major London platform for final year drama students
- The College hosted World Stage Design 2013 over a 10-day period in September encompassing exhibition and performance and attracting 13,000 participants, delegates and audience attendees from across the world
- Including the events in World Stage Design, the College delivered 514 events within its public performance programme (cf 335 in 2012/13), an increase of 38% and attracted 67,695 attendances (cf 56,232 in 2012/13), an increase of 20%. The College's own programme now accounts for 89% of the venues' total audience, the remaining 11% accounted for by external performance hires

Chairman's report for the year ending 31 July 2014 (continued)

- The performance programme attracted interest and excellent reviews in national media; the coproduction partnership with Mid Wales Opera delivered a new *Acis and Galatea* which achieved consistent 4* and 5* reviews; a number of performances were recorded for subsequent broadcast on BBC Radio 3
- Raising the College's international profile, the Royal Welsh College Brass Band performed to nightly audiences of 8,000 for a week in the Halifax Tattoo in Nova Scotia
- Graduating students achieved employment in leading arts companies and television across the UK and a significant number progressed into post graduate study
- The College hosted a number of prestigious external events including BBC Young Musician of the Year and the inaugural St. David's Awards transmitted on S4C
- Launch of the Royal Welsh College Young Actors Studio in Pembrokeshire, delivering weekly training for actors under the age of 19

The funding for annual scholarships continues to increase as the College has identified a network of individuals with an interest in the performing arts and with tangible links to Wales, a number of whom have the capacity to help the College to develop its Scholarship funds.

The performance programme continues to grow. In addition to its core purpose of providing a major training vehicle for students across all disciplines, the public performance programme makes a major contribution to cultural provision in South Wales. During the year, the College took advantage of every opportunity to raise the profile of the Dora Stoutzker Hall and the Richard Burton Theatre to arts audiences in South Wales and also, through broadcasting and UK media, to audiences and opinion formers across the UK. Extensive audience research conducted by Audiences Wales over a three year period, demonstrates that the College is now one of the major providers of arts performance in Wales and, in some genres, is the leading provider.

The College ranked 14th across the Higher Education sector and 3rd within the UK Conservatoire sector in its Drama training programme in the Guardian University League Tables for 2015. Its Music offer was ranked as 21st across the Higher Education sector and 5th within the UK Conservatoire sector.

The College has continued to see strong student recruitment as well as enhancements in the quality of the intake. For 2014 the number of incoming students is above target and includes a significant number of students marked at audition and interview in the higher quality bands. There is continued focus on the issues raised by students in the National Student Survey. Overall satisfaction scores in Drama are 94% and there have been significant improvements in Music with the overall satisfaction score increasing to 79%. The College will continue to work closely with the Students' Union Executive and the Principal's Development Group to address outstanding issues and to improve these satisfaction scores.

Overall the College continued to make progress on each of the four key aims and objectives of the Five Year Strategy:

- To significantly advance the position and profile of the Royal Welsh College of Music and Drama within its peer group and the wider industry, in the UK and internationally
- To deliver a vibrant performance programme at the heart of the RWCMD training experience
- To establish the College as a premier arts destination and deliver a first class customer experience
- To fully inhabit the College's role as the National Conservatoire of Wales

However the Higher Education Funding Council Wales has confirmed a reduction of premium funding for expensive subjects for 2014/15. This will be a key financial issue for resolution during 2014/15.

Chairman's report for the year ending 31 July 2014 (continued)

The review of progress of the College strategy leads us to conclude that there is potential for the College to achieve another material step-change in its activity going forwards, that would enable it to further extend its reach, impact and public value. The wider role we envisage would enable us to:

- reinforce the current Conservatoire operation
- ensure stakeholders understand the value to Wales of a 'National Conservatoire'
- enhance the quality and range of what we can offer our students and,
- further enhance the brand and profile of the Royal Welsh College.

I would like to thank the Principal and all College staff for their contribution to a successful year.



C J Freegard
Chairman

Public Benefit Statement

The Royal Welsh College of Music and Drama is a registered charity. The registered address is University of South Wales, Treforest, Pontypridd, CF37 1DL and the registered number is 1139282. The members of the Board are the trustees of the Charity and as such have due regard to the Charity Commission's guidance on public benefit and its supplementary guidance on the advancement of education for the public benefit.

Charitable Objectives

The College promotes the advancement of education and learning for the public benefit, specifically the training of performers and others in music, drama and theatre, through the provision of advanced courses of instruction, leading to the award of degrees or other appropriate qualifications. It also provides, maintains and improves performance facilities for the benefit of the local community.

Through the provision of high quality training, the College seeks to produce graduates who are articulate and innovative in their art forms, and to provide the music and theatre industries with a highly skilled workforce, able to represent Wales on the world stage. The College makes a significant contribution to the cultural and artistic life of Wales and beyond.

Fulfilment of the charitable objectives

Beneficiaries

The College has a higher education student population of 703 of whom 87% are Home/EU and 13% from overseas. The primary beneficiaries are students of the College directly engaged in high-quality training in a range of performing arts disciplines. However, beneficiaries extend to Pre-College students (from the age of four upwards) as well as employers and businesses in the creative industries sector which employ a high proportion of the College's graduates. The general public can attend over 300 public performances a year as well as other educational and cultural activities in the College, such as exhibitions, masterclasses and talks.

Admissions policy

The Royal Welsh College seeks to recruit the most able and talented students, as well as those who exhibit exceptional potential. Within its undergraduate programmes, demand for places far exceeds supply. As an illustration, in 2014 the College auditioned over 1,000 applicants for 22 places on its BA Acting programme. The procedures for selection and expectations are adjusted accordingly. Selection is normally conducted by audition (Music and Acting), interview or portfolio submission (Stage Management and Theatre Design).

Bursaries/scholarships

To support students who experience financial hardship, the College makes available financial support through its financial contingency fund, bursaries and philanthropic donations received from external sources.

A high percentage of students enrolled on the College's junior music and young actor programmes are in receipt of bursary support to enable them to access the College's tuition, regardless of financial need. The College sources this bursary support from a combination of public funds, Trusts, Foundations and philanthropic donors. In 2013/14 approximately 66% of junior students received some degree of bursary assistance.

The College operates a limited number of scholarships as a means of attracting the most gifted students and in order to achieve balanced cohorts of students to enable training in recognised core ensembles. Scholarships are offered on the basis of both excellence and need (i.e. the financial need of the applicant).

Public Benefit Statement (continued)

The College is grateful to many Charitable Trusts and Foundations for their generosity in supporting the College's activities and for providing scholarship and bursary funds. These include the Andrew Lloyd Webber Foundation, the Ashley Family Foundation, the Colwinston Charitable Trust, the Community Foundation in Wales, EMI Music Sound Foundation, the Esmee Fairbairn Foundation, the Foyle Foundation, the Garfield Weston Foundation, the Jane Hodge Foundation, the J Paul Getty Jnr Charitable Trust, the Leverhulme Trust, the Linbury Trust, the Mackintosh Foundation, the Richard Carne Trust, the Wolfson Foundation, the Simon Gibson Charitable Trust, the Spielman Charitable Trust and the Worshipful Company of Musicians. For those trusts that support scholarships, each exercises its own method of allocating its funds; some operate via a system of nomination to the relevant Trust, others by direct award from the College.

The College is also grateful to a number of business organisations that sponsor activity and to the growing number of individuals who are supporting the students through our patron scheme, *Connect*.

Widening Participation

The College's main vehicle for widening participation and access is through its junior programmes of training and an extensive community engagement programme which is described below.

In 2013/14, 159 young musicians from the age of 4-19 received weekly tuition on Saturdays in the Junior Music Conservatoire. A further 89 musicians of all ages received tuition through the College's Community Lesson Scheme. 115 young actors between the ages of 12 and 20 took part in the Young Actors' Studio (YAS) on Sundays in Cardiff. YAS was launched in Pembrokeshire in April 2014 with 42 students.

The progression rate into HE of Junior Music Conservatoire students (many of whom come from financially disadvantaged backgrounds) remains 100%. Three of the Junior Conservatoire students who reached university age in 2014 progressed onto full time courses at music conservatoires, including two to RWCMD. A further four progressed onto full-time music courses at universities, including two to Oxford.

The progression rate of YAS students who reached university age in 2014 was 77% progressing into higher education, several to drama conservatoires including one to RWCMD and one to RADA. The remaining 23% plan to progress into higher education following gap years.

The College delivered an extensive programme of outreach activity across Wales in 2013/14, comprising concerts and workshops in a wide range of school and community settings as well as a series of 'in-reach' activities delivered at the College. In total, 9,916 people participated in these, mainly children and young people. A growing programme of Inset activity was delivered for peripatetic music teachers, including training in choral and orchestral conducting and audition technique.

The College ran 11 Summer School courses in 2014, attracting 161 participants from around the UK and overseas, including Canada, the Dominican Republic, France, Italy, and the USA. The range of course on offer included a new course for pianists, as well as several established courses including jazz for under-18s, an opera intensive for adults, a 3-day-workshop for visually impaired musicians and a series of acting courses for young people and adults.

Community Engagement

The College promotes an extensive public performance programme amounting to over 500 events in 2013/14 with a total audience of over 67,000 to a diverse arts programme that ranged from comedy to cabaret, experimental theatre to film and nearly every style of music imaginable.

Across the year, the College delivered a range of free events aimed at the wider Cardiff community including the weekly *Jazztime* foyer performances, tours of the building, exhibitions of theatre design

Public Benefit Statement (continued)

and a Children's Arts Festival featuring music performances & workshops delivered by students and professional theatre productions & literary events.

The College continued to promote productions and performances tailored for schools and families – these included seasonal events such as our Fireworks Concert, Ghostbusters Halloween Concert, Twelfth Night and a specially-commissioned children's work, The Last Clarinet.

The Arts Council of Wales has continued funding our national touring JazzTime programme and the annual jazz festival at the College, commenting that the College has "transformed itself not only physically but also philosophically".

Directors' report (incorporating Strategic report) for the year ended 31 July 2014

The directors present their report and the audited financial statements of the Company for the year ended 31 July 2014. The financial statements have been prepared to comply with the Companies Act 2006 and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable accounting standards.

Strategic report

Principal activities

The Company's principal activity during the period under review was conservatoire education and professional training.

Business review

Student recruitment continues to be strong reflecting the demand for the College's brand of quality Conservatoire training. The strong demand for places enables the College to increase the quality of incoming students leading to an increase in the overall reputation of the College. This is reflected in league tables with the Drama training programme ranked 14th in the UK in the Guardian University League Tables in 2014 while the Music course was ranked 21st across the HE sector and 5th within the UK Conservatoire sector.

The demand from postgraduate and overseas students also continues to be strong with the College meeting its recruitment targets.

The College's graduating students achieved significant success academically and the College's strong track record in retaining students was maintained, with 98.7% retention in 2013/14.

In 2013/14, the College's student body was characterised by the following:

- 98.7% retention rate
- 80% of graduating students achieved first-class or upper second class awards
- 74% of students domiciled outside Wales
- 18.5% of students domiciled outside the UK (EU and overseas)

Some other highlights of the year included:-

- continuing to increase its overseas non EU student numbers to around 10% of the total student population. This remains an area of risk in light of the world economy and competition. However, the College is confident that it can attract both the number and quality of overseas students in order to create a culturally diverse student body;
- attracting audience attendances of over 67,000 at performances during the year which represented a 20% increase on previous audience numbers which included around 13,000 attending World Stage Design. The performance programme is fundamental to the student learning experience by enabling access to world class performers in a range of disciplines as well as providing an important income stream;
- other income generating activities within the College (including external hires and conferences, the junior conservatoire, young actors studio as well as summer schools) all met or exceeded their financial targets during the year.

Directors' report (incorporating Strategic report) for the year ended 31 July 2014 (continued)

The results section of this report explains that the College achieved a very encouraging surplus for the year which puts the College in as strong a position as possible to deal with a challenging public funding position for 2014/15 onwards. The continuation of the premium element of HEFCW funding is essential in future years to enable the College to continue to deliver specialist Conservatoire and Drama School training as characterised by the leading institutions in the College's UK and international peer group. The Board and College officers are reviewing appropriate actions to ensure that conservatoire training is sustainable in Wales.

The College continues to set the maximum permitted fee of £9,000 for undergraduate students. Higher Education institutions are not permitted to increase the maximum permitted fee of £9,000 for Home/EU students.

The Board of Directors considers that the governance arrangements have been carried out in an effective and efficient manner although a skills audit highlighted the need to recruit directors with more arts industry experience. The Board also plans to identify a permanent Chair. At the end of the year, Professor John Andrews, Hywel George and Lauren Lewakowski (SU President) completed their terms of office. The Board is grateful to them for their service during their terms of office. They have been succeeded by Paul Silk, Graham Edwards and Peter Harris.

Finally sincere thanks to Gareth Williams as outgoing Chair for his contribution to the College.

Financial risk management

The College is committed to exhibiting best practice in all areas of financial risk management and corporate governance, fully adhering to the principles set out in the Governance Code of Practice and General Principles, issued by the Committee of University Chairmen (CUC) to accompany their Guide for Members of Higher Education Governing Bodies, in November 2009.

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

The College maintains a risk register which considers business, operational, compliance and financial risks. The register is regularly reviewed by senior management, and the company's risk management process is consolidated into the University's whose internal control guidance adheres to the combined code as amended by the British Universities Finance Directors Group.

The Board of Directors met five times during the reporting period. In terms of audit arrangements, whilst a separate College Audit Committee has not been established, all audit reports and reviews and other information relating to the company are formally received by the University of South Wales's Audit Committee which meets four times per year. The 2013/14 annual report of the internal auditors was considered by both the University's Audit Committee and the College's Board of Directors, who also approved the internal audit plan for 2014/15.

Results

The Company's surplus for the year ended 31 July 2014 was £770K (2013 - £244K). This includes a net charge of £80K (2013 - £60K) relating to adjustments arising under FRS17. This is a sound result which puts the College in a strong position to deal with ongoing pressures and challenges in the public funding environment.

The College's cash and liquidity positions remained strong throughout the year, with year-end cash balances exceeding target and a strengthening current ratio (current assets to current liabilities).

Directors' report (incorporating Strategic report) for the year ended 31 July 2014 (continued)

Key Performance Indicators

The following four key performance indicators (KPIs) are relevant when assessing performance for the year:

- i) Surplus excluding FRS17 - £850K (2013 - £304K);
- ii) Surplus including FRS17 - £770K (2013 - £244K);
- iii) Year-end cash position - £4,072K (2013 - £2,804K);
- iv) Current ratio – 1.6 (2013 – 1.22)

Principal risks and uncertainties

The College faces the following principal risks:

Reduction in HEFCW Conservatoire Expensive Subject Premium Funding

The total amount of money available to HEFCW in the Public Investment Fund (PIF) in 2014/15 and onwards is subject to a significant degree of uncertainty. However, the assumption is that there will be money available for PIF and the premium for the higher rate expensive subjects, which includes Conservatoire training, will continue to be paid for all students. The College will continue to benchmark itself against its comparator conservatoires to ensure that it is operating efficiently and effectively and will share this benchmarking information with HEFCW and other stakeholders so that the value of conservatoire training is fully appreciated both culturally and economically.

Recruitment of students

The College is budgeting to increase its current level of undergraduate and postgraduate student numbers and overseas students in future years while ensuring the quality of students remains high. In order to achieve these targets, the College has developed a detailed action plan together with a system of enhanced relationship management. In terms of recruiting postgraduate students in future years, there is a risk that the level of debt accumulated by undergraduate students at the end of their studies will influence their decision to undertake postgraduate studies.

Revenue fundraising

The College has started a campaign to build a significant endowment in order to yield appropriate levels of scholarships to attract the highest quality students in order to protect and enhance the College's reputation. The College also has other initiatives which are to be funded largely by revenue fundraising, designed to enhance the student experience and employment prospects.

Income generation

It is pleasing to report on the continued successful delivery of income generation targets with ticket income and hirings revenue yielding positive results during the year. The updated strategy includes ambitious, but achievable, growth targets for commercial income.

Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 July 2014 (2013 – nil).

Directors' report (incorporating Strategic report) for the year ended 31 July 2014 (continued)

Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010. Its purpose is to help the reader of the annual report and financial statements understand how the principles have been applied. In the opinion of the governors, the College complies with all the provisions of the Code, in so far as they apply to the Higher Education Sector, and it has complied throughout the year ended 31 July 2014 and up to the date of signing the annual report and financial statements.

The College reviews, at least annually, the effectiveness of the internal control system.

Directors and their interests

The existing directors and those who held office during the year and up to the date of signing the annual report and financial statements, are given below:

J Andrews (resigned 31.07.14)
H Boulding
J Cranmer
G W Edwards (appointed 01.08.14)
C J Freegard (appointed 01.08.14)
H D George (appointed 01.08.13, resigned 18.06.14)
P Harris (appointed 01.08.14)
L L Lewakowski (appointed 01.08.13, resigned 31.07.14)
J Lydon
H M L R Mansfield
C J Moorsom
J Ritterman
E P Silk (appointed 18.06.14)
M D Taylor
H Warman
G J Williams (resigned 31.07.14)
H R Williams

Employees

Applications for employment by disabled persons are always fully considered, taking into account the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has been undertaken, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests. The Company is a member of the University of South Wales Equalities Forum, and its sub-groups. Communication with all employees is undertaken through termly staff meetings, and e-mails as required.

Directors' report (incorporating Strategic report) for the year ended 31 July 2014 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report (incorporating the Strategic report) and financial statements.

The directors are also responsible for keeping proper accounting records which show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable it to ensure that the annual report and financial statements are prepared in accordance with the Companies Act 2006, the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, the Accounts Direction issued by the Higher Education Funding Council for Wales and other relevant Accounting Standards (United Kingdom General Accounting Practice). In addition, within the terms and conditions of the Financial Memorandum agreed between the Company and the University (Financial Memorandum), the directors are required to prepare the annual report and financial statements for each accounting period which give a true and fair view of the state of affairs of the Company and of the surplus or deficit for that period.

In causing the annual report and financial statements to be prepared, the directors have to ensure that:

- suitable accounting policies were selected and applied consistently;
- judgments and estimates were made that were reasonable and prudent;
- applicable accounting standards were followed, subject to any material departures disclosed and explained in the financial statements;
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in operation.

The directors took reasonable steps to meet their responsibilities in respect of:

- ensuring that funds from HEFCW were used only for the purpose for which they were given and in accordance with the Financial Memorandum and any other conditions which the Funding Council may from time to time prescribe;
- ensuring that there were appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguarding the assets of the Company and to prevent and detect fraud and other irregularities;
- securing the economical, efficient and effective management of the Company's resources and expenditure.

Directors' indemnities

The Company purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

This was also in force at the date of approval of the annual report and financial statements.

Directors' report (incorporating Strategic report) for the year ended 31 July 2014 (continued)

Disclosure of information to auditors

So far as each of the directors at the time the report is approved are aware:

- there is no relevant audit information of which the Company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at a future meeting of the Board.

Approved by the Board and signed by


Company secretary
W D Callaway

3rd November 2014

- (a) The maintenance and integrity of the Royal Welsh College of Music and Drama Limited's website is the responsibility of the governing body. The work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Governing Body of Royal Welsh College of Music and Drama Limited (The 'Institution')

Report on the financial statements

Our opinion

In our opinion, the financial statements, defined below:

- give a true and fair view of the state of the institution's affairs as at 31 July 2014, and of the institution's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the requirements of the Statement of Recommended Practice – Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of the report.

What we have audited

The group financial statements and parent institution financial statements (the "financial statements"), which are prepared by the Royal Welsh College of Music and Drama, comprise:

- the institution's Balance Sheet as at 31 July 2014;
- the Income and Expenditure Account for the year then ended;
- the Statement of Total Recognised Gains and Losses for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is the Statement of Recommended Practice for Further and Higher Education, incorporating United Kingdom Generally Accepted Accounting Practice.

In applying the financial reporting framework, the Governing Body has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

What an audit of the financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group and parent institution's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the Governing Body; and
- the overall presentation of the financial statements.

Independent Auditors' Report to the Governing Body of Royal Welsh College of Music and Drama Limited (The 'Institution') (continued)

In addition, we read all the financial and non-financial information in the Director's Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

In our opinion, in all material respects:

- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation and any other terms and conditions attached to them; and
- funds provided by HEFCW have been applied in accordance with the financial memorandum and any other terms and conditions attached to them.

Other matters on which we are required to report by exception***Adequacy of accounting records and information and explanations received***

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the institution, or returns adequate for our audit have not been received from branches not visited by us; or
- the institution's financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Internal control

Under the HEFCW Audit Code of Practice issued under the Further and Higher Education Act 1992 we are required to report to you if, in our opinion, the statement of internal control included as part of the Corporate Governance Statement is inconsistent with our knowledge of the parent institution and group. We have no exceptions to report arising from this responsibility.

Independent Auditors' Report to the Governing Body of Royal Welsh College of Music and Drama Limited (The 'Institution') (continued)**Responsibilities for the financial statements and the audit*****Our responsibilities and those of the Governing Body***

As explained more fully in the Statement of Director's Responsibilities, the Governing body (who are also the directors of the institution for the purposes 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.

This report, including the opinions, has been prepared for and only for the institution's Governing body as a body in accordance with section 124B of the Education Reform Act 1988 as amended by section 71 of the Further and Higher Education Act 1992, and Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



Kevin Williams (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

11th November 2014

- (a) The maintenance and integrity of the Royal Welsh College of Music and Drama's website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Company Registration No. 6013744

Income and Expenditure account for the year ended
31 July 2014

	Note	2014 £'000	2013 £'000
Income			
Funding Council Grants	4	5,443	5,142
Tuition fees and education contracts	5	5,432	4,475
Other income	6	2,038	1,957
Endowment and Investment Income	7	51	101
Total income		12,964	11,675
Expenditure			
Staff costs	8	6,788	6,145
Other operating expenses	11	3,958	3,676
Depreciation	12	1,062	1,128
Interest payable and other finance costs	13	381	424
Total expenditure		12,189	11,373
Surplus on continuing operations after depreciation of assets		775	302
Surplus for the year transferred to accumulated income in endowment funds		(5)	(58)
Surplus for the year retained within general reserves		770	244

All amounts relate to the continuing operations of the Company. There is no material difference between the surplus for the years retained within general reserves stated above and their historical cost equivalent.

Statement of total recognised gains and losses for the year ended
31 July 2014

	2014 £'000	2013 £'000
Surplus on continuing operations after depreciation of assets	775	302
Actuarial (loss)/gain on pension scheme (note 26)	(220)	120
(Decrease)/increase in value of endowment asset investments (note 17)	(3)	51
Total recognised gains for the year	552	473
Reconciliation of Reserves		
Opening reserves and endowments	3,494	3,021
Total recognised gains for the year	552	473
Closing reserves and endowments	4,046	3,494

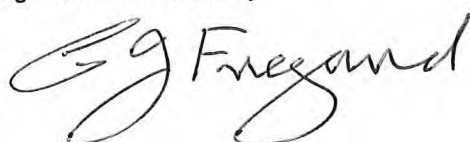
Company Registration No. 6013744

Balance sheet as at 31 July 2014

	Note	2014 £'000	2013 £'000
Fixed assets			
Tangible assets	16	25,459	26,253
Endowment assets	17	1,048	1,046
Current assets			
Debtors	18	340	300
Cash at bank and in hand		4,072	2,804
		4,412	3,104
Less: Creditors amounts falling due within one year	19	(2,742)	(2,545)
Net current assets		1,670	559
Total assets less current liabilities		28,177	27,858
Less: Creditors amounts falling due after more than one year	20	(10,541)	(10,666)
Less: Provisions for liabilities	21	(154)	(169)
Net assets excluding pension liability		17,482	17,023
Net Pension liability	26	(3,090)	(2,790)
Net assets including pension liability		14,392	14,233
Represented by:			
Deferred capital grants	22	10,344	10,737
Called up share capital	24	1	1
Endowment funds			
Permanent	23	1,048	1,046
Reserves			
Other reserves	25	1,735	1,735
Income and expenditure account excluding pension reserve		4,354	3,504
Pension reserve		(3,090)	(2,790)
Income and expenditure account including pension reserve	25	1,264	714
Total reserves	25	2,999	2,449
Total Shareholder's Funds		14,392	14,233

The financial statements on pages 18 to 35 were approved by the Board of Directors on 3rd November 2014 and were signed on its behalf by:

C J Freegard
Chairman



Notes to the financial statements for the year ended 31 July 2014

Accounting policies

The financial statements have been prepared on a going concern basis, under the historical cost convention, modified to include the revaluation of endowment assets, in accordance with the Companies Act 2006 as adapted to the Statement of Recommended Practice (SORP) for Further and Higher Education 2007, and in accordance with applicable UK accounting standards. The principal accounting policies are set out below and have been applied consistently throughout the year.

Recognition of income

Recurrent grants are recognised in the year for which they are receivable. Income from specific grants is recognised to the extent that expenditure incurred during the year is funded by such income. Income received in excess of expenditure is held as deferred income.

Income from tuition fees is recognised in the period for which it is receivable and includes all fees chargeable to students or their sponsors.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments, not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments.

Increases or decreases in value arising on the revaluation or disposal of endowment assets i.e. the appreciation or depreciation of endowment assets, is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset, crediting or debiting the endowment fund and is reported in the statement of recognised gains and losses.

Other income is accounted for at the point of sale.

All income relating to future years is credited to the balance sheet and included as deferred income.

Pension schemes

Retirement benefits for employees of the Company are provided by the Teachers Pensions Scheme Agency (TPS) and the Rhondda Cynon Taf Pension Fund (RCTPF), a Local Government Pension Scheme (LGPS). RCTPF is a defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme.

It is not possible to identify each institution's share of the underlying assets and liabilities in relation to the TPS and hence, contributions to the scheme are accounted for as if this was a defined contribution scheme, the cost recognised within the profit and loss account being equal to the contributions payable to the scheme for the period.

The assets of the LGPS are measured using closing market values. LGPS 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 to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Notes to the financial statements for the year ended 31 July 2014 (continued)**Early Retirement Provision**

The Company maintains a provision to meet pension costs arising from the additional years of service granted to certain staff taking early retirement. The pensions paid are charged against the provision and interest accrued is added to the provision.

Provisions are established and the associated costs are charged to the income and expenditure account when the College has a legal or constructive obligation. The provision relates to enhanced teachers' unfunded pension arrangements established by the College. These are termination benefits made on a discretionary basis upon early retirement, in respect of the Teachers Pension Scheme.

Tangible Fixed Assets

Tangible fixed assets are initially recorded at cost, which represents the purchase cost plus any incidental costs of acquisition, less accumulated depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value of each asset, evenly over its expected useful life, as stated below. Depreciation is charged for a full year within the year of acquisition.

Land and buildings

Land and buildings inherited from Royal Welsh College of Music and Drama Higher Education Corporation are stated in the balance sheet at their net book value on transfer. Land, whether freehold or leasehold, is not depreciated as it is considered to have an indefinite useful life.

The original Raymond Edwards building is being depreciated over 29 years, with the additional facilities being depreciated over 40 years, which is the expected remaining useful economic life. Leasehold buildings are depreciated over the shorter of the lease term and the expected useful life.

Buildings under construction are capitalised at cost. Interest on loans used to fund capital projects is capitalised until such projects are brought into use. No depreciation is charged, until the year in which buildings under construction are brought into use.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable, in accordance with FRS 11.

Fixtures, fittings and plant and machinery

All equipment is capitalised.

Capitalised equipment is stated at cost, including non recoverable VAT, and is depreciated over its expected useful life, as follows:

Fixtures and fittings	- 7 years straight line
Plant and machinery	- between 3-10 years straight line

Assets Financed by Capital Grant or Donations

Where fixed assets are acquired with the aid of specific grants and donations, they are capitalised and depreciated as above. The related grants or donations are credited to deferred capital grants, and are released to the profit and loss account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Operating Leases

Rentals paid under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

Notes to the financial statements for the year ended 31 July 2014 (continued)**Trust fund asset investments**

Trust Fund investments are included in the Balance Sheet at mid market value.

Accounting for charitable donations**Unrestricted donations**

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

Endowment funds

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

1. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the institution.
2. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets and the institution can convert the donated sum into income.
3. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

2 Cash flow statement and related party disclosures

The Company is a wholly-owned subsidiary of the University of South Wales, and is included in the consolidated financial statements of the University of South Wales, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised 1996). The Company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the University of South Wales.

3 Segmental reporting

The Company's activities consist of:

1. The training of performers and others in music, drama, theatre and other performing arts intending to enter or engage in the music, theatrical and performing arts professions
2. The provision of advanced courses of instruction leading to the award of degrees or other appropriate qualifications
3. The provision, maintenance and improvement of performance facilities for the benefit of the local community.

The beneficiaries of the College's work include:

1. Students pursuing higher education qualifications
2. Young people of all abilities pursuing music, drama and theatre activities
3. The general public through community activities.

Notes to the financial statements for the year ended 31 July 2014 (continued)

4 Funding body grants

	2014	2013
	£'000	£'000
Recurrent grant	5,165	4,692
Specific grants	48	138
Deferred capital grants released	230	312
	5,443	5,142

5 Tuition fees and Education grants

	2014	2013
	£'000	£'000
Full time students		
Home and EU students	3,383	2,624
International students	736	624
Part-time students	852	746
Short course fees	461	481
	5,432	4,475

6 Other income

	2014	2013
	£'000	£'000
Catering	601	666
Other income	1,274	1,128
Deferred capital grants released (non-HEFCW)	163	163
	2,038	1,957

7 Endowment and Investment Income

	2014	2013
	£'000	£'000
Income from short-term investments	10	7
Income from permanent endowments	41	94
	51	101

Notes to the financial statements for the year ended 31 July 2014 (continued)**8 Staff costs**

	2014	2013
	£'000	£'000
Wages and salaries	5,787	5,246
Social security costs	335	362
Other pension costs	666	537
	6,788	6,145

The monthly average number of full time equivalent (FTE) employees (including senior post-holders) during the year was as follows:

	2014	2013
	Number	Number
Academic staff	93	89
Other staff	75	73
	168	162

9 Remuneration of directors and higher paid employees**(a) Directors**

	2014	2013
	£'000	£'000
Directors' emoluments		
Salaries	194	190
Pensions	15	15
Benefits	3	2
	212	207

In addition, one director receives remuneration in their capacity as President of the Students' Union.

Retirement benefits are accruing to two former employees under a defined benefit scheme.

(b) Higher paid employees

	2014	2013
	£'000	£'000
Highest paid director (Principal)		
Emoluments	130	129
Pensions	15	15
	145	144

Notes to the financial statements for the year ended 31 July 2014 (continued)

10 Trustees expenses and related party transactions

Travel costs amounting to £296 were reimbursed to 2 trustees (2013 - £153 reimbursed to 1 trustee).

No trustee or other person related to the Charity had any personal interest in any contract or transaction entered into by the Charity during the year.

11 Other operating expenses

	2014	2013
	£'000	£'000
Catering	625	771
Consumables	158	140
Books and periodicals	42	36
Computer and other equipment	78	71
Staff travelling	80	78
Staff recruitment and development	3	11
Insurance	32	30
Marketing	164	191
House services	211	204
Light, heat, water and power	200	208
Concerts and shows	240	235
Irrecoverable VAT	199	238
Audit fees: statutory audit	9	9
other audit services	2	2
Other professional fees	116	80
Repairs and maintenance	127	170
Operating lease rentals – pianos	64	60
Students Union Grant	33	33
Scholarships	310	263
Special initiatives funded expenditure	489	143
Other expenses	776	703
	3,958	3,676

Notes to the financial statements for the year ended 31 July 2014 (continued)**12 Analysis of expenditure by activity**

					31 July 2014	31 July 2013
	Staff costs	Depreciation	Other operating expenses	Interest Payable and other finance costs	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Academic departments	4,087	111	1,038	-	5,236	4,843
Academic services	423	86	158	2	669	621
Catering	-	-	625	-	625	771
Premises	349	857	773	372	2,351	2,235
Administration	1,524	8	801	6	2,339	2,160
Commercial activities	271	-	142	1	414	457
Other expenses	134	-	421	-	555	286
Total	6,788	1,062	3,958	381	12,189	11,373

The depreciation charge has been funded by:

	2014 £'000	2013 £'000
Deferred capital grants (note 22)	393	475
General reserve	669	653
	1,062	1,128

13 Interest payable and other finance costs

	2014 £'000	2013 £'000
Loans not wholly repayable within 5 years	371	374
Pension finance costs (note 26)	10	50
	381	424

14 Taxation on the profit for the year

The College is a charity registered with the Charity Commission number 1139282 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478 to 488 of the Corporation Taxes Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The College receives no similar exemption in respect of Value Added Tax.

15 Dividends

No dividends were paid or proposed during the year (2013: nil).

Notes to the financial statements for the year ended 31 July 2014 (continued)

16 Tangible assets

	Land and buildings	Fixtures and Fittings	Plant and Machinery	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 August 2013	28,465	500	2,291	31,256
Additions	25	30	213	268
At 31 July 2014	28,490	530	2,504	31,524
Accumulated depreciation				
At 1 August 2013	2,702	397	1,904	5,003
Charge for the year	822	35	205	1,062
At 31 July 2014	3,524	432	2,109	6,065
Net book value				
At 31 July 2014	24,966	98	395	25,459
At 31 July 2013	25,763	103	387	26,253

	31 July 2014 £'000	31 July 2013 £'000
The net book value of land and buildings comprise:		
Freehold	23,794	24,530
Long leaseholds	1,172	1,233
	24,966	25,763

Notes to the financial statements for the year ended 31 July 2014 (continued)

17 Endowment Assets

	31 July 2014 £'000	31 July 2013 £'000
Balance at 1 August	1,046	937
(Decrease)/Increase in market value of investments	(3)	51
Surplus for the year	5	58
Balance at 31 July	1,048	1,046
	31 July 2014 £'000	31 July 2013 £'000
Represented by:		
Unit Trusts and Equities	974	982
Cash at bank held for endowment funds	74	64
	1,048	1,046

18 Debtors

	31 July 2014 £'000	31 July 2013 £'000
Trade debtors	85	95
Amounts owed by group undertakings	5	3
Other debtors	198	126
Prepayments and accrued income	52	76
	340	300

19 Creditors: amounts falling due within one year

	31 July 2014 £'000	31 July 2013 £'000
Secured bank loan	121	84
Trade creditors	119	109
Amounts owed to group undertakings	13	56
Other creditors	649	622
Taxation and social security	132	125
Accruals and deferred income	1,708	1,549
	2,742	2,545

Notes to the financial statements for the year ended 31 July 2014 (continued)**20 Creditors: amounts falling due after more than one year**

	31 July 2014 £'000	31 July 2013 £'000
Analysis of secured loans:		
Secured on land and buildings		
Due in more than two years, but not more than five years	550	503
Due in more than five years	6,241	6,413
Analysis of unsecured loans:		
Due in more than two years, but not more than five years	333	-
Due in more than five years	3,417	3,750
	10,541	10,666

Included within the total balance above is the following
due in more than two years

	Interest	Repayment	Term	31 July 2014 £'000	31 July 2013 £'000
Barclays Bank plc					
All tranches	5.335%	Quarterly	33 years (to 2041)	6,791	6,916

21 Provisions for liabilities and charges

	2014 £'000	2013 £'000
At 1 August	169	184
Released in year	(15)	(15)
At 31 July	154	169

Notes to the financial statements for the year ended 31 July 2014 (continued)
22 Deferred Capital Grants

	HEFCW £'000	Other £'000	Total £'000
At 1 August 2013	6,353	4,384	10,737
Released	(230)	(163)	(393)
At 31 July 2014	6,123	4,221	10,344

23 Endowments

	2014			2013
	Unrestricted Permanent £'000	Restricted Permanent £'000	Total Permanent £'000	Total £'000
Balances at 1 August				
Capital	583	293	876	825
Accumulated income	148	22	170	112
	731	315	1,046	937
New endowments	-	-	-	-
Investment income	28	13	41	94
Expenditure	(24)	(12)	(36)	(36)
	4	1	5	58
(Decrease)/Increase in market value of investments	(2)	(1)	(3)	51
At 31 July	733	315	1,048	1,046
Representing:				
Capital	581	292	873	876
Accumulated income	152	23	175	170
	733	315	1,048	1,046

24 Called up share capital

	31 July 2014 £'000	31 July 2013 £'000
Authorised		
1,000 ordinary shares of £1 each (2013:1000)	1	1
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each (2013:1000)	1	1

Notes to the financial statements for the year ended 31 July 2014 (continued)**25 Reserves**

	Other Reserves	Income and Expenditure Account	Pension Reserve	Total
	£'000	£'000	£'000	£'000
At 1 August 2013	1,735	3,504	(2,790)	2,449
Surplus for the year	-	770	-	770
Transfer between reserves	-	80	(80)	-
Actuarial (loss) on pension scheme	-		(220)	(220)
At 31 July 2014	1,735	4,354	(3,090)	2,999

Other reserves arose on incorporation and represent the assets and liabilities transferred from Royal Welsh College of Music and Drama Higher Education Corporation.

26 Pension commitments

The Company participates in two pension schemes, the Rhondda Cynon Taf Pension Fund (RCTPF) for non-academic staff, and the Teachers' Pension Scheme (TPS) for academic staff.

TPS

The TPS is a statutory contributory final salary scheme administered by the Teachers Pension Agency (TPA) an executive agency of the Department of Education. Under the TPS, which is an unfunded scheme, employees and employers contributions are credited to the Exchequer under the arrangements governed by the Superannuation Act 1992. Every 5 years the Government Actuary (GA), using normal actuarial principles, conducts an actuarial review of the TPA.

The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2004
Actuarial method	Prospective Benefits (Entry Age Method)
Investment returns per annum	6.5% per annum
Salary scale increases per annum	5% per annum

Value of notional assets at date of last valuation £163,240 million (estimated future contributions together with notional investments held at 31 March 2004).

Proportion of members' accrued benefits covered by the actuarial value of the assets 98.88%.

Following implementation of Teachers' Pensions (Employers Supplementary Contributions) Regulations 2000, the government actuary carried out a further review on the level of employer contributions. For the period 1 August 2005 to 31 December 2006 the employer contributions were 13.5%. The rate increased to 14.1% from 1 January 2007. At the same time the employee rate increased from 6% to 6.4%. Contributions to the TPS amounted to £296,000 in the year (2013-£232,000) with £30,000 due at the year-end (2013:£20,000).

Notes to the financial statements for the year ended 31 July 2014 (continued)

Under the definitions set out in Financial Reporting Standard 17 (FRS 17)) Retirement Benefits, the TPS is a multi-employer pension scheme. The Company is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the Company has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined- contribution scheme. The Company has set out above the information available on the deficit in the scheme and the implications in terms of the anticipated contribution rates.

RCTPF and CVGF

The Royal Welsh College of Music and Drama Higher Education Corporation ceased to participate in the Cardiff and Vale of Glamorgan Pension Fund (CVGF) on 31 December 2006. Members now accrue benefits in the RCTPF and following the bulk transfer from CVGF to RCTPF deferred pensioners and accrued pensioner liabilities formerly in the Cardiff fund, now accrue in the RCTPF.

The scheme is a defined benefit pension scheme, providing retirement benefits on the basis of members' final salary.

The scheme is valued every three years, the latest being undertaken by independent consulting actuaries, Aon Hewitt Ltd, as at 31 March 2013.

Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for FRS17 purposes were:

	2014	2013
	%	%
Rate of increase in salaries	3.2	3.4
Rate of increase to pensions in payment	2.2	2.5
Rate of increase to deferred pensions	2.2	2.5
Rate of revaluation of pension accounts	2.2	-
Discount rate	4.1	4.5
RPI Inflation	3.2	3.4
CPI Inflation	2.2	2.5
Expected rates of return on the scheme assets were:		
Equities	7.5	7.8
Government bonds	3.2	3.3
Corporate bonds	3.7	4.0
Property	6.8	7.3
Cash	1.1	0.9
Other	7.5	7.8
Expected rate of return	6.4	6.6

The College employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund as at 31 July 2014.

Notes to the financial statements for the year ended 31 July 2014 (continued)

The current mortality assumptions are based on the recent actual mortality experience of members within the Fund and include sufficient allowance for future improvements in mortality rates. Assumed life expectations on retirement today and at age 65 are:

	2014	2013
Retiring Today:		
Males	22.9	23.3
Females	25.8	24.7
Retiring in 20 years:		
Males	25.1	25.2
Females	28.2	26.6

The assets in the scheme are valued at fair value and comprise:

	2014 £000	2013 £000
Equities	4,461	3,990
Property	372	342
Government bonds	492	615
Corporate bonds	738	661
Cash	247	192
Total market value of assets	6,310	5,800
Present value of scheme liabilities	(9,400)	(8,590)
Net pension deficit	(3,090)	(2,790)

Analysis of the amount charged to operating profit

	2014 £000	2013 £000
Current service cost	(370)	(310)
Past service cost	-	-
	(370)	(310)

Analysis of the amount charged to interest payable and similar charges

	2014 £000	2013 £000
Expected return on pension scheme assets	390	270
Interest on pension scheme liabilities	(400)	(320)
Net charge	(10)	(50)

Analysis of amount recognised in statement of total recognised gains and losses

	2014 £000	2013 £000
Actual return less expected return on pension scheme assets	(240)	600
Experience gains and losses arising on scheme liabilities	20	(480)
Actuarial (loss)/gain recognised in the STRGL	(220)	120

Notes to the financial statements for the year ended 31 July 2014 (continued)

Movement in deficit during the year	2014 £000	2013 £000
1 August	(2,790)	(2,850)
Current service cost	(370)	(310)
Contributions	300	300
Past service costs	-	-
Other finance charge	(10)	(50)
Actuarial (loss)/gain	(220)	120
31 July	(3,090)	(2,790)

Analysis of the movement in the present value of scheme liabilities	2014 £000	2013 £000
Opening present value of liabilities	8,590	7,220
Current service cost	370	310
Interest cost	400	320
Contributions by participants	130	120
Actuarial (gain)/ loss on liabilities	(20)	480
Net benefits paid (out)/in	(70)	140
Closing present value of liabilities	9,400	8,590

Analysis of the movement in the market value of scheme assets	2014 £000	2013 £000
Opening fair value of assets	5,800	4,370
Expected return on assets	390	270
Actuarial (loss)/gain on assets	(240)	600
Contributions by the Employer	300	300
Contributions by the participants	130	120
Net benefits paid (out)/in	(70)	140
Closing fair value of assets	6,310	5,800

The amounts recognised for the current and previous four years are:

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Defined benefit obligation	(9,400)	(8,590)	(7,220)	(6,300)	(6,240)
Plan assets	6,310	5,800	4,370	3,900	3,150
Net Pension Deficit	(3,090)	(2,790)	(2,850)	(2,400)	(3,090)

History of experience gains and losses

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Difference between the expected and actual return on scheme assets	(240)	600	(110)	140	390
Experience gains and losses on scheme liabilities	20	(480)	(260)	660	60
Total amount recognised in the statement of total recognised gains or losses	(220)	120	(370)	800	450

Notes to the financial statements for the year ended 31 July 2014 (continued)

The estimate for contributions for the defined benefit scheme for the year 2014 is £310,000. In addition, Strain of Fund contributions may be required.

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is £460,000 loss (2013 - £240,000 loss).

The actual return on scheme assets in the year was £150,000 (2013– £870,000).

Accrued pension contributions at 31 July 2014 are £87,010 (2013 - £68,319).

27 Lease obligations

At 31 July, the College had annual commitments under non-cancellable operating leases for assets other than land and buildings, expiring as follows:

Lease expiring after more than 5 years:

	31 July 2014 £'000	31 July 2013 £'000
Other operating leases	80	77

28 Related Parties

During the year the College made a block grant payment of £33,028 (2013 - £32,701) to the Royal Welsh College of Music and Drama's Students' Union. There are no other material related party transactions.

All transactions involving organisations in which a member of the Board may have an interest, are conducted in accordance with the College's financial regulations and normal procurement procedures. The University of South Wales maintains a Register of Interests for members of the Board.

29 Ultimate Parent Undertaking

The ultimate parent undertaking and controlling party is the University of South Wales, a Higher Education Corporation established under the Education Reform Act 1988. The results of the company have been incorporated in the University of South Wales' consolidated accounts, which forms the largest and smallest group for which the Company's financial statements are consolidated, copies of which can be obtained from the following address:

University of South Wales
Pontypridd
Rhondda Cynon Taf
CF37 1DL