

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 2016

Royal Welsh College of Music and Drama Limited

Annual Report and Financial Statements for the year ended 31 July 2016

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Chair's report for the year ending 31 July 2016

In July 2013 the Board approved a five year strategy to underpin the College's development from 2012/13 to 2016/17. This strategy is entering its last year and has focused 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 Higher Education 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 pursues this strategy with considerable assets – committed and talented 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 funding environment is extremely challenging following a material reduction in the expensive subject premium funding for 2015/16 imposed by the Higher Education Funding Council for Wales (HEFCW). The Welsh Government 'independent review of conservatoire and related performing arts provision in higher education in Wales' undertaken by Lord Murphy of Torfaen is nearing completion and, following its publication and agreement, will provide the basis on which a new 5-year strategy will be created. Lord Murphy's review has provided an opportunity to foster a greater understanding amongst key stakeholders of the role and benefits of conservatoire level training - to its students, the creative industries and the wider economy of Wales.

The College made significant progress in delivering on the aims of its Five Year Strategy. In a highly competitive market, we have seen strong student recruitment across all our programmes and are able to evidence an increase in the quality of student intake in many areas. The number of incoming students in the 2016/17 cohort achieved its overall target and includes a significant number of students assessed at audition and interview to be within the higher attainment level.

Our Fundraising and Development team have focussed in recent years on creating a material Scholarship fund to enable all applicants who are offered a place to study to take it up, regardless of their financial means. Through the generosity of an increasing number of Trusts and individuals, our Scholarship fund continues to increase.

Chair's report for the year ending 31 July 2016

We take great pride in the early career success of our graduating students. In 2015, the College achieved the highest UK score in the Music subject category for first destination graduate employment, with a score in the high '90s. 100% of the 2014/15 graduating Arts Management cohort achieved industry employment within three months of completing their studies.

Our London Showcases play an increasingly important role in the early career success of our actors and musical theatre students. By way of illustration, the Actors' Showcase at The Royal Court Theatre attracted over 200 industry guests, following which agency representation was achieved by a substantial majority of our graduating actors, with offers made by leading agents such as United, Hamilton Hodel and Curtis Brown. Graduating actor Anthony Boyle was catapulted straight into the inaugural cast of *Harry Potter and The Cursed Child* in London's West End and collectively, our 2016 graduating actors have gained work at the Citizens Theatre in Glasgow, the RSC's Other Place at Stratford, in television and radio. Whilst there is little doubt that the competition is now particularly intense for new actors, our students' resourcefulness was evidenced by the impressive amount of new work created by them at the 2016 Edinburgh Festival.

The College's Creative Programme delivered 490 performances across the College's venues and at other venues in Cardiff, London and Edinburgh. 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 the cultural provision in South Wales, this year reaching 58,000 audience attenders.

Within an extensive and diverse music programme, Maestro Carlo Rizzi conducted a thrilling performance of Beethoven's Choral Symphony in St. David's Hall, returning later in the year to lead our musicians through an exceptional and inspirational production run of Verdi's *Falstaff* in which Emyr Wyn Jones (who also won the Ian Stoutzker Prize – the College's 'gold medal') distinguished himself in the title role. Several student ensembles distinguished themselves in S4C's Band Cymru competition; elsewhere, the student-led REPCO performances and our Atmospheres Composers Festival continued to provide a high profile platform for student-led and student-generated performance.

Our third London and Cardiff season of NEW, a season of four newly-commissioned plays was well received by public audiences and the industry. The College is now firmly established as a recognised commissioning body within the profession, with writers, directors and publishers aware of our output. The volume of submitted scripts and coordination with partner organisations and writers has created the need for the appointment of a dramaturge for 2016/17.

During the year, the College took advantage of every opportunity to raise the profile of its world class performance venues, 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. Concerts within the College's annual festival of chamber music were broadcast from the acoustically and visually exquisite Dora Stoutzker Hall on BBC Radio 3, as well as seven programmes for *BBC Young Musician 2016*. The College's contribution to the cultural life of the city was noted in the Western Mail in which reviewer Nigel Jarrett selected the performance by the Emerson String Quartet as his music

Chair's report for the year ending 31 July 2016

highlight of the year, *"confirming RWCMD as the capital's leading promoter of world-class chamber music and solo recitals."*

The Pre College department continues to lead the College's activity to benefit young people of school age. Our outreach programme, much of it delivered by students under supervision, involved over 190 visits with over 10,000 participants and is a major plank of the College's activity to widen access to its resources. The weekly access programmes have a healthy take-up and the advanced tuition delivered through the Junior Conservatoire and Young Actors' Studio deliver a unique service in Wales, tailored to the needs of young people with exceptional talent and potential. The Young Actors' programmes in Pembrokeshire are testimony to our ambition to extend the benefits of Wales's Conservatoire to young people right across Wales. It continues to be a major disappointment that the College has been unable to access bursary funding to support a national roll-out of its provision for talented young artists. This will continue to have a high priority in the coming year.

We are indebted to the College's Patron, HRH The Prince of Wales, who renewed his Patronage of the Conservatoire for five years to June 2021. His Royal Highness generously hosted a Gala performance by the College's students at Buckingham Palace in February and warmly thanked the 260 guests from the UK, the US and China for their support of the College's Transform Appeal. The event was attended by a galaxy of high profile artists who regularly encourage and support the College, including Dame Shirley Bassey, Dame Sian Phillips, Ruth Jones, Bryn Terfel, Hugo Blick, Susan Hampshire and Michael Sheen amongst others. Over 70 students delivered a 45 minute performance spanning almost the full range of the College's work: acting, musical theatre, instrumental and orchestral music, opera, the junior school, with the involvement of arts management and stage management students. Without exception, all rose to the occasion. The performance was well-received and many of the professional artists present spent time with the students afterwards.

A number of major IT initiatives during 2015/16 have enabled the College to provide each student with the ability to electronically submit their work and receive feedback. This and other initiatives such as the introduction of a new library system and the reshaping the library space and refurbishment of the music practice rooms are designed to make a material improvement to the student experience. The College will continue to work closely with the Students' Union Executive, the Principal's Development Group and to make use of all feedback mechanisms to monitor and evaluate these adjustments.

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

Chair's report for the year ending 31 July 2016

The review of progress of the College's strategy leads us to conclude that there is potential for the College to achieve another material step-change in its activity going forwards, with a view to further extending its reach, impact and public value to Wales and beyond. The outcome of Lord Murphy's review will have a significant bearing on the way in which the College achieves this wider role, but its future strategy will include:

- extending the current Conservatoire operation to reach and benefit more young people
- enhancing the quality and range of what we can offer our students
- creating a wider network of stakeholders and fostering a better understanding amongst current stakeholders about the economic, cultural and social value to Wales of a 'National Conservatoire'
- further enhancing the brand and profile of the Royal Welsh College.

I would like to thank the Principal and all College staff for their unstinting commitment and professionalism which has delivered another successful year.

A handwritten signature in dark ink, appearing to read 'Clare Hudson', with a stylized, flowing script.

Clare Hudson

Chair of the meeting of directors which approved the accounts

12 December 2016

Royal Welsh College of Music and Drama Limited

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 Charitable Objectives

Beneficiaries

The College has a higher education student population of over 800 of whom 82% are Home/EU and 18% from Overseas who are the primary beneficiaries by receiving 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 500 public performances a year as well as other educational and cultural activities in the College, such as exhibitions, masterclasses and talks.

Admissions policy

The 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 exceeds supply and selection is normally conducted by audition (Music and Acting), interview or portfolio submission (Stage Management, Arts Management and Theatre Design).

Public Benefit Statement (continued)

Bursaries/scholarships To support students who experience financial hardship, the College makes available financial support through 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.

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).

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 Esmée 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 including Junior Music Conservatoire, Community Lesson Scheme and the Young Actors' Studio in Cardiff and Pembrokeshire.

The College also delivers an extensive programme of outreach activity across Wales 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.

Public Benefit Statement (continued)

**Community
Engagement**

The College promotes an extensive public performance programme amounting to over 500 events in 2015/16 with a total audience of over 55,000 to a diverse arts programme that ranged from comedy to cabaret, experimental theatre to film and a wide range of music genres.

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 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 2016

The directors present their report and the audited financial statements of the Company for the year ended 31 July 2016. 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 2015 and in accordance with applicable accounting standards.

Strategic report

Principal activities

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

Business review

Student recruitment continues to be generally 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 ranked 4th in the UK in the Guardian University League Tables for 2016 while the Music course was ranked 35th across the HE sector.

In 2015/16, the College's student body was characterised by the following:

- 95% retention rate
- 87% of graduating students achieved first-class or upper second class awards
- 78% of students domiciled outside Wales
- 18% of students domiciled outside the UK and EU

Directors' report (incorporating Strategic report) for the year ended 31 July 2016 (continued)

Highlights

Overseas non EU student numbers continue to be around 18% of the total student population. This remains an area of opportunity and risk in light of the world economy and competition. However, the College is confident that it can continue to attract both the number and quality of overseas students in order to create a culturally diverse student body.

Attracting audience attendances of over 55,000 at performances during the year. 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 and audience for our students' work.

Other income generating activities within the College all met or exceeded their financial targets during the year.

HEFCW has reduced premium funding in 2014/15 and 2015/16. The continuation of the remaining 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 Welsh Government's review of conservatoire and related performing arts provision in higher education in Wales has completed its evidence gathering and is expected to report during 2016.

The recommendations of the Diamond Review of Higher Education funding arrangements in Wales are welcomed. There are a number of references within the Review to support for high cost subjects such as conservatoire provision.

The College continues to set the maximum permitted fee of £9,000 for undergraduate students.

At the end of the year, Dame Janet Ritterman, Peter Harris and Huw Williams completed their terms of office as Directors and Trustees while Graham Edwards also resigned. The Board is grateful to them for their service during their terms of office.

The Board extends its thanks to Helene Mansfield who fulfilled the role of Interim Chair during 2015/16 and resigned in September 2016.

Royal Welsh College of Music and Drama Limited

Directors' report (incorporating Strategic report) for the year ended 31 July 2016 (continued)

Financial risk management

Commitment to Best Practice in Governance

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 Committee of University Chairs' (CUC's) voluntary 'Higher Education Code of Governance' published in December 2014.

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.

Risk Management

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.

Board of Directors and its sub committees

The Board of Directors met four times during the reporting year. 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 and acts as the College Board's Audit Committee. The 2015/16 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 2016/17.

Directors' report (incorporating Strategic report) for the year ended 31 July 2016 (continued)

Financial Results

Outlined below are the key financial indicators:-

Surplus increased due to one-off fundraising but underlying deficit	<i>K£999 (2015 - K£523) due to reductions in HEFCW income being more than offset by increases in fees and one-off fundraising income.</i>
Year-end cash position increased	<i>K£5,005 (2015 - K£4,716) – increased by K289 or 6% and is a sign of improved liquidity.</i>
Current ratio has increased	<i>4.1 (2015 – 3.0) – current ratio increased to 4.1 which is a measure of the ability of the College to pay its debts over the next 12 months</i>
Income increased by 9.7%	<i>K£13,771 (2015 - K£12,556) – due to a reduction in HEFCW funding offset by increased fee income and one-off legacies and fundraising.</i>
Expenditure increased by 6.1%	<i>K£12,772 (2015 - K£12,033) – staff number stayed the same but costs increased due to pay award and increased pension contributions and an increased spend in non-pay costs and depreciation.</i>
Net assets increased	<i>K£8,810 (2015 - K£8,540) – due to a rise in pension liability offset by the surplus for the year.</i>

Principal risks and uncertainties

HEFCW Conservatoire Premium Funding

The total amount of money available to HEFCW is subject to a significant degree of uncertainty. However, the assumption of the College is that there will be money available for the higher rate expensive subjects, which includes Conservatoire training, and this will continue to be paid for all Home/EU students.

The Welsh Government has announced an independent review of conservatoire and related performing arts provision in higher education in Wales.

Directors' report (incorporating Strategic report) for the year ended 31 July 2016 (continued)

Recruitment of students

The College is increasing its current level of undergraduate and postgraduate student numbers and

overseas students while ensuring the quality of students remains high. The College has developed detailed actions together with a system of enhanced partnerships with other institutions to achieve these increases. There is a risk that the level of debt accumulated by undergraduate students at the end of their studies will adversely influence their decision to undertake postgraduate studies.

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. This 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 2016 (2015 – nil).

In 2014/15 and 2015/16, the Higher Education Funding Council for Wales reduced the premium funding allocated to the College to fund conservatoire level provision. The reduction has been partially mitigated through income generation and costs savings and the College generated a good surplus for the year. The Welsh Government is undertaking a review of the funding of conservatoire and performing arts provision in Wales although the outcome of this review is as yet unknown.

The Directors have assessed the appropriateness of the going concern basis for the purpose of the financial statements for the year ended 31 July 2016. The Boards of both the College and the University have agreed a set of broad principles which will revise the College's cost structure, if necessary, whilst protecting conservatoire provision. Unless alternative sources of funding are secured, the College will need to implement plans to reduce its costs in order to ensure that it avoids breaching its loan covenants in 2017. These circumstances indicate the existence of a material uncertainty which may cast doubt about the College's ability to continue as a going concern. The financial statements do not include the adjustments that would be necessary if the College was unable to continue as a going concern.

Directors' report (incorporating Strategic report) for the year ended 31 July 2016 (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 2016 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:

H Boulding
G W Edwards (until 31.07.16)
C J Freegard (until 30.09.15)
J Frost (from 01.08.16)
P Harris (until 31.07.16)
C Hudson (from 01.08.16)
M Lowe (from 01.08.16)
J Lydon
H M L R Mansfield (until 01.09.16)
Dame J Ritterman (until 31.07.16)
M D Taylor
J Terry (from 01.08.16)
H R Williams (until 31.07.16)

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. 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 2016 (continued)

Statement of directors' responsibilities

The trustees (who are also directors of The Royal Welsh College of Music and Drama Limited for the purposes of company law) are responsible for preparing the Directors' report (incorporating the Strategic Report) and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have prepared the charitable company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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. In addition, within the terms and conditions of the Financial Memorandum agreed between the charitable company and the Higher Education Funding Council for Wales and under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the 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 trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Statement of Recommended Practice; Accounting for Further and Higher Education Institutions;
- 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 trustees took reasonable steps to meet their responsibilities in respect of;

- keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and 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, 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;
- ensuring that funds from the Higher Education Funding Council for Wales are used only for those purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensuring that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguarding the assets of the charitable company;
- taking reasonable steps for the prevention and detection of fraud and other irregularities; and
- securing the economical, efficient and effective management of the charitable company's resources and expenditure.

Directors' report (incorporating Strategic report) for the year ended 31 July 2016 (continued)

Statement of directors' responsibilities (continued)

The directors are responsible for the maintenance and integrity of the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of disclosure of information to auditors

In the case of each director in office at the date the directors' report is approved, the following applies;

- (a) so far as the trustee is aware, there is no relevant audit information of which the charitable company's auditors are unaware; and

Statement of disclosure of information to auditors (continued)

- (b) he/she has taken all the steps that he/she ought to have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the charitable company's auditors are aware of that information.

Directors' indemnities

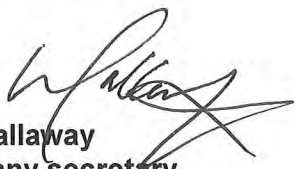
The Company purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

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

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.

By order of the board


W D Callaway
Company secretary

12 December 2016

Royal Welsh College of Music and Drama Limited

Directors' report (incorporating Strategic report) for the year ended 31 July 2016 (continued)

- (a) The maintenance and integrity of the Royal Welsh College of Music and Drama Limited'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.

Royal Welsh College of Music and Drama Limited

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 Royal Welsh College of Music and Drama's financial statements (the financial statements):

- give a true and fair view of the state of the institution's affairs as at 31 July 2016, and of the institution's income and expenditure 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.

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in the funding note (note 1) to the financial statements concerning the College's ability to continue as a going concern. The Higher Education Funding Council for Wales has implemented significant cuts to the ongoing grant funding received by the College and it is apparent that, unless alternative sources of funding are secured, the College will need to implement plans to reduce its costs in order to mitigate the reduction in funding in future years. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the College's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the College was unable to continue as a going concern.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the 'Annual Report') comprise:

- the institution's Balance Sheet as at 31 July 2016;
- the Statement of Comprehensive Income and Expenditure for the year then ended;
- the Statement of Changes in Reserves for the year then ended;
- the Statement of Cash Flows 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 the preparation of the financial statements is the Statement of Recommended Practice for Further and Higher Education, incorporating United Kingdom Accounting Standards, comprising FRS102 'The Financial

Royal Welsh College of Music and Drama Limited

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

Report on the financial statements (continued)

Reporting Standard applicable in the UK and Republic of Ireland', and applicable law (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, they have made assumptions and considered future events.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' Report (incorporating the Strategic Report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report (incorporating the Strategic Report) has been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the institution and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Directors' Report (incorporating the Strategic Report). We have nothing to report in this respect.

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.

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

Other matters on which we are required to report by exception (continued)

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 Statement of Corporate Governance and Internal Control is inconsistent with our knowledge of the institution. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Governing Body

As explained more fully in the Statement of Directors' Responsibilities set out on page 16, 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) ('ISAs (UK & 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 24(3) of the institution's Articles of Government, 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.

What an audit of the financial statements involves

We conducted our audit in accordance with 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 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.

Royal Welsh College of Music and Drama Limited

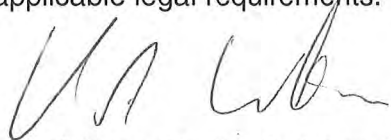
Independent Auditors' Report to the Governing Body of Royal Welsh College of Music and Drama Limited (The 'Institution') (continued)

Responsibilities for the financial statements and the audit (continued)

We primarily focus our work in these areas by assessing the Governing Body's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements 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. With respect to the Directors' Report (incorporating the Strategic Report), we consider whether those reports include the disclosures required by applicable legal requirements.



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

21 December 2016

- (a) The maintenance and integrity of the Royal Welsh College of Music and Drama Limited'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.

Statement of Comprehensive Income and Expenditure
For the Year Ended 31 July 2016

	Notes	2016 £'000	2015 £'000
Income			
Tuition fees and education contracts	3	7,385	6,490
Funding body grants	4	2,693	3,489
Other income	5	1,405	1,317
Investment income	6	97	75
Total income before endowments and donations		11,580	11,371
Donations and endowments	7	2,191	1,185
Total income		13,771	12,556
Expenditure			
Staff costs	8	7,175	6,773
Other operating expenses		4,342	4,122
Depreciation	11	764	773
Interest and other finance costs	9	491	365
Total expenditure		12,772	12,033
Surplus before other gains losses		999	523
Gain on investments	17	111	34
Surplus for the year		1,110	557
Actuarial (loss) in respect of pension schemes	21	(840)	(580)
Total comprehensive income/(expenditure) for the year		270	(23)
Represented by:			
Endowment comprehensive income for the year		863	192
Restricted comprehensive income for the year		95	188
Unrestricted comprehensive expenditure for the year		(688)	(403)
		270	(23)
All items of income and expenditure relate to continuing activities			

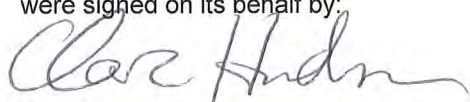
**Statement of Changes in Reserves
For the year ended 31 July 2016**

	Income and expenditure account		Revaluation reserve	Total
	Endowment £'000	Restricted £'000	Unrestricted £'000	£'000
Balance at 1 August 2014	1,048	502	5,193	8,562
Surplus/(deficit) from the income and expenditure statement	237	803	(1,063)	(23)
Release of restricted funds spent in year	(45)	(615)	660	-
Total comprehensive income for the year ended 31 July 2015	192	188	(403)	(23)
Balance at 1 August 2015	1,240	690	4,790	8,539
Surplus/(deficit) from the income and expenditure statement	917	732	(1,379)	270
Release of restricted funds spent in year	(54)	(637)	691	-
Total comprehensive income for the year ended 31 July 2016	863	95	(688)	270
Balance at 31 July 2016	2,103	785	4,102	8,809

Balance Sheet
As at 31 July 2016

	Notes	2016 £'000	2015 £'000
Non-current assets			
Fixed assets	11	26,549	26,869
		<u>26,549</u>	<u>26,869</u>
Current assets			
Trade and other receivables	12	252	194
Investments	13	1,964	1,114
Cash and cash equivalents		<u>5,005</u>	<u>4,716</u>
		7,221	6,024
Creditors: amounts falling due within one year	14	(1,775)	(2,006)
Net current assets		<u>5,446</u>	<u>4,018</u>
Total assets less current liabilities		<u>31,995</u>	<u>30,887</u>
Creditors: amounts falling due after more than one year	15	(18,141)	(18,443)
Provisions			
Pension provisions	16	(5,044)	(3,904)
Total net assets		<u>8,810</u>	<u>8,540</u>
Restricted Reserves			
Income and expenditure reserve - endowment reserve	17	2,103	1,240
Income and expenditure reserve - restricted reserve	18	785	690
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		4,102	4,790
Revaluation reserve		<u>1,819</u>	<u>1,819</u>
		8,809	8,539
Share Capital		1	1
Total Reserves		<u>8,810</u>	<u>8,540</u>

The financial statements on pages 23 to 44 were approved by the Board on 12 December 2016 and were signed on its behalf by:



Clare Hudson

Chair of the meeting of directors which approved the accounts

Cash Flow

For the year ended 31 July 2016

	Note	2016 £'000	2015 £'000
Cash flow from operating activities			
Surplus for the year		1,110	557
Adjustment for non-cash items			
Depreciation	11	764	773
Gain on investments	17	(111)	(34)
(Increase)/decrease in debtors	12	(58)	146
(Decrease)/increase in creditors	14	(236)	(235)
Pension costs less contributions payable		300	80
Adjustment for investing or financing activities			
Investment income	6	(97)	(65)
Interest payable	9	361	365
Endowment income	17	(765)	(150)
Capital grant income		(169)	(169)
Net cash inflow from operating activities		<u>1,099</u>	<u>1,268</u>
Cash flows from investing activities			
Investment income		97	65
Payments made to acquire fixed assets		(444)	(364)
New deposits		(740)	(128)
		<u>(1,087)</u>	<u>(427)</u>
Cash flows from financing activities			
Interest paid		(361)	(365)
Endowment cash received		765	150
Repayments of amounts borrowed		(127)	(121)
		<u>277</u>	<u>(336)</u>
Increase in cash and cash equivalents in the year		<u>289</u>	<u>505</u>
Cash and cash equivalents at beginning of the year	19	4,716	4,211
Cash and cash equivalents at end of the year	19	5,005	4,716

Notes to the financial statements for the year ended 31 July 2016

1 Accounting policies

Basis of Preparation

The financial statements have been prepared on a going concern basis under the historical cost convention, modified by the revaluation of land and endowment investments, in accordance with the Companies Act 2006, as adapted to the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2015 and in accordance with the Financial Reporting Standards. The College is a public benefit entity and therefore has applied the relevant public benefit requirement of FRS 102. The principal accounting policies are set out below and have been applied consistently throughout the year.

Funding

In 2014/15 and 2015/16, the Higher Education Funding Council for Wales reduced the premium funding allocated to the College to fund conservatoire level provision. The reduction has been partially mitigated through income generation and costs savings and the College generated a good surplus for the year (page 23). The Welsh Government is undertaking a review of the funding of conservatoire and performing arts provision in Wales although the outcome of this review is as yet unknown.

The Directors have assessed the appropriateness of the going concern basis for the purpose of the financial statements for the year ended 31 July 2016. The Boards of both the College and the University have agreed a set of broad principles which will revise the College's cost structure, if necessary, whilst protecting conservatoire provision. Unless alternative sources of funding are secured, the College will need to implement plans to reduce its costs in order to ensure that it avoids breaching its loan covenants in 2017. These circumstances indicate the existence of a material uncertainty which may cast doubt about the College's ability to continue as a going concern. The financial statements do not include the adjustments that would be necessary if the College was unable to continue as a going concern.

Income recognition

Income from tuition fees is recognised in the period for which it is receivable and includes all fees chargeable to students or their sponsors. Where the amount of the tuition fee is reduced by a discount for prompt payment, income receivable is shown net of the discount.

Income from the sales of goods and services is credited to the Consolidated Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Investment income is credited to the income and expenditure account on a receivable basis

Grant Funding

Government grants, including funding council block grant, are recognised in income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred, it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Donations and Endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the College is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the College is entitled to the funds.

Notes to the financial statements for the year ended 31 July 2016

1 Accounting policies (continued)

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms applied to the individual endowment fund.

There are three main types of donations and endowments identified within reserves:

- 1.Restricted donations – the donor has specified that the donation must be used for a particular objective
- 2.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 College.
- 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.

Capital grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance conditions being met.

Accounting for retirement benefits

The two principal pension schemes for the College's staff are the Teachers' Pension Scheme (TPS) and 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 income statement being equal to the contributions payable to the scheme for the period.

Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which the College pays fixed contributions into a separate entity and will have no legal or constructive obligation to further amounts. Obligations for contribution to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

Employment Benefits

Short term employment benefit such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

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.

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.

Notes to the financial statements for the year ended 31 July 2016 (continued)

1 Accounting policies (continued)

Operating Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Tangible Fixed Assets

Tangible fixed assets are initially recorded at purchase cost, including non recoverable VAT, 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.

As at 1 August 2014 asset lives were reassessed and revised depreciation rates applied to the net book value as at that date. The original Raymond Edwards building is being depreciated over 35 years, with the additional facilities being depreciated over 50 years, which is the expected remaining useful economic life.

Land has been revalued to fair value on transition to the 2015 Further and Higher Education SORP, resulting in a revaluation reserve of £1,819,000. Land, whether freehold or leasehold, is not depreciated as it is considered to have an indefinite useful life.

Long 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.

Fixtures, fittings and plant and machinery

Equipment costing less than de minimums of £300 per individual item, is recognised as expenditure. All other 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

Investments

Current asset investments are held at fair value with movements recognised in the statement of comprehensive income and expenditure.

Notes to the financial statements for the year ended 31 July 2016 (continued)

1 Accounting policies (continued)

Cash and cash equivalents

Cash includes cash in hand and deposits repayable on demand. Deposits are payable on demand if they are in practice available within 24 hours without penalty.

Taxation

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

Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the College, are held as a permanently restricted fund which the College must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

Transition to 2015 SORP

The financial statements have been prepared in accordance with FRS102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to the SORP has affected the reported financial position, financial performance and cash flows of the College is provided in note 22.

2 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 2016**

		2016 £'000	2015 £'000
3 Tuition fees and education contracts	Notes		
Full-time home and EU students		4,955	4,307
Full-time international students		1,028	797
Part-time students		846	868
Short Course Fees		556	518
		<u>7,385</u>	<u>6,490</u>
4 Funding body grants		2016 £'000	2015 £'000
Recurrent grant			
Higher Education Funding Council		2,558	3,354
Capital grant		135	135
		<u>2,693</u>	<u>3,489</u>
5 Other income		2016 £'000	2015 £'000
Catering		603	531
Other capital grants		34	34
Other income		768	752
		<u>1,405</u>	<u>1,317</u>
6 Investment income		2016 £'000	2015 £'000
Investment income on endowments	17	41	53
Other investment income		56	12
Net return on pension scheme		-	10
		<u>97</u>	<u>75</u>
7 Donations and endowments		2016 £'000	2015 £'000
New endowments	17	765	150
Donations with restrictions	18	732	803
Unrestricted donations		694	232
		<u>2,191</u>	<u>1,185</u>

**Notes to the financial statements
for the year ended 31 July 2016**

	2016 £'000	2015 £'000
8 Staff costs		
Staff Costs :	£'000	£'000
Salaries	5,893	5,685
Social security costs	404	372
Other pension costs	878	716
Total	<u>7,175</u>	<u>6,773</u>

Remuneration of directors and higher paid employees

(a) Directors	£'000	£'000
Salary	199	198
Benefits	4	3
Pension contributions to LGPS	16	16
	<u>219</u>	<u>217</u>

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		
Emoluments of the Principal:	£'000	£'000
Salary	132	131
Benefits	4	3
Pension contributions to LGPS	16	16
	<u>152</u>	<u>150</u>

Average full time equivalent staff numbers by major category, including senior post-holders

	No.	No.
Academic	96	92
Other	73	76
	<u>169</u>	<u>168</u>

Trustee expenses and related party transactions

The College's Board members are the trustees for charitable law purposes.

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.

No Board member has received any remuneration/waived payments from the College during the year (2015 - none).

The total expenses paid to or on behalf of three Board members was £1,153 (2015 - £296 to 2 members). This represents travel and subsistence expenses incurred in attending Board meetings.

**Notes to the financial statements
for the year ended 31 July 2016**

	2016	2015
	£'000	£'000
9 Interest and other finance costs		
Loan interest	361	365
Net charge on pension scheme	130	-
	491	365

	2016	2015
	£'000	£'000
10 Analysis of total expenditure by activity		
Academic and related expenditure	6,850	6,512
Administration and central services	2,375	2,149
Premises	2,002	2,049
Residences, catering and conferences	556	535
Other expenses	989	788
	12,772	12,033

Other operating expenses include:

	2016	2015
	£'000	£'000
External auditors' remuneration in respect of audit services	8	9
External auditors' remuneration in respect of non-audit services	7	2
Operating lease rentals- other	68	66

Notes to the financial statements for the year ended 31 July 2016

11 Fixed Assets

	Freehold Land and Buildings £'000	Leasehold Land and Buildings £'000	Plant and Machinery £'000	Fixtures, Fittings and Equipment £'000	Total £'000
Cost and valuation					
At 1 August 2015	27,893	2,318	2,727	769	33,707
Additions	-	-	245	199	444
At 31 July 2016	27,893	2,318	2,972	968	34,151
Consisting of:					
Valuation	1,819	-	-	-	1,819
Cost	26,074	2,318	2,972	968	32,332
At 31 July 2016	27,893	2,318	2,972	968	34,151
Accumulated depreciation					
At 1 August 2015	2,861	1,167	2,330	480	6,838
Charge for the year	469	21	202	72	764
At 31 July 2016	3,330	1,188	2,532	552	7,602
Net book value					
At 31 July 2016	24,563	1,130	440	416	26,549
At 31 July 2015	25,032	1,151	397	289	26,869

At 31 July 2016, freehold land and buildings included £2.684m (2015 - £2.684m) in respect of freehold land and is not depreciated.

Freehold land was revalued by Messrs Cooke & Arkwright, Chartered Surveyors, on 1 August 2014, on the basis of open market valuation.

Included in the net book value of fixed assets is aggregated interest capitalised of £338k (2015 - £346k).

Leased assets included above:

Net Book Value:

At 31 July 2016	-	1,130	-	-	1,130
At 31 July 2015	-	1,151	-	-	1,151

**Notes to the financial statements
for the year ended 31 July 2016**

12 Trade and other receivables

	2016 £'000	2015 £'000
Amounts falling due within one year:		
Other trade receivables	105	53
Other receivables	76	105
Prepayments and accrued income	70	36
Amounts due from holding company	1	-
	<u>252</u>	<u>194</u>

13 Investments

	2016 £'000	2015 £'000
Short term investment in shares	1,616	836
Short term bonds	348	278
	<u>1,964</u>	<u>1,114</u>

14 Creditors : amounts falling due within one year

	2016 £'000	2015 £'000
Secured loans	132	127
Amounts owed to group undertakings	-	48
Other creditors	192	179
Trade payables	23	21
Social security and other taxation payable	166	143
Accruals and deferred income	1,262	1,488
	<u>1,775</u>	<u>2,006</u>

Deferred income

Included with accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met.

	2016 £'000	2015 £'000
Donations	-	110
	<u>-</u>	<u>110</u>

Notes to the financial statements
for the year ended 31 July 2016

15 Creditors : amounts falling due after more than one year

	2016 £'000	2015 £'000
Deferred income	7,859	8,029
Secured loans	6,532	6,664
Unsecured loans	3,750	3,750
	18,141	18,443

Analysis of secured and unsecured loans:

	2016 £'000	2015 £'000
Due within one year or on demand (Note 14)	132	127
Due between one and two years	142	132
Due between two and five years	2,093	1,322
Due in five years or more	8,047	8,960
Due after more than one year	10,282	10,414
Total secured and unsecured loans	10,414	10,541
Secured loans repayable by 2041	6,664	6,791
Unsecured loans repayable by 2023	3,750	3,750
	10,414	10,541

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

	Interest	Repayment	Term	2016 £'000	2015 £'000
Barclays Bank					
All tranches	5.35%	Quarterly	33 years (to 2041)	6,390	6,532

16 Pension provisions

	Defined Benefit Obligations (Note 21) £'000	Pension scheme provision under FRS102 £'000	Total Pension Provisions £'000
At 1 August 2015	154	3,750	3,904
Additions in year	-	1,140	1,140
At 31 July 2016	154	4,890	5,044

**Notes to the financial statements
for the year ended 31 July 2016**

17 Endowment Reserves

Restricted net assets relating to endowments are as follows:

	Restricted permanent endowments	Unrestricted permanent endowments	Total 2016	Total 2015
	£'000	£'000	£'000	£'000
Balances at 1 August 2015				
Capital	302	755	1,057	873
Accumulated income	23	160	183	175
	<u>325</u>	<u>915</u>	<u>1,240</u>	<u>1,048</u>
New endowments	-	765	765	150
Investment income	9	32	41	53
Expenditure	(11)	(43)	(54)	(45)
Increase in market value of investments	25	86	111	34
	<u>23</u>	<u>840</u>	<u>863</u>	<u>192</u>
Total endowment comprehensive income for the year				
	<u>348</u>	<u>1,755</u>	<u>2,103</u>	<u>1,240</u>
At 31 July 2016				
	<u>348</u>	<u>1,755</u>	<u>2,103</u>	<u>1,240</u>
Represented by:				
Capital	327	1,606	1,933	1,150
Accumulated income	21	149	170	90
	<u>348</u>	<u>1,755</u>	<u>2,103</u>	<u>1,240</u>
Analysis by type of purpose:				
Scholarships and prize funds	348	1,755	2,103	1,240
	<u>348</u>	<u>1,755</u>	<u>2,103</u>	<u>1,240</u>
Analysis by asset				
Current asset investments			1,964	1,114
Cash and cash equivalents			139	126
			<u>2,103</u>	<u>1,240</u>

The majority of donations received during the year were from bequests.

18 Restricted Reserves

Reserves with restrictions are as follows:

	Donations	2016 Total	2015 Total
	£'000	£'000	£'000
Balances at 1 August 2015	690	690	502
New donations	732	732	803
Expenditure	(637)	(637)	(615)
	<u>95</u>	<u>95</u>	<u>188</u>
Total restricted comprehensive income for the year			
	<u>785</u>	<u>785</u>	<u>690</u>
At 31 July 2016			
	<u>785</u>	<u>785</u>	<u>690</u>

**Notes to the financial statements
for the year ended 31 July 2016**

18 Restricted Reserves (continued)

	Total	Total
	£'000	£'000
Analysis of other restricted funds /donations by type of purpose:		
Scholarships and prize fund	445	409
Specific projects	205	314
Prize funds	27	35
Other	55	45
	732	803

19 Cash and cash equivalents

	At 1st August	Cash	At 31st July
	2015	Flows	2016
	£'000	£'000	£'000
Cash and cash equivalents	4,716	289	5,005
	4,716	289	5,005

20 Lease obligations

Total rentals payable under operating leases:

	2016	2015
	£'000	£'000
Payable during the year	97	93
Future minimum lease payments due:		
Not later than 1 year	100	97
Later than 1 year and not later than 5 years	432	435
Later than 5 years	2,064	2,068
Total lease payments due	2,596	2,600

Notes to the financial statements for the year ended 31 July 2016

21 Pension Schemes

The College participates in two pension schemes, the Rhondda Cynon Taf Pension Funds (RCTPF), a local government pension scheme for non academic staff and the Teachers' Pension Scheme (TPS) for academic staff.

Teachers' Pension Scheme

TPS is a statutory contributory final salary scheme administered by the Teachers' Pensions on behalf 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's Department (GAD), 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 contributions levels are as follows:

Latest actuarial valuation	31 March 2012
Salary scale increases per annum	1.8% per annum

Valuation of the assets at date of last valuation £176.6 million (estimated future contributions together with notional investments held at 31 March 2012).

Following implementation of Teachers' Pensions (Employers Supplementary Contributions) Regulations 2000, the government actuary carried out a further review of the level of employer contributions. The contribution rate increased from 14.1% to 16.48% on 1 September 2015.

Contributions to TPS amounted to £408,000 in the year (2015 - £329,000) with £42,000 due at the year end (2015 - £42,000).

Under the definitions set out in Financial Reporting Standard 102 (FRS102) the TPS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly the College has taken advantage of the exemption in FRS102 and has accounted for its contributions to the scheme as if it were a defined-contribution scheme. The College has set out the above information available on the deficit in the scheme and the implications in terms of the anticipated contributions rates.

Rhondda Cynon Taf Pension Scheme

The scheme is a defined benefit occupational pension scheme. Pre April 2014 benefits are linked to final pensionable salary and service at date of retirement (or date of leaving the scheme if earlier), post March 2014 benefits accrue on a Career Average Revalued Earnings (CARE) basis.

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

Assumptions

The financial assumptions used to calculate scheme liabilities under FRS102 are:

	2016	2015
	%pa	%pa
Price Inflation (CPI)	1.75	2.2
Rate of increase in pensionable salaries	2.75	3.2
Discount rate/interest income on assets	2.6	3.65

Assumptions for the current accounting period have been chosen with reference to the duration of the Employer's liabilities. This has been estimated as approximately 20.8 years.

The most significant non-financial assumption is the assumed level of longevity. The table below shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members at age 65.

	2016		2015	
	Males	Females	Males	Females
Pensioner aged 65	23.1	26.0	23.0	25.9
Active member aged 45	25.3	28.4	25.2	28.3

Notes to the financial statements for the year ended 31 July 2016

21 Pension Schemes (continued)

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

	2016 £'000	2015 £'000	2014 £'000
Equities	6,124	5,164	4,461
Government bonds	839	663	492
Corporate bonds	986	841	738
Property	519	442	372
Cash	182	320	247
Total	8,650	7,430	6,310

	2016 £'000	2015 £'000
Analysis of the amount shown in the balance sheet for LGPS pensions:		
Scheme assets	8,650	7,430
Scheme liabilities	(13,540)	(11,180)
Deficit in the scheme – net pension liability recorded within pension provisions (Note 16)	(4,890)	(3,750)

	2016 £'000	2015 £'000
Current service cost	470	390
Total operating charge	470	390

Analysis of the amount charged to interest payable/credited to other finance income for LGPS pensions:

	2016 £'000	2015 £'000
Interest cost	410	390
Expected return on assets	(280)	(400)
Net charge/(credit) to other finance income	130	(10)
Total profit and loss charge	600	380

**Notes to the financial statements
for the year ended 31 July 2016**

21 Pension Schemes (continued)

History of experience gains and losses – LGPS pensions

	2016	2015	2014	2013	2012
Difference between actual and expected return on scheme assets:					
Amount (£m)	660	550	(240)	600	(110)
Experience (gains)/losses on scheme liabilities:					
Amount (£m)	(1,500)	(980)	20	(480)	(260)

Cumulative actuarial loss recognised as other comprehensive income for LGPS

	2016 £'000	2015 £'000
Cumulative actuarial losses recognised at the start of the year	1,040	460
Cumulative actuarial losses recognised at the end of the year	1,880	1,040

	2016 £'000	2015 £'000
Analysis of movement in deficit for LGPS pension		
Deficit at beginning of year	(3,750)	(3,090)
Contributions or benefits paid by the University	300	300
Current service cost	(470)	(410)
Other finance charge	(130)	(120)
Actuarial (loss) recognised in other comprehensive income	(840)	(430)
Deficit at end of year	<u>(4,890)</u>	<u>(3,750)</u>

	2016 £'000	2015 £'000
Analysis of movement in the present value of LGPS		
Present value of LGPS at the start of the year	11,180	9,400
Current service cost (net of member contributions)	470	390
Interest cost	410	390
Actual member contributions (including notional contributions)	140	140
Actuarial loss	1,500	980
Actual benefit payments	(150)	(130)
Past service costs	(10)	10
Present value of LGPS liabilities at the end of the year	<u>13,540</u>	<u>11,180</u>

	2016 £'000	2015 £'000
Analysis of movement in the fair value of scheme assets		
Fair value of assets at the start of the year	7,430	6,310
Expected return on assets	280	270
Actuarial gain on assets	660	550
Actual contributions paid by University	300	300
Actual member contributions (including notional contributions)	140	140
Actual benefit payments	(150)	(130)
Administration expenses	(10)	(10)
Fair value of scheme assets at the end of the year	<u>8,650</u>	<u>7,430</u>

LGPS assets do not include any of the College's own financial instruments, or any property occupied by the College.

	2016 £'000	2015 £'000
Actual return on Scheme assets		
Expected return on Scheme assets	280	270
Asset gain	660	550
	<u>940</u>	<u>820</u>

Estimated contributions for LGPS in the Financial Year 2016–2017 is £310k assuming 95% member take up in the Salary Sacrifice arrangement.

**Notes to the financial statements
for the year ended 31 July 2016**

22 Transition to FRS102 and the 2015 SORP

As explained in the accounting policies, these are the College's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the College has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the College's financial position, financial performance and cash flows is set out in the following tables.

	1 August 2014	31 July 2015
Financial position	£'000	£'000
Total reserves under 2007 SORP	14,392	14,014
Release non-government deferred capital grant	(1,977)	(1,977)
Revaluation of Land	1,819	1,819
Transfer deferred capital grants to current liabilities	(8,367)	(8,158)
Release deferred income to restricted reserves	502	690
Release deferred income to unrestricted reserves	2,193	2,151
Total effect of transition to FRS 102	(5,830)	(5,475)
Total reserves under 2015 SORP	8,562	8,539
	Year ended 31 July 2015	
Financial performance	£'000	
Surplus for the year under 2007 SORP	227	
Donations and endowments received	827	
Scholarships and prizes	(491)	
Write back of non-government capital grant release	(40)	
Gain on endowment investments	34	
Actuarial loss on pension scheme	(580)	
Total effect of transition to FRS 102	(250)	
Total comprehensive income for the year under 2015 SORP	(23)	

Cash Flows

The only impact of the transition to FRS 102 on the cash flows of the College is the reclassification of some short term investments to cash and cash equivalents as shown above.

Notes to the financial statements for the year ended 31 July 2016

22 Transition to FRS102 and the 2015 SORP

As explained in the accounting policies, these are the College's first financial statements prepared in accordance with FRS 102 and the SORP. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 2016, the comparative information presented in these financial statements for the year ended 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014. In preparing its FRS 102, SORP based Statement of Financial Position, the College has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP). An explanation of how the transition to FRS 102 and the SORP has affected the College's financial position, financial performance and cash flows is set out in the following tables.

Notes	01-Aug-14 Effect of transition to 2015 SORP			31-Jul-15 Effect of transition to 2015 SORP		
	2007 SORP £'000	2015 SORP £'000	2015 SORP £'000	2007 SORP £'000	2015 SORP £'000	2015 SORP £'000
Non-current assets						
Tangible assets	25,459	1,819	27,278	25,050	1,819	26,869
	<u>25,459</u>	<u>1,819</u>	<u>27,278</u>	<u>25,050</u>	<u>1,819</u>	<u>26,869</u>
Endowment assets	<u>1,048</u>	<u>(1,048)</u>	<u>-</u>	<u>1,240</u>	<u>(1,240)</u>	<u>-</u>
Current assets						
Trade and other receivables	340	-	340	220	(26)	194
Investments	-	952	952	-	1,114	1,114
Cash and cash equivalents	<u>4,072</u>	<u>139</u>	<u>4,211</u>	<u>4,555</u>	<u>161</u>	<u>4,716</u>
	4,412	1,091	5,503	4,775	1,249	6,024
Less: Creditors: amounts falling due within one year	<u>(2,742)</u>	<u>506</u>	<u>(2,236)</u>	<u>(2,733)</u>	<u>726</u>	<u>(2,007)</u>
Net current (liabilities)/assets	<u>1,670</u>	<u>1,597</u>	<u>3,267</u>	<u>2,042</u>	<u>1,975</u>	<u>4,017</u>
Total assets less current liabilities recorded within other Comprehensive Income.	28,177	2,368	30,545	28,332	2,554	30,886
Creditors: amounts falling due after more than one year	<u>(10,541)</u>	<u>(8,198)</u>	<u>(18,739)</u>	<u>(10,414)</u>	<u>(8,029)</u>	<u>(18,443)</u>
Provisions						
Provisions for liabilities	(154)	-	(154)	(154)	-	(154)
Other pension liability	<u>(3,090)</u>	<u>-</u>	<u>(3,090)</u>	<u>(3,750)</u>	<u>-</u>	<u>(3,750)</u>
Total net assets	<u>14,392</u>	<u>(5,830)</u>	<u>8,562</u>	<u>14,014</u>	<u>(5,475)</u>	<u>8,539</u>
Share Capital	1	-	1	1	-	1
Deferred capital grants	10,344	(10,344)	-	10,135	(10,135)	-
Pension	<u>(3,090)</u>	<u>-</u>	<u>(3,090)</u>	<u>(3,750)</u>	<u>-</u>	<u>(3,750)</u>
Restricted Reserves						
Income and expenditure reserve - endowment reserve	1,048	-	1,048	1,240	-	1,240
Income and expenditure reserve - restricted reserve	-	502	502	-	690	690
Unrestricted Reserves						
Income and expenditure reserve - unrestricted	6,089	2,193	8,282	6,388	2,151	8,539
Revaluation reserve	<u>-</u>	<u>1,819</u>	<u>1,819</u>	<u>-</u>	<u>1,819</u>	<u>1,819</u>
	14,392	(5,830)	8,562	14,014	(5,475)	8,539
Non-controlling interest	-	-	-	-	-	-
Total Reserves	<u>14,392</u>	<u>(5,830)</u>	<u>8,562</u>	<u>14,014</u>	<u>(5,475)</u>	<u>8,539</u>

**Notes to the financial statements
for the year ended 31 July 2016**

22 Transition to FRS102 and the 2015 SORP (continued)

Income and Expenditure Account re-stated

	2007 SORP £'000	STRGL Items* £'000	Effect of transition to 2015 SORP £'000	2015 SORP £'000
Income				
Tuition fees and education contracts	6,490	-	-	6,490
Funding body grants	3,489	-	-	3,489
Other income	1,715	-	(398)	1,317
Investment income	75	-	-	75
Total income before donations and endowments	11,769	-	(398)	11,371
Donations and endowments	-	150	1,035	1,185
Total income	11,769	150	637	12,556
Expenditure				
Staff costs	6,773	-	-	6,773
Fundamental restructuring costs	-	-	-	-
Other operating expenses	3,631	-	491	4,122
Depreciation	773	-	-	773
Interest and other finance costs	365	-	-	365
Total expenditure	11,542	-	491	12,033
Gain on investments	-	34	-	34
Surplus for the year	227	184	146	557
Actuarial loss in respect of pension schemes	-	(580)	-	(580)
Total comprehensive income for the year	227	(396)	146	(23)

* This column represents items that were previously recorded within the Statement of Total Recognised Gains and Losses (STRGL) and are now recorded within the statement of Comprehensive Income (SoCI).