

ANNUAL REPORT

AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2013



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VISION AND MISSION STATEMENT

THE VISION OF THE COURTAULD INSTITUTE OF ART ('THE COURTAULD') IS TO BE A GLOBAL CENTRE FOR THE UNDERSTANDING OF ART AS ESSENTIAL TO SOCIETY. THE COURTAULD EXISTS TO OFFER LEADERSHIP IN THE FIELDS OF ART HISTORY AND CONSERVATION AND, AS A GLOBAL CENTRE OF EXPERTISE, ITS PURPOSE IS TO OPEN MINDS TO THE IDEAS AND EXPERIENCE INHERENT IN ART.

The Courtauld is unique. It brings together exceptional teaching and research in the history and conservation of art and an outstanding art collection. It has unmatched concentration of specialisms from antiquity to the present.

The Courtauld benefits individuals and society by informing their responses to art. It stimulates the cultural sector locally and globally by developing new ideas and expertise, and through its graduates it generates an evolving community of specialists who shape the art world.

We are committed to extending access to the important ideas and unique experiences offered by the visual arts and have a passionate belief in their importance for society.

We care for a superb art collection in the heart of London, and have library and image resources of exceptional significance. The Gallery encapsulates The Courtauld's mission to illuminate art for all.

CHAIRMAN'S FOREWORD

YEAR ENDED 31 JULY 2013

NEW ENDOWMENTS

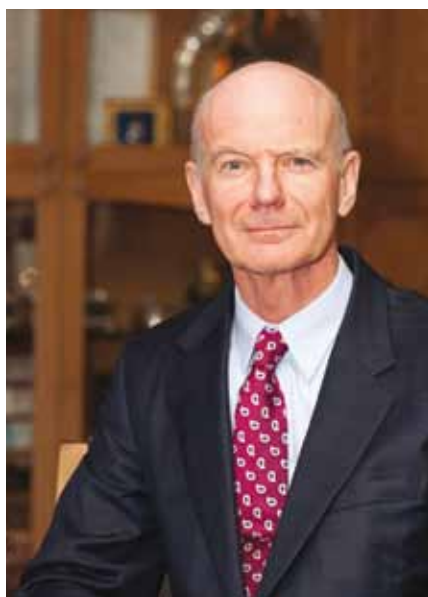
£2.2m

RETURNS ON INVESTMENTS

£4.6m

COMBINED PORTFOLIO

£36.5m



A handwritten signature in black ink that reads "James Hughes-Hallet".

James Hughes-Hallet

Chairman of the Governing Board,
The Courtauld Institute of Art

The Director's Introduction notes that this is an exciting time at The Courtauld. Our Annual Report is chapter and verse as to why this is the case. I shall simply note that The Courtauld's financial performance in 2012/13 was solid, particularly in view of the continuing challenges of the external environment.

During the year to 31 July 2013 The Courtauld raised a total of £2.2 million in new endowments, and generated total returns on investments of £4.6 million. After releases, the combined portfolio has therefore grown by £5.5 million to a total of £36.5 million. The Courtauld operates a release policy that allows it to draw down up to 4% of unrestricted endowment and investment income annually, subject to a smoothing rule to ensure broad consistency from year-to-year and subject further to only taking as much as is required to break even in the Institute's management accounts.

I am therefore pleased that for the third year in succession we have been able to draw down less than the maximum amount permitted under the release policy, meaning that more funds will be available to support a range of initiatives and activities at The Courtauld in the future, including major projects such as the redevelopment of the North Block of Somerset House now under active consideration and feasibility testing. This project, when realised, will bring many benefits to staff, students and visitors. It offers the Institute the potential for sustainable growth by means of greatly improved facilities for research, teaching and The Gallery.

This year the Institute's Strategic Plan will be updated to reflect the considerable changes that are taking place in the higher education and gallery sectors. In her introduction, the Director outlines some of the ambitious goals that will underpin all of the activities carried out across The Courtauld and will see us through to our centennial and beyond. The realisation of these goals will require sound finances and adequate resources to enable continued investment in staff and facilities to strengthen The Courtauld's position as one of the world's leading centres for the understanding of art as essential to society.

With continued careful stewardship and strong strategic leadership, I am confident that The Courtauld will be better placed than most to survive and flourish in this uncertain economic environment.



THE REDEVELOPMENT
PROJECT WILL BRING
MANY BENEFITS TO
STAFF, STUDENTS AND
VISITORS. IT OFFERS
THE INSTITUTE THE
POTENTIAL FOR
SUSTAINABLE GROWTH
BY MEANS OF GREATLY
IMPROVED FACILITIES
FOR RESEARCH,
TEACHING AND
THE GALLERY

”

THE COURTAULD PICASSO 1911

THE COURTAULD

THE COURTAULD



THE COURTAULD
CONTINUES TO RECEIVE
EXCELLENT REVIEWS
FOR ITS EXHIBITIONS,
COMPLEMENTING
THE PERMANENT
COLLECTION. THIS YEAR
BECOMING PICASSO:
PARIS 1901 WAS RECEIVED
WITH VERY HIGH CRITICAL
ACCLAIM AND BROKE
ALL FORMER VISITOR
RECORDS WITH OVER
138,000 VISITORS



DIRECTOR'S INTRODUCTION

YEAR ENDED 31 JULY 2013

RECORD FOR GALLERY VISITOR NUMBERS BROKEN

266,000



A handwritten signature in dark ink, reading 'Deborah Swallow'.

Professor Deborah Swallow
Märit Rausing Director

This is an exciting time in The Courtauld's history. Over the past year we have made good progress on the further development and planning of a number of major strategic projects, in particular the space utilisation project for the redevelopment of the North Block of Somerset House and the image libraries digitisation project. The Courtauld moved to Somerset House in 1989 and since then student and visitor numbers have increased significantly. The redevelopment and digitisation projects will help us realise our goal of The Courtauld becoming an accessible, physical and virtual portal for all aspects of the study and understanding of art, its history, heritage and conservation.

Academic highlights this year included the election of Professor John Lowden as Fellow of the British Academy in recognition of his outstanding research and contribution as Professor of medieval art history. We are now in the final stages of preparation of our submission to the 2014 Research Excellence Framework overseen by the Higher Education Funding Council for England (HEFCE) and colleagues have been extremely active, publishing exceptional books and articles, and securing funding for major research projects. *Wall Paintings of Eton* - a significant collaborative art historical and conservation project, drawing on the expertise of both current and past members of The Courtauld's Department of Conservation of Wall Painting and Eton based scholars - won the 2013 William MB Berger Prize for British Art History. Professor Caroline Arscott won a major AHRC award for a project entitled 'Scrambled Messages: The Telegraphic Imaginary 1857-1900'. These and other highlights are described in more detail in the Report.

Our Asian strategy also took shape this year. Our first appointment was Dr Wenny Teo who joined us in April 2012 as Lecturer in Modern and Contemporary Chinese art, a post supported by Manuela and Iwan Wirth. Dr Giovanni Verri, Lecturer in Buddhist Art and its Conservation, joined The Courtauld in April 2013, following the creation of a new MA programme in Buddhist Art: History and Conservation. The new MA is funded by The Robert H. N. Ho Family Foundation of Hong Kong and is a key part of the

initiative for The Courtauld's expansion beyond western art traditions. The third strand in Asian art history was also secured, with the appointment of Dr Sussan Babaie, scheduled to start in September 2013, whose post is supported by the Andrew W. Mellon Foundation.

As you will read later in this Report, The Courtauld Gallery continues to receive excellent reviews for its exhibitions, complementing the permanent collection. This year *Becoming Picasso: Paris 1901* received high critical acclaim and broke all former visitor records with over 138,000 visitors during its 14 week run. The Late events were lively and exceptionally well attended, helping us to reach a new audience. *Mantegna to Matisse: Master Drawings from The Courtauld Gallery* moved from The Courtauld to the Frick Collection, New York in January. The exhibition helped raise the profile and understanding of the drawings collection internationally, as well as benefitting The Courtauld more generally.

The above successes have been achieved despite it being a challenging year, not just for The Courtauld, but for the whole of the higher education and gallery sectors. We were delighted to receive confirmation of the renewal of our Institution-specific funding in December 2012, as the outcome of HEFCE's Review of Exceptional Funding for Institutions. The introduction of the new fees regime for undergraduates continues to effect recruitment patterns and we are monitoring what impact, if any, this will have for The Courtauld. The further £1bn set of cuts predicted for the Department of Business Industry and Science are likely to affect university funding. Galleries and other arts organisations continue to feel the squeeze from funding cuts. However, as the Chairman highlights in his foreword, The Courtauld's financial situation is strong.

This year James Hughes-Hallett took over from Nicholas Ferguson as Chairman and will lead The Courtauld through the next phase of its development. I am confident that he will preside over a period in our history that will be transformational.

DIRECTORS AND OFFICERS

GOVERNING BOARD

The Courtauld Institute of Art is a company limited by guarantee (company no. 4464432) and an exempt charity for the purposes of the Charities Act 1993 under the exempt charities order 2002 No. 1626. As such the members of the Governing Board are both company directors and charity trustees. The members of the board who served during the year and up to the date of signing these financial statements were:

Ex officio

Professor Deborah Swallow
(*Märit Rausing Director, The Courtauld Institute of Art*)^{1,2,3,4,5,6,9,10,11,12}
Dr James Cuno
(*The President, The J Paul Getty Trust*)^{1,2,7,8}
Andrew Adcock
(*The Samuel Courtauld Trust*)^{1,2}
Kate Roberts
(*President, The Student Union*)
(*until 31 August 2013*)^{1,4,12}

Appointed Members

Professor Geoffrey Crossick^{1,4,8}
Dr Martin Halusa^{6,9}
Mr James Hughes-Hallett
(*Chairman*)^{1,2,4,6,8,9,10,11}
Ms Daniella Luxembourg⁶
Dr Nicholas Penny^{4,8}
Mr Charles Sinclair^{3,7}
Ms Anna Somers Cocks^{6,12}
Sir Angus Stirling^{3,4,9}

Members of the Academic Staff elected from their own number

Professor Susie Nash¹
Professor Julian Stallabrass (to July 2013)^{1,2}
Professor Joanna Woodall³

Members of the Non-Academic Staff elected from their own number

Janine Catalano
Dr Barnaby Wright⁴

Senior Management Team

The Senior Management Team (SMT) is responsible for the day to day operation of the company. The members of the SMT are as follows:

Professor Deborah Swallow,
Märit Rausing Director
Professor Caroline Arscott,
Head of Research
Mrs Emma Davidson,
Director of Development
Mr Terence Hefford,
Director of Resources
Mr Michael Sherry,
Head of Marketing and Communications
Professor David Solkin,
Dean and Deputy Director
Dr Ernst Vegelin,
Head of The Courtauld Gallery

AUDITORS

KPMG LLP

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- | | |
|---|--|
| 1. Member of the Finance Committee | 7. Member of the Audit Committee |
| 2. Member of the Investments Committee | 8. Member of the Remuneration Committee |
| 3. Member of the Estates Committee | 9. Member of the Nominations Committee |
| 4. Member of the Gallery and Academic Committee | 10. Member of the Honorary Degrees Committee |
| 5. Member of the Academic Promotions Committee | 11. Member of the Honorary Fellows Committee |
| 6. Member of the Development and Alumni Committee | 12. Member of the Marketing and Communications Committee |

OPERATING AND FINANCIAL REVIEW

Collecting Gauguin

Samuel Courtauld in the '20s

With the most extensive
collection of Gauguin (1848-1905)
in the world...

Gauguin's work was highly influential to Samuel
Courtauld's collection of his work, but gave
him a reputation for being a collector of the 'other'.



PLEASE DO NOT TOUCH

OPERATING AND FINANCIAL REVIEW

SINCE ITS FORMATION IN 1933, THE COURTAULD INSTITUTE OF ART HAS STRIVED TO ADVANCE KNOWLEDGE AND UNDERSTANDING OF ART HISTORY AND CONSERVATION THROUGH ITS TEACHING AND RESEARCH. THE INSTITUTE BELIEVES PASSIONATELY IN PROMOTING AND LEADING GLOBAL PUBLIC EDUCATION IN ITS AREAS OF EXPERTISE, BOTH IN THE UNITED KINGDOM AND AROUND THE WORLD. THE COURTAULD DOES THIS IN MANY WAYS AND BELOW ARE JUST SOME OF THE HIGHLIGHTS AND KEY ACTIVITIES FROM THE LAST YEAR.

Research

The Courtauld has some of the world's leading researchers in the fields of art history and conservation. Our work with students is research-led at every level. The high regard in which the Institute is held as a research community is underlined by the success of our staff and students in achieving external appointments and winning research awards. Research by faculty, curatorial staff and our research students and post-doctoral fellows reaches beyond the professional to much wider publics through The Courtauld's own exhibitions and through faculty involvement in other major exhibitions, conferences and lecture programmes, often international in their impact.

As the Director points out in her introduction, a key focus this year has been to prepare for the Research Excellence Framework (REF), the system for assessing the quality of research in UK higher education institutions. Publications, projects and impact case studies are all part of the evidence that will be submitted for evaluation.

A key new initiative is a major collaboration with University College London (UCL) and King's College London led by Head of Research, Professor Caroline Arscott. Entitled 'Scrambled Messages: The Telegraphic Imaginary 1857-1900', this Arts and Humanities Research Council (AHRC) funded project will examine the way the telegraph may have shaped the Victorian imagination drawing on discussions of twenty-first-century digital culture to establish why it is that the scrambling of messages was as significant for Victorian culture at large as the sending of flawless messages. Since 2005, The Courtauld has worked in partnership with the Mehrangarh Museum Trust (MMT), to preserve the marvellous heritage of wall paintings in the fort and palace complex of Nagaur. This project was shortlisted in May 2013 for the Aga Khan Award for architecture.

One of our on-going research initiatives, the Gothic Ivories Project, moves towards its conclusion. Launched in October 2008, the project consists of an online database of ivory sculptures made in Western Europe ca. 1200 - ca. 1530, as well as neo-Gothic pieces. This year 700 'new' ivory carvings from over 60 different collections were made available online including important collections in Madrid, Scandinavian collections from Copenhagen to Oslo and from Stockholm to Lund, and other collections from Cracow, Budapest, Saint-Omer, Brie-Comte-Robert and Capri.

Courtauld academics published over 100 books and articles this year, including:

- *Architecture and Interpretation Essays for Eric Fernie* edited by Jill A Franklin, T. A. Heslop and Christine Stevenson
- *Wall Paintings of Eton*, by Emily Howe, Henrietta McBurney, David Park, Stephen Rickerby and Lisa Shekerde
- *Memory of Fire: Images of War and War of Image*, edited by Professor Julian Stallabrass – a major outcome of the Brighton Photo Biennale
- *The City and the King: Architecture and Politics in Restoration London*, by Dr Christine Stevenson.

This year Head of Research Professor Caroline Arscott launched the peer-reviewed, open-access series, *Courtauld Books Online*, the Institute's own digital publishing house. The series, which is available at www.Courtauld.ac.uk/booksonline, will include research publications that emerge from Courtauld Research Forum events and Courtauld projects involving an array of outstanding scholars from art history and conservation across the world. The inaugural publication of the series was, *Modernist Games: Cezanne and His Card Players*. This 'volume', edited by Dr Satish Padiyar, brings together a collection of papers by T J Clark, Andre Dombrowski, Gavin Parkinson, Charlotte de Mille, Satish Padiyar and Margaret Iverson, originally presented at the conference which Dr Padiyar coordinated in response to the exhibition *Cezanne's Card Players* during 2010/11.

The Research Forum is unquestionably one of The Courtauld's differentiators. It has developed activities with members of the academic staff in our Art History and Conservation departments, The Courtauld Gallery, Libraries and Public Programmes. Supported by funding from the Andrew W. Mellon Foundation, it provides an exceptionally productive, lively research environment for The Courtauld's students and faculty and offers unrivalled opportunities for conference convening, research group participation and publishing for the Institute's doctoral and postdoctoral community. It also forms a bridge into the wider academic community, drawing participants from the art history world locally, nationally and internationally. In 2012/13 over 6,500 visitors attended lectures, seminars and talks.

The ongoing collaboration between the Research Forum and the TERRA Foundation for American Art has established a Postdoctoral Teaching Fellowship and Visiting Professorships in American art. These serve to enhance the study of existing teaching and research at The Courtauld from BA to PhD, and within its faculty and wider research community. Further information on the TERRA Foundation for American Art and Andrew W. Mellon funding can be found in the Fundraising section of this Report.

Learning and teaching

The Institute attracts students from across the world and from diverse backgrounds. We aim to offer our students an excellent and unique experience that draws on the research intensive nature of the Institute.

Examination results continued to reflect the high quality of our student body. This year:

- 50 students were awarded the BA History of Art of whom 12 achieved First Class Honours
- 17 students were awarded the CGDHA (Pass), of whom 11 are eligible to go on to the MA
- 143 students were awarded the MA History of Art, of whom 63 achieved Distinctions
- 15 students were awarded the MA Curating the Art Museum of whom 4 achieved Distinctions
- 7 students were awarded the MA Conservation of Wall Painting of whom 2 achieved Distinctions
- 5 students were awarded the PG Diploma in Easels (Pass).

The Courtauld's faculty was strengthened with a number of new permanent appointments including:

Dr Tom Nickson, appointed as Lecturer in Medieval Art and Architecture. Dr Nickson holds an MA and PhD from The Courtauld (2005, 2009) and subsequently held a Lectureship at the University of York where he was also Director of the Medieval Research School. His recent work interrogates the connections between art and belief in medieval Iberia, particularly within the context of encounters between the Christian, Islamic and Jewish traditions.

Dr Giovanni Verri, appointed as Lecturer in Buddhist Art and its Conservation. Dr Verri holds a PhD from the University of Ferrara and subsequently completed the three year MA in the Conservation of Wall Painting at The Courtauld in 2007 with distinction. Dr Verri previously held a Lectureship in Sustainable Heritage at University College London, having earlier held a post-doctoral Andrew W. Mellon Fellowship at the British Museum. In 2011, he was appointed Lecturer in Sustainable Heritage at UCL whilst also acting as external examiner for The Courtauld's MA in Conservation of Wall Paintings.

Four further permanent faculty appointments were made during the year, to start in the academic year 2013-14: Dr Guido Rebecchini, appointed to a lectureship in Italian Renaissance art; Dr Sussan Babaie, to a lectureship in Iranian and Islamic Art; Dr Klara Kemp-Welch and Dr Robin Schuldenfrei, appointed to lectureships in 20th century Modernism.

Honorary Doctorates and Honorary Fellows

At the Presentation Ceremony in July, Professor Carlo Ginzburg, Franklin D Murphy Professor of Italian Renaissance Studies at UCLA and Professor Emeritus of the Scuola Normale Superiore, Pisa, was awarded an Honorary DLit of the University of London. Mrs Jane Ferguson and Dr David Landau were awarded Honorary Fellowships.

2012/13 total student numbers

BA History of Art	148
Courtauld Graduate Diploma	17
PG Diploma in Conservation of Easel Painting	15
MA in Conservation of Wall Painting	7
MA History of Art	145
MA Curating the Art Museum	12
MPhil and Research	69
Total	413

The Samuel Courtauld Trust

The Samuel Courtauld Trust is an independent charity that owns the collection on display in The Courtauld Gallery. Two important additions were made to their collection during the year: Ralph Holland bequeathed François D'Orbay's architectural drawing *Project for the Elevation of the Pavillions Terminating the Forecourt Wings of the Chateau of Versailles* (1671). This acquisition has considerably enriched the collection of architectural drawings, the most important group having been bequeathed by Sir Anthony Blunt in 1984. The Wyndham Lewis drawing *Portrait of Ivor Black* (1932) was given to The Courtauld in 2013 by The Estate of Patrick Back Q.C. This drawing was produced by Lewis for his *Thirty Personalities and a Self-Portrait* series. The drawing demonstrates Lewis's exceptional talents as a draughtsman and is an important addition to the collection of early 20th century British drawings. In addition to its long standing support of The Courtauld Gallery, The Samuel Courtauld Trust continued to support exhibitions and displays at other institutions through the programme of outgoing loans, administered by the Gallery. 116 artworks were loaned to 33 national and international venues.

The Courtauld Gallery

Visitor numbers rose by 10% in 2012/13 to 266,000, a new record for attendance at The Courtauld, as a result of the success of the *Becoming Picasso: Paris 1901* exhibition. Exhibitions and displays this year were:

Mantegna to Matisse: Master Drawings from The Courtauld Gallery Following a successful London run this exhibition transferred to the Frick Collection in New York in October 2012. The primary goal of exhibiting The Courtauld's drawings in New York was to increase awareness, enjoyment and scholarly use of this part of the collection. Over 77,000 visitors saw the exhibition and the show received an outstanding response from peers and press. A number of lectures were held by Courtauld curators and faculty and the exhibition concluded with a scholar's study day.

Peter Lely: A Lyrical Vision Peter Lely was England's leading portrait painter at the Court of Charles II. This exhibition, which attracted 48,000 visitors, explored a largely forgotten aspect of Lely's oeuvre and considered the group of so-called 'subject paintings' which he produced early in his career. The exhibition originated with The Courtauld's enigmatic painting *The Concert*. A special display entitled *The Draughtsman and His Collection* presented a selection of drawings once owned by Lely, as well as drawings by the master's own hand.

Becoming Picasso: Paris 1901 Focussing on this single seminal year in Pablo Picasso's development, this was the year that the ambitious nineteen-year-old launched his career in Paris with an exhibition that would set him on course to become one of the greatest artists of the 20th century. *Becoming Picasso* reunited major paintings from the artist's debut exhibition with the influential dealer Ambroise Vollard and brought together a stunning group of the artist's first independent masterpieces, produced in the second half of 1901. The exhibition attracted over 138,000 visitors, the highest attendance figure ever achieved for a show at The Courtauld Gallery. *Becoming Picasso* added to The Courtauld's reputation for beautifully executed and illuminating focused shows. A drawing display *Picasso, Matisse and Maillol: The Female Model* ran concurrently with *Becoming Picasso*.

Summer 2013 saw the first presentation of a new *Summer Showcase* display format. This display brought together The Courtauld's collection of Gauguins, as well as two works that Samuel Courtauld sold and which are now in the National Galleries of Scotland, Edinburgh, and the Barber Institute of Fine Arts, Birmingham. *Collecting Gauguin* attracted over 50,000 visitors.

In October 2012 The Gallery launched an innovative new programme called *Illuminating Objects*. The programme is run as a series of internships offered to postgraduate students at UK universities engaged in research primarily in disciplines outside the history of art. Students are responsible for delivering their own single-object display in the Gallery. In 2012/13, the Gallery collaborated with the School of Oriental and African Studies (SOAS), King's College, the University of Kent's interdisciplinary Text and Event in Early Modern Europe programme (TEEME), and UCL.

Every year, students on The Courtauld Institute of Art's MA programme Curating the Art Museum curate an exhibition at The Courtauld Gallery, working together on all aspects of exhibition-making – research, budget planning, interpretation and promotion. This year, the exhibition responded directly to the *Collecting Gauguin* display, drawing on both The Courtauld's and The Arts Council Collection. In 1891, Paul Gauguin travelled from Paris to the Pacific island of Tahiti in pursuit of a haven away from Western civilisation. *Imagining Islands: Artists and Escape* explored artists' fascination with other worlds, real and imagined.

Immunity from seizure activity 1 August 2012 to 31 July 2013

In line with best practice, the Gallery publishes its immunity from seizure activity. In January 2010, the Secretary of State granted The Courtauld Gallery approved status under Part 6 of the Tribunals Courts and Enforcement Act 2007 (for the protection of cultural objects on loan) allowing us – where necessary – to apply for immunity from seizure for objects on loan.

We were granted protection for the following exhibition loans:

Becoming Picasso: Paris 1901 14 February – 27 May 2013

Immunity was requested for 13 paintings, four of which did not have a fully dated history of ownership from the beginning of the year 1933 to the end of the year 1945. Details of these four works were sent to the Art Loss Register for an additional check. We received certificates for all of the works which indicated that there was 'no match' against the Art Loss Register.

It was deemed that the risk of third party claims to the paintings was extremely low. The research into the provenance of these works was thorough and the exhibition curator and Head of Gallery were confident that the documented provenance provided was of no cause for concern.

Therefore in keeping with our Due Diligence Policy we requested immunity from seizure for 13 works and the details of each painting were published on the Gallery's website in accordance with the legislation. No enquiries or claims were received about these works.

Commercial Activities

Samuel Courtauld Trust Enterprises Limited (SCTE) operates a retail shop linked to The Courtauld Gallery. During 2012/13 gross sales exceeded £1million for the first time, and the operating profit of £174,000 was a new record. SCTE is a wholly owned subsidiary of The Courtauld and its results have been included in the consolidated financial statements for the year.

Fundraising

Despite the tough economic conditions in which The Courtauld, in common with other higher education institutions, has operated during the past year, annual fundraising continues to make an important contribution to the institution's financial health. In July for example, we ran a very special Annual Fund appeal to celebrate The Courtauld's 80th anniversary. Also this year, our application for the renewal of Andrew W. Mellon funding for the Research Forum was successful, with a grant of \$750,000 for the next 2.5 years confirmed. The Foundation has also agreed to grant another \$750,000 as a Research Forum endowment match challenge. This would act as the stimulant for a further endowment campaign to achieve a total of £5-6m for Research Forum funding for the future.

The TERRA Foundation for American Art confirmed funding amounting to \$200,000

over two years to support a visiting professor scheme and a post-doctoral fellowship in American Art (see Research above).

During the year, The Courtauld also secured a £2.5million endowment to establish The Robert H. N. Ho Family Foundation Centre for Buddhist Art and Conservation at The Courtauld. In addition to being the home of the new MA in Buddhist Art and Conservation, the centre will host a series of lectures, forums and symposia for the wider academic community.

The Courtauld received a further grant of US \$87,000 from the Leon Levy Foundation, via the American Foundation for The Courtauld Institute of Art (AFCIA), for the installation of a conservation laboratory at the Ahichhatragarh Fort at Nagaur in Rajasthan as part of the project with the Mehrangarh Museum Trust to create an international centre for wall painting conservation. This supplements the US \$270,000 grant awarded by the Leon Levy Foundation in June 2011 for a Conservation and Training programme on the Wall Paintings of Nagaur 2012-2014.

In total, the Institute successfully raised in excess of £1.9million of revenue donations and a further £2.2million in donations to The Courtauld's endowment.

Public Benefit

The Courtauld is a company limited by guarantee (company no. 4464432) and an exempt charity for the purposes of the Charities Act 1993 under the Exempt Charities Order 2002 No.1626. It is an exempt charity within the meaning of Schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of paragraph 1 of Schedule 6 to the Finance Act 2010. It is not required to be registered as a charity with the Charity Commission but is subject to regulation by the Higher Education Funding Council for England (HEFCE).

The core charitable activities applied for the public benefit by The Courtauld are to carry out teaching, curating and research in the areas of art history and the conservation of wall and easel paintings, to operate an art gallery and to provide and maintain facilities and services in support of the principal activities.

Our primary aims, as set out in the Strategic Plan for the years to July 2015, are:

- To carry out, promote and shape research at the highest level and as part of this role to act as a leading facilitator of national and international scholarship and expertise in our field
- To offer, in the context of higher education, teaching programmes of exceptional quality and effectiveness
- To recruit art history and conservation students with the highest academic, intellectual and technical potential; to support them at every level from registration to employment, providing opportunities to make the best contribution to society

- To engage with the wider public through The Courtauld Gallery's outstanding collection and special exhibitions, through diverse and innovative public programmes and through the dissemination of excellent research.

In setting our objectives and planning activities, Governors have given careful consideration to the Charity Commission's general guidance on public benefit and in particular to its supplementary public benefit guidance on advancing education and on fee-charging. For the 2012/13 academic year, a total of 111 scholarships were awarded to 80 students in support of tuition fees and/or maintenance costs. In addition, in our Access Agreement with the Office for Fair Access (OFFA) for 2012/13 The Courtauld committed to spend 28.9% of the additional fee income it receives from undergraduate students above the basic fee on student bursaries and activities to encourage widening access to, and participation in, higher education by students from less advantaged backgrounds, a figure which is set to rise further over the next 2-3 years. In order to ensure that no one is discouraged from coming to The Courtauld Gallery as a result of the standard admission charge of £6, The Courtauld offers a number of concessionary tickets as well as offering free admission for visitors under the age of 18, full-time UK students, staff of UK universities, registered unwaged, Friends of The Courtauld and members of the National Art Fund. Disabled visitors may bring in a helper without charge. Admission is half price for all visitors on Mondays. In the year to 31 July 2013, 189,000 of the 266,000 visitors to the Gallery received free or concessionary admission.

The Courtauld recognises that its activities have an impact upon the environment at the local, regional, national and global levels and acknowledges a responsibility for the protection of the environment and the health of its members, visitors and the community. The Institute has developed its environmental policy with a view to promoting staff and student awareness of environmental issues within the Institute, including the use of energy efficient building practices, reducing the use of water and encouraging the use of public transport.

The redevelopment project will present an opportunity for The Courtauld to improve the efficiency of the North Block of Somerset House. Architects, John McAslan and Partners, have identified a range of environmental benefits including:

- Improving the control and efficiency of the heating distribution system
- Providing rooms in the Gallery with mechanical fresh-air ventilation allowing accurate control of air quality.

The Carbon Reduction Commitment came into force in April 2010. It is designed to stimulate energy efficiency across the economy, including large companies, local councils, universities and other public-sector bodies. Institutions will be obliged to join

its carbon – trading scheme, calculating their carbon emissions and then buying carbon credits against future emissions. The Courtauld falls below the 6,000Mw requirement to participate however with a usage of 2,300Mw the Institute nevertheless seeks to reduce its energy consumption and carbon emissions.

The distinctive character of The Courtauld, and its special position at the hub of a creative network of curatorship, research and teaching, enables it to contribute in important ways to the strength of museums and galleries in the UK and globally, to conservation of art worldwide, to the commercial and public art worlds with which it is able to forge powerful partnerships, and to the profession of art history itself and the public engagement with it. In so doing, The Courtauld plays a highly significant role in building and maintaining the success of the creative and cultural industries which are such an important component of the UK's economic and social strengths.

The Courtauld's greatest impact can be seen in the extraordinary track record of alumni employment and the value of its alumni in terms of their collective contribution to education, the arts, creative industries and the knowledge economy. Courtauld alumni continue to be leaders across all sectors of the art world, making major contributions to the UK's creative economy as well as finding success in other fields. The Courtauld also adds direct public value to the wider community through its gallery and collection, its lifelong learning programmes and publicly accessible research events.

Alumni contributions

Courtauld graduates are extraordinarily prominent at the top levels of this world. In the UK they include past and present Directors of the British Museum, Tate and Tate Britain, National Gallery, National Galleries of Scotland, Scottish National Portrait Gallery, Ashmolean, Sainsbury Centre, Birmingham Museums Trust, Sir John Soane Museum, Holburne Museum, Henry Moore Foundation, The Courtauld Gallery and English Heritage. Overseas they include Directors of the Metropolitan Museum of Art, the Morgan Library, Cleveland Museum of Art, Art Gallery of Ontario, Detroit Institute of Arts, the Minneapolis Museum of Art, Musée Beaux Arts de Montreal, Museo del Prado, Statens Museum für Kunst, Kunsthalle Bremen, Bibliotheca Hertziana Rome, Museum of Design and Applied Art, Iceland, LD Museum, Ahmedabad, and Christchurch Art Gallery, New Zealand.

Courtauld alumni play transformative roles in the theoretical development of art history outside The Courtauld, holding positions in over 50 UK universities and many more overseas, including Cambridge, East Anglia, Edinburgh, Leeds, Manchester, Oxford, University of the Arts, UCL, York, Paris, Harvard, Berkeley and the IFA, New York.

The programmes in conservation and curating provide the cultural heritage industry with professionals whose research and practice set standards and shape the field. Of some 150 conservators who graduated in the last 20 years, 95% remain active in the profession, holding influential posts in virtually every major national museum and cultural heritage body, including the National Trust and English Heritage and more abroad. Courtauld alumni thus bring to the museum, art history and conservation worlds nationally and internationally, a benefit that is disproportionate to its size.

Alumni successes this year include:

- Antonia Bostrom (BA 1979, PhD 1996) has been appointed Director of Curatorial Affairs at the Nelson-Atkins Museum of Art in Kansas City
- Jeremy Deller (BA 1987) will represent Great Britain at the 2013 Venice Biennale
- Tim Knox (BA 1983) has been appointed Director of the Fitzwilliam Museum, University of Cambridge
- Matthew Rowe (MA 1993) has been appointed Director of firstsite in Eastbourne
- Kate Stone Sonnenborn (MA 2003) has been appointed Co-Director of the Skowhegan School of Painting and Sculpture.

Courtauld collaborations and public partnerships

The Courtauld's character and position in the art and museum world mean that it has been able to build a powerful network of beneficial collaborative partnerships that provide value to the outside bodies as much as they do to The Courtauld itself, whether with the J. Paul Getty Trust, its Museum, Research and Conservation Institutes, or national and regional UK museums, galleries, and cultural centres, universities, research institutes, charitable arts foundations, and public and membership bodies.

The Courtauld's distinctive integration of teaching, research, Gallery and collections provides a particularly strong context for collaboration with national and international museum and gallery exhibition projects. Both academic and Gallery staff and PhD students frequently act as curators, consultants and advisors, for example recently at the National Gallery, Royal Academy, Tate, Whitechapel, Frick, Metropolitan Museum of Art, Morgan and international biennales in both Europe and Asia.

Through its special expertise and practice The Courtauld enhances the quality of public conservation bodies and conservation in the private sector. It provides significant educational and research support to all leading UK heritage organisations and to governments and heritage institutions internationally, including China, India, Bhutan, Italy, Cyprus, Malta, Georgia, Jordan and the USA.

Public Programmes

The Courtauld's public programmes are designed to promote the understanding and enjoyment of art and art history and to engage the public with the Gallery collections as well as the historical research and conservation work carried out within the Institute.

The courses and projects on offer last year fell into four key areas:

1. Gallery Learning
2. Young People's Projects
3. Life-long Learning and Short Courses
4. Gallery Talks and Events

By building up the programme strategically over the last six years the Public Programmes Department has developed key partnerships with schools, teachers, communities and individuals to widen participation and raise awareness of The Courtauld and its resources. Participants, students and teachers from all backgrounds tell us that The Courtauld learning programmes are unique amongst museums and galleries in London. They particularly value the scholarship and quality which underpins every level of activity and report a genuine sense of inclusion and mutual respect between participants and staff at every level.

As the leading institution for the discipline in the UK, The Courtauld has developed a specific and distinctive leadership role in addressing the poor record of widening participation in art history, a subject rarely taught in state schools. We raise awareness of the subject as a valuable humanities discipline with innovative and collaborative projects and resources for young people currently excluded from the subject. Recently we have engaged with 8,800 students, with 760 participants in specific projects, and enabled significant university entry successes.

In addition to these contributions to public value, The Courtauld also communicates and shares its distinctive qualities directly with the wider audience through the Gallery and public programmes – particularly by means of interpreted displays, temporary exhibitions, publications, events, lectures, short courses, talks and tours.

Financial Performance

A summary of the group Income and Expenditure Account is as follows:

	2013 £'000	2012 £'000
Income	13,942	12,041
Expenditure	13,512	12,687
Surplus/ (Deficit) on continuing operations	430	(646)
Transfer (to)/ from accumulated income within endowments	(326)	807
SURPLUS FOR THE YEAR RETAINED IN RESERVES	104	161

The consolidated results show a surplus of £104,000 compared to a surplus of £161,000 last year. The operating surplus for the group was £430,000 compared to an operating deficit of £646,000 last year. Included within the results is a restricted deficit of £247,000

which is the result of a timing difference on the use of restricted funds. This improvement is largely driven by the success of The Courtauld's endowment investments during the year, and the SORP treatment of releases from those funds.

Group Income

The group's income can be summarised as follows:

	2013 £'000	2012 £'000	Change %
Funding Council grants	3,130	3,289	(5%)
Tuition fees and education contracts	3,048	2,590	18%
Research grants and contracts	1,230	1,098	12%
Other income	4,828	4,546	6%
Endowment and investment income	1,706	518	229%
TOTAL INCOME	13,942	12,041	16%

Total group income for the year was £13,942,000, an increase of 16% on 2012. Funding Council grants fell by 5% during the year largely driven by changes to funding for undergraduate teaching. Tuition fees increased by 18% as a result of the new higher fee for Home and EU undergraduate students as well as increased recruitment of EU and Overseas students at postgraduate

level. Research income increased by 12%, and other income increased by 6%, due in the main to the success of the Gallery and in particular the Picasso exhibition. Income from Endowments and Investments increased by 229% as the result of a significant improvement in returns on investments during the year.

Group Expenditure

The group's expenditure can be summarised as follows:

	2013 £'000	2012 £'000	Change %
Staff costs	6,191	5,970	4%
Other operating expenses	6,645	6,120	9%
Depreciation	675	596	13%
Interest payable	1	1	0%
TOTAL EXPENDITURE	13,512	12,687	7%

Total group expenditure for the year was £13,512,000, an increase of 7% on 2012. Staff costs increased by 4% compared to 2012 as a result of the addition of several new posts including the introduction of a Marketing and Communications Department for the first time. Other operating expenditure

increased by 9% compared to 2012 with significant increases in spend on Gallery exhibitions, building maintenance, library books and student support activities, as well as the loss of negative goodwill related to The Courtauld's independence from the University of London in 2002.

Net Assets

As at 31 July 2013 the group reported net assets of £36,292,000 compared to net assets of £31,210,000 in 2012. This increase has been driven by the success of The Courtauld's endowment and investment portfolio which grew during the year by £5,504,000 to a combined value of £36,546,000 of which

£25,123,000 is represented by endowments. Net current liabilities as at 31 July 2013 are £2,543,000 due in the main to £3,159,000 of grants and donations received in advance and recorded as deferred income within these financial statements.

Investments

The Courtauld Investment Committee is responsible for oversight of the endowment (including the Institute's Fixed Asset Investments). The Committee establishes investment objectives, asset allocation policy, and investment strategies for each asset class within the portfolio. Overall investment objectives and goals are achieved by use of a diversified portfolio consistent with The Courtauld's return goals and risk tolerance. The Committee has developed an asset allocation strategy which sets minimum and maximum allocations for each asset class, a target asset allocation, and specifies benchmarks against which the performance of each asset category can be judged. While the investment horizon of The Courtauld is long-term, asset allocation is discussed at every meeting of the Committee and formally reviewed at least every year or as a significant change in The Courtauld's operations or

financial condition may require.

The primary function of the endowment is to provide enduring support for the academic mission of The Courtauld by releasing a substantial and reliable flow of funds to the operating budget, unless such a flow is not temporarily required. Maintaining the purchasing power of the endowment to provide sustained programme support requires a disciplined spending policy to balance the demands of the present against the claims of the future. The Courtauld's spending rule uses a long-term spending rate combined with a smoothing rule that adjusts gradually to changes in endowment market value.

The movement in the value of the portfolio during the year can be summarised as follows:

	Total £'000
Opening Capital	26,895
Unapplied Total Returns	4,147
Opening Balance at 1 August 2012	31,042
Received in year	2,184
Total Returns accrued in the year	4,661
Income transferred to I&E	(1,667)
Income transferred from I&E	326
At 31 July 13	
Capital	30,418
Unapplied Total Returns	6,128
	36,546

A more detailed analysis of the endowment funds, including a review of the most significant individual funds, can be found at note 21 to these financial statements. Between the Balance Sheet Date and 30 September 2013, the fund reduced in value to £35.512m, a loss of 2.8% on the year-end balance.

Longer Term Prospects

The Courtauld recognises that if it is to maintain its position as world leader in the field of art history it must continue to invest in its estate and facilities in order to maintain and improve its learning, teaching and research environment. In a difficult economic environment, a key objective of the Institute is to reduce our reliance on government funding so as to ensure that our future remains in our own hands. Therefore The Courtauld continually seeks to develop and grow existing programmes and activities and identify new complementary activities that will allow the Institute to reach out to new audiences and develop new income streams. With this in mind, during the course of 2012/13 the Institute appointed a Head of Marketing and Communications to lead a new department tasked with promoting The Courtauld to a wider audience and raising our profile both nationally and internationally.

The Courtauld's endowment fund plays a vital role in ensuring our on-going financial sustainability and we are therefore mindful of the need to balance releases from the fund to offset revenue and capital expenditure with the need to grow the fund to support the Institute in the longer term. As a result, The Courtauld operates a policy of restricting releases to no more than the amount required to break-even in its management accounts so as to protect the long-term value of the fund.

Disclosure of Information to Auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This Report has been prepared in accordance with the Accounting Standards Board's 'Reporting Statement: Operating and Financial Review' (January 2006).

Approved by the Board of Directors and signed on behalf of the Board.



Terry Hefford
Company Secretary

GOVERNANCE STATEMENT

Responsibilities of the Governing Board and Structure of Corporate Governance

The Courtauld Institute of Art is committed to the highest standards of governance and continues to review its processes and effectiveness to refine its governance arrangements. In developing its approach, the Governing Board has confirmed its commitment to the Committee of University Chairs (CUC) Governance Code of Practice, subject to a number of departures from the Guide, which are fully justifiable. The major departures are identified below, with the reasons –

- The Governing Board meets formally three times a year (CUC guidance is four). The Courtauld considers that one Board meeting a term continues to work particularly well because of the committee system in place and because individual Governors have frequent interaction and dialogue with Institute officers between Board and Committee meetings. In addition to the three formal meetings each year, the Board have an annual away day which considers a single issue in much greater detail than would otherwise be possible at a general meeting.
- The normal maximum terms of office are two terms of five years (CUC guidance is three terms of three years). The longer terms of office are helpful to The Courtauld, given the specialist nature of its work and the need to source and retain Governors with specific expertise.
- Board vacancies are not currently widely publicised (as recommended by CUC guidance). Advertising will be considered where and when appropriate but, at this stage in the Institute's evolution, potential new Governors are identified from current contacts, existing Courtauld supporters or by personal knowledge. Preliminary recommendations are then considered by the Nominations Committee before being submitted to the Board for formal approval. Staff Governors are selected from staff nominations by staff votes.
- The Courtauld's Memorandum and Articles of Association are its equivalent to Standing Orders. The Memorandum is currently being reviewed and changed; once this process is complete, a summary will be made available on the website.
- The Governing Board does not consider 'terms of appointment' and 'undertakings that Governors will act responsibly' to be appropriate. The expectation that all Governors will act responsibly is inherent in the Statement of Primary Responsibilities.

In addition to the CUC guide, the Institute is guided by HEFCE and the British Universities Finance Directors Group (BUFDG).

Overview

The Courtauld is committed to following best practice in all aspects of corporate governance. This summary describes the manner in which The Courtauld has applied the principles set out in the HEFCE Audit Code of Practice. Its purpose is to help the reader of the accounts understand how the principles have been applied.

The Courtauld's Governing Board is ultimately responsible for the institute's system of internal control and for reviewing its effectiveness.

The system of internal control is based on a developing process designed:

- to identify the principal risks to the achievement of policies, aims and objectives;
- to evaluate the nature and extent of those risks; and
- to manage them effectively, efficiently and economically.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. Where deficiencies or failures have been identified in systems or processes, immediate restorative action is taken to correct the fault regardless of whether or not the risk has been realised. This process has been in place for the year ended 31 July 2013 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

Governing Board and its Committees

The Governing Board meets three times a year and has several sub-committees which are as follows: Academic Board, Academic Promotions Committee, Audit Committee, Development and Alumni Committee, Estates Committee, Finance Committee, Gallery and Academic Committee, Honorary Degrees Committee, Honorary Fellows Committee, Investments Committee, Marketing and Communications Committee, Nominations Committee, and Remuneration Committee. All of these Committees are formally constituted with terms of reference. In all cases, the majority of the membership is lay and each of the Committees has a lay chair. The Directors who serve on each committee are identified on page 6.

The Academic Board is the Institute body set up in accordance with Article 19 of the Articles of Association of The Courtauld Institute of Art. Subject to the responsibilities of the Governing Board and of the Director, the Academic Board shall be responsible for all matters relating to the teaching, courses, scholarship and research of The Courtauld; those relating to the development of the academic activities of The Courtauld and the

resources needed for them; and advising the Director and the Governing Board thereon having regard at all times to the educational character and objectives of The Courtauld as determined by the Governing Board.

The Academic Promotions Committee meets twice a year and is responsible for the consideration of applications for promotion by Academic staff and recommendation to the Governing Board for the approval of any such promotions they consider to be appropriate.

The Audit Committee meets twice a year and is responsible for advising the Governing Board on the appointment or dismissal of the internal and external auditors; to review the effectiveness of internal control systems; to receive reports from the National Audit Office or HEFCE; to consider audit reports from the internal and external auditors and management's response to those reports; to review the arrangements for the identification and management of risk; to advise the Governing Board on accounting policies and to review the Institute's annual report and accounts before their submission to the Governing Board. The internal auditors and the external auditors attend every meeting and following the meeting which considers the annual accounts the external auditors hold a private discussion with the members of the Committee, all of whom are lay, in the absence of the officers.

The Development and Alumni Committee meets three times a year and is primarily concerned with fundraising and maintaining relationships with Alumni.

The Estates Committee meets three times a year and is responsible for oversight of the existing buildings, the creation of an Estates Strategy and evaluation of opportunities to develop or reconfigure the estate.

The Finance Committee meets three times a year and is responsible to the Governing Board for the financial management of The Courtauld. It advises the Board of Governors on all financial matters, in particular the annual estimates and accounts, matters regarding the strategic plan and the financial forecasts; on risks to the strategic plan; and other general issues.

The Gallery and Academic Committee meets three times a year and deals on the Governing Board's behalf with matters referred to the Board from the academic activities of the Institute and with the Gallery and the relationship with the Samuel Courtauld Trust.

The Honorary Degrees Committee meets annually to request, collect and consider nominations for the award of an Honorary Doctorate of the University of London by the Courtauld Institute of Art in accordance with Regulation 2 of the University of London and in accordance with procedures approved by the Governing Board, and to send recommendations for such awards to the Governing Board for approval.

The Honorary Fellows Committee meets annually to request, collect and consider nominations for Honorary Fellows and Emeritus Professorships and to send suitable recommendations for all such awards to the Governing Board for approval.

The Investments Committee meets three times a year and is responsible for the general strategy and policy on investments held or made by or on behalf of The Courtauld and deals with all matters relating to the implementation of such strategy and policy. It reviews the investment strategy, policy and performance at least annually, and it appoints any investment advisers and managers on such terms as the Committee shall think fit.

The Marketing and Communications Committee meets three times a year and is expected to provide expert guidance to the Institute on marketing and communications issues from an external perspective; to advise the executive on the development and implementation of its marketing and communications strategy; to advise on an appropriate and effective structure for the operational delivery of marketing and communications; to advise on the on-going development of The Courtauld brand; to advise, review and assess all marketing communications for the different programmes and activities of The Courtauld (The Courtauld Gallery, the Research Forum, degree courses/student recruitment, public programmes, extension learning and fundraising) in relation to its various audience sectors; to challenge and stimulate new ideas and innovative approaches to marketing and communication; and to report each term to the Governing Board.

The Nominations Committee meets at least annually. Its role is to recommend criteria to the Governing Board, for selection and de-selection to the full range of lay and honorific appointments within The Courtauld on the conditions under which such appointments might be held; and to search for those whom the Board might wish to appoint to: lay governorship, lay chairmanships and lay membership of Courtauld committees and other bodies; and such other grades of lay or honorific appointment as the Board may wish from time to time to establish (except those appointed via the Academic Board or Students' Union).

The Remuneration Committee meets at least once a year and considers and recommends the salaries of all existing professorial staff and other staff on equivalent grades; and receives reports on salaries of members of staff newly-appointed or promoted to this level. It considers and determines the honoraria of senior academic office holders. It reports to the Governing Board on policy matters relating to senior salaries and it keeps under review policies for severance payments for professorial and equivalent staff. It recommends the salary of the Director and the Director of Resources (Company Secretary).

Risk management and internal controls

The Governing Board has a responsibility to ensure that The Courtauld's risk management strategy is effective throughout the Institute and that it is fully compliant with HEFCE's requirements relating to risk.

Through its Senior Management Team (SMT), The Courtauld Governing Board has taken the following actions in relation to this:

- maintained a risk management policy for the Institute, setting out principles, processes, responsibilities and key risk areas;
- reviewed the strategic risk register, setting out key risks and how they are to be managed;
- received reports from the Audit Committee on the processes governing the identification and management of risk;
- given executive responsibility for managing risk to the Director and the SMT;
- considered the actions taken to manage the most serious physical risks identified; and
- ensured consistency in the level of risk assessed, among risks having the same probability/impact assessment.

The risk management policy sets out a clear framework for:

- identifying and assessing risks, as part of the corporate planning process;
- monitoring the management of risks; and
- reviewing the process.

The Board has confirmed the Audit Committee's role regarding the management of risk, clearly establishing the committee's responsibilities regarding risk and ensuring clarity between -

- the suitability of the processes in place (an Audit Committee responsibility); and
- the effectiveness of the identification and management of risk per se (ultimately a Board responsibility).

The revised process for reporting the identification, assessment and management of key risks to the Board was introduced during 2011/12 and is being conducted through the committee best placed to consider and agree appropriate action by management.

The detailed process is as follows:

- Annually at the committee meeting immediately prior to the July Board meeting, committee members will be presented with a risk report for each risk relative to that committee. This report will be provided by the SMT member for that committee so that members can draw conclusions about the effective management of each risk. It will also give members the opportunity to comment on any aspect of the risks noted and any other aspect of risk management;
- The result of each committee's discussion on risk will be reported to the Board through the normal committee minutes, with the committee chairman raising any specific issues;
- A 'risk management' paper will be prepared by the Director of Resources for the July Board meeting in a similar format to that currently produced, bringing together the individual risk reports from each committee meeting;
- Chairs of committees will be able to identify any issues raised at the annual review committee meeting during discussion at the Board of the compilation paper; and
- The Board will then be in a position to draw its conclusions on the appropriateness of the way risk is managed, for inclusion as appropriate in the Financial Statements and HEFCE returns.

In preparation for the other committee meetings each year, the SMT member will give full consideration to any changes in the pattern or the management of each risk and also whether any new risks have been identified and bring these to the members' notice by way of a written paper when necessary.

Statement of primary responsibilities and internal financial controls

The primary responsibilities of the Governing Board are derived from the Financial Memorandum with HEFCE dated July 2011 and Memorandum and Articles of Association of The Courtauld Institute of Art. They are:

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Institute will continue in business.

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

In accordance with the Companies Act 2006 the Board, as directors of The Courtauld Institute of Art, are responsible for the administration and management of the Institute and are required to present audited financial statements for each financial year. In addition, the terms and conditions of a Financial Memorandum between the Higher Education Funding Council for England and the Board of The Courtauld, through its designated officer, require the Institute to prepare financial statements for each financial year, which give a true and fair view of the financial position of the Institute and of the surplus or deficit and cash flows for that year. The designated officer for this purpose is the Director.

The directors are responsible for ensuring that income from the Higher Education Funding Council for England and grants and income for specific purposes and from other restricted funds administered by the Institute are applied for the purposes for which they were received to ensure that income has been applied, where appropriate, in accordance with the Financial Memorandum with the Higher Education Funding Council for England.

The directors are also responsible for:

1. approving and measuring progress on achieving the mission and strategy of The Courtauld Institute of Art, its long-term academic and business plans and establishing and reviewing high-level key performance indicators (KPIs).
2. delegating authority to the Director of the Institute for the academic, corporate, financial, estate and human resources management of the Institute; and for establishing and keeping under regular review the policies and procedures for, including any limits to be applied to, the exercise of such management functions as shall be undertaken by and under the authority of the Director.
3. ensuring the establishment and monitoring of systems of control and accountability, including financial and operational controls and risk assessment and management, and procedures for handling internal grievances and for managing conflicts of interest.
4. ensuring that processes are in place to monitor and evaluate the performance and effectiveness of the Institute against plans and KPIs.
5. establishing processes to monitor and evaluate the performance and effectiveness of the Board of Governors itself.
6. conducting its business in accordance with best practice in higher education corporate governance and with the principles of public life drawn up by the Committee on Standards in Public Life.
7. safeguarding the good name and values of the Institute.
8. appointing the Chairman of the Governing Board and its sub-committees in accordance with the terms of office established in the Memorandum.
9. appointing the Director of The Courtauld Institute of Art.
10. making such provision as it sees fit for the general welfare of the Institute's students, in consultation as appropriate with the Academic Board.
11. ensuring the Institute's Memorandum and Articles of Association are followed at all times and that appropriate advice is available to enable this to happen.

INDEPENDENT AUDITORS REPORT TO THE BOARD OF DIRECTORS OF THE COURTAULD INSTITUTE OF ART

We have audited the group and Institute financial statements (the 'financial statements') of The Courtauld Institute of Art for the year ended 31 July 2013 which comprise the Consolidated Income and Expenditure Account, the Consolidated and Institute Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Board of Directors, in accordance with the Statutes of the Institute and to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Board of Directors and to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors, the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Directors and auditor

As explained more fully in the Statement of Responsibilities set out on page 19, the Board of Directors is responsible for the preparation of financial statements which 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 auditing standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Institute's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Directors; and, the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and Institute as at 31 July 2013 and of the Group'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; and
- have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education and the Companies Act 2006.
- have been prepared in accordance with the Companies Act 2006.

Opinion on other matters prescribed in the HEFCE 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 Group and the Institute for specific purposes have been applied to those purposes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992 requires us to report to you if, in our opinion:

- the statement of internal control (included as part of the Director's Report) is inconsistent with our knowledge of the Group and the Institute.

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

- adequate accounting records have not been kept by the Courtauld, or returns adequate for our audit have not been received from branches not visited by us; or
- The Courtauld Institute of Art's financial statements are not in agreement with the accounting records and returns;
- certain disclosures of directors' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit.



Fleur Nieboer
(Senior Statutory Auditor)
For and on behalf of KPMG LLP,
Statutory Auditor

Chartered Accountants
15 Canada Square
Canary Wharf
London E14 5GL

29 November 2013



CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

	Note	Year ended 31 July 2013 £'000	Year ended 31 July 2012 £'000
INCOME			
Funding Council grants	1	3,130	3,289
Tuition fees and education contracts	2	3,048	2,590
Research grants and contracts	3	1,230	1,098
Other income	4	4,828	4,546
Endowment and investment income	5	1,706	518
TOTAL INCOME		13,942	12,041
EXPENDITURE			
Staff costs	6	6,191	5,970
Other operating expenses	8	6,645	6,120
Depreciation	10	675	596
Interest payable	9	1	1
TOTAL EXPENDITURE		13,512	12,687
SURPLUS/ (DEFICIT) ON CONTINUING OPERATIONS		430	(646)
Transfer (to)/ from accumulated income within endowments	21	(326)	807
SURPLUS FOR THE YEAR RETAINED IN RESERVES		104	161

The income and expenditure account is in respect of continuing operations
The notes on pages 29 to 41 form part of the financial statements

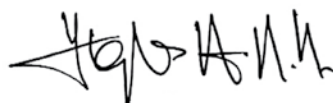
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Note	Year ended 31 July 2013 £'000	Year ended 31 July 2012 £'000
Surplus/ (Deficit) on continuing operations after depreciation on fixed assets		430	(646)
Total Returns on fixed asset investments	12	1,466	36
Total Returns on fixed asset investments released in the year	12	(359)	(432)
Total Returns on endowment asset investments	13	3,195	80
Total Returns on endowments released in the year	13	(1,308)	(80)
New endowments	21	1,873	353
TOTAL RECOGNISED GAINS/ (LOSSES)		5,297	(689)
Reconciliation			
Opening reserves and endowments		29,708	30,397
Total recognised gains/ (losses)		5,297	(689)
Closing reserves and endowments		35,005	29,708

BALANCE SHEET AS AT 31 JULY 2013

	Note	Institute 2013 £'000	2012 £'000	Group 2013 £'000	2012 £'000
FIXED ASSETS					
Tangible assets	10	3,435	3,679	3,468	3,716
Investments	12	11,423	10,005	11,423	10,005
		14,858	13,684	14,891	13,721
Endowment Assets		25,123	21,037	25,123	21,037
CURRENT ASSETS					
Stocks	14	2	3	89	99
Debtors	15	929	813	772	666
Cash at bank and in hand		838	996	931	1,083
TOTAL CURRENT ASSETS		1,769	1,812	1,792	1,848
Creditors: amounts falling due within one year	16	(4,288)	(4,000)	(4,335)	(4,057)
NET CURRENT LIABILITIES		(2,519)	(2,188)	(2,543)	(2,209)
TOTAL ASSETS LESS CURRENT LIABILITIES		37,462	32,533	37,471	32,549
Creditors: amounts falling due after more than one year	17	(2)	(32)	(2)	(32)
Provisions for liabilities	19	(1,177)	(1,307)	(1,177)	(1,307)
NET ASSETS		36,283	31,194	36,292	31,210
DEFERRED CAPITAL GRANTS	20	1,287	1,502	1,287	1,502
ENDOWMENTS					
Permanent Restricted	21	7,895	5,468	7,895	5,468
Permanent Unrestricted	21	12,358	11,117	12,358	11,117
Expendable Restricted	21	4,870	4,452	4,870	4,452
TOTAL ENDOWMENTS		25,123	21,037	25,123	21,037
RESERVES					
General reserve	22	7,557	7,199	7,566	7,215
Restricted reserves	23	77	324	77	324
Revaluation reserve	24	2,239	1,132	2,239	1,132
TOTAL		36,283	31,194	36,292	31,210

The financial statements of The Courtauld Institute of Art, registered number 04464432, were approved by the governing body on 27 November 2013 and were signed on its behalf by



James Hughes-Hallett
Chairman of the Governing Board

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2013

	Note	Year ended 31 July 2013 £'000	Year ended 31 July 2012 £'000
Cash flow from operating activities	25	(856)	(1,092)
Returns on investments and servicing of finance	26	1,705	517
Capital expenditure and financial investment	27	(971)	(1,097)
Financing	28	(30)	(29)
Decrease in cash in the year	29	(152)	(1,701)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

Decrease in cash in the year		(152)	(1,701)
Decrease in debt	28	30	29
Cash inflow from endowment asset investments	29	2	150
Cash inflow from fixed asset investments	29	19	97
Movement in net funds in year		(101)	(1,425)
Net funds at 1 August	29	2,459	3,884
Net funds at 31 July		2,358	2,459

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES 2012/13

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable accounting standards.

Basis of accounting

The financial statements are prepared under the historical cost convention modified by the revaluation of endowment asset investments.

Basis of consolidation

The consolidated financial statements include the Institute and its subsidiary undertakings for the financial year ended 31 July 2013. Details of the Institute's subsidiary undertakings are provided in note 11 to the financial statements. The financial statements have been consolidated under the acquisition method of accounting.

The Courtauld Institute of Art Fund (CIAF) is a charity registered under the Charities Act 2011, number 288509. Its principal activity is to raise funds for the benefit of the Courtauld Institute of Art. In accordance with Section 97 of the Act, CIAF is treated as a special trust for accounting purposes and its activities and results have therefore been aggregated into the Institute's results for the year. As required by the SORP, reserves held by the CIA Fund at the Balance Sheet date are treated as either endowments (in the case of restricted reserves in CIAF) or restricted reserves (in the case of unrestricted reserves in CIAF) within the institute's accounts.

Surplus attributable to The Courtauld Institute of Art

The surplus for the financial year dealt within the financial statements of the parent Institute, Courtauld Institute of Art, was £111,000 (2011/12: surplus of £168,000). Included within the results for 2012/13 was a restricted deficit of £247,000 attributable to CIAF (2011/12: surplus of £121,000, see above and note 23). As permitted by Section 408 of the Companies Act 2006, no separate income and expenditure account is presented in respect of the parent Institute.

Going Concern

The company's business activities and plans for the future are set out in the Operating and Financial Review commencing on page 8. The directors have considered these plans and the budget for the year ahead in their assessment of adopting the going concern basis for the preparation of these financial statements.

In making this assessment the directors have produced future forecasts which show that the company will be able to manage its working capital and existing resources to enable it to meet its liabilities as they fall due. The directors acknowledge that the impact of the current economic environment is uncertain, and are managing this uncertainty and its impact on the forecasts on a regular basis.

Based on these factors, the directors have prepared these financial statements on the going concern basis.

Revenue Recognition

Non-recurrent grants from the Funding Council or other bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

Income from research grants, contracts and other services rendered is accounted for on an accruals basis and is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the period and any related contributions towards overhead costs. Any payments received in advance of such performance are recognised on the balance sheet as liabilities. All income from non-endowment related short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Fee income is stated gross and credited to the income and expenditure account over the period in which the students are studying. Where the amount of the tuition fee is reduced, income receivable is shown net of the discount. Bursaries and scholarships are accounted for gross as expenditure and included within operating income.

Income and expenditure related to the Summer School which runs for the four weeks ending in the first week of August each year is treated as falling in full in the year in which the summer school commences.

According to the SORP, all donations that are expendable but which are restricted to a purpose specified by the donor are to be treated as expendable endowments. However due to the long term nature of The Courtauld's investment policy, the Institute has made a deliberate decision to only treat donations likely to be held for the long term as endowments. Donations due to be expended over a short term period are treated as deferred income and are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes. For this purpose, long-term is taken to mean in excess of five years.

Endowments

Permanent endowments are invested on a total return basis. Returns on investments are credited to the income and expenditure account to the extent that they have been applied for the purposes intended by the donor. Returns beyond this amount are retained within the unapplied total return fund as part of the endowment until such time as they are applied by the Institute and a transfer is made to the income and expenditure account.

Expendable endowments are invested alongside permanent endowments. Returns on investments are credited to the income and expenditure account in full with any unspent balances being transferred back to accumulated income within the endowment fund.

Any increase in value arising on the revaluation of fixed asset investments is carried as a credit to the revaluation reserve, via the statement of consolidated total recognised gains and losses; a diminution in value is charged to the income and expenditure account as a debit, to the extent that it is not covered by a previous revaluation surplus.

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at year-end rates. Exchange differences are dealt with in the income and expenditure account, except in respect of foreign exchange variations in respect of future endowments, any exchange variations for which are shown in the statement of total recognised gains and losses.

Pension Schemes

The Courtauld participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (SP2). The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme wide contribution rate is set. The institution is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the amount payable to the scheme in respect of the accounting period.

The Institute also participates in the Superannuation Arrangements of the University of London ('SAUL'), which is a centralised defined benefit scheme and is contracted-out of the Second State Pension. SAUL is a 'last man standing' scheme so that in the event of the insolvency of any of the participating employers in SAUL, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation. A formal valuation of SAUL is carried out every three years by professionally qualified and independent actuaries using the Projected Unit method. Informal reviews of SAUL's position are carried out between formal valuations. As above, it is not possible to identify the institution's share of the assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17, accounts for the scheme as if it were a defined contribution scheme.

SCT Enterprises Limited contributes to two defined contribution schemes on behalf of its employees. In accordance with FRS17, contributions to these schemes are included as expenditure in the period in which they are payable.

Negative goodwill

Negative goodwill arising upon acquisitions is included within intangible assets and is released to the income and expenditure account over the life of the tangible assets to which it relates. Any residual negative goodwill is recognised in the income and expenditure account in the period expected to benefit.

Tangible fixed assets

a) Land and buildings

Land and buildings are stated at historical cost. Costs incurred in relation to a tangible fixed asset, after its initial purchase or production, are capitalised to the extent that they increase the expected future benefits to the institution from the existing tangible fixed asset beyond its previously assessed standard of performance; the cost of any such enhancements are added to the gross carrying amount of the tangible fixed asset concerned.

Where assets related to land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and are released to the income and expenditure account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

A review for impairment of a fixed asset is carried out annually for residential buildings and otherwise if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

b) Equipment

Equipment costing less than £10,000 per individual item or set of similar items is written off to the income and expenditure account in the year of acquisition. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful economic life as follows:

General equipment - 10% per annum from the year of acquisition

Computer equipment - 33% per annum from the year of acquisition

Where fixed assets are acquired with the aid of specific grants, they are capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the income and expenditure account over the expected useful economic life of the related fixed assets.

c) Rare books and artefacts

Rare books and artefacts valued at £853,000 are capitalised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable. All such assets are fully accessible by users of The Courtauld's book library and a detailed catalogue of the collection is due to be completed in 2013. The last valuation of the collection took place in 2002, and the next valuation is expected to take place in 2013/14 once cataloguing of the collection has been completed. Future valuations will then take place every ten years. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Investments

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value. Listed assets are included in the balance sheet at market value.

Investments that form part of endowment assets are included in the balance sheet at market value.

Stocks

Stocks are stated at the lower of their cost and net realisable value.

Taxation

The Institute is an exempt charity within the meaning of schedule 2 of the Charities Act 1993 and as such is a charity within the meaning of section 506 (1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the Institute is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 505 of the ICTA 1988 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 Institute receives no similar exemption in respect of Value Added Tax. Irrecoverable VAT on inputs is included in the cost of such inputs. Any irrecoverable VAT allocated to tangible fixed assets is included in their cost.

SCT Enterprises Limited is subject to corporation tax and Value Added Tax in the same way as any commercial organisation and current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Provisions

Provisions are recognised when the Institute has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

NOTES TO THE FINANCIAL STATEMENTS

1. FUNDING COUNCIL GRANTS

	Year ended 31 July 2013 £'000	Year ended 31 July 2012 £'000
Recurrent grant from HEFCE	2,854	2,987
Deferred Capital Grants released	252	253
Other specific grants from HEFCE	24	49
	<u>3,130</u>	<u>3,289</u>

2. TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July 2013 £'000	Year ended 31 July 2012 £'000
UK Higher Education students	1,340	1,272
European Union (EU) (excluding UK) students	239	100
Non-EU students	1,358	1,136
Total fees paid by or on behalf of individual students	<u>2,937</u>	<u>2,508</u>
Other education income	111	82
	<u>3,048</u>	<u>2,590</u>

3. RESEARCH GRANTS AND CONTRACTS

	Year ended 31 July 2013 £'000	Year ended 31 July 2012 £'000
Research councils	6	54
UK based charities	238	94
EU Charity	88	92
Other grants and contracts	898	858
	<u>1,230</u>	<u>1,098</u>

4. OTHER INCOME

	Year ended 31 July 2013 £'000	Year ended 31 July 2012 £'000
Donations	1,960	1,863
Deferred Capital Grants released	56	43
The Courtauld Gallery- admissions and events	800	606
SCT Enterprises Ltd (The Gallery Shop)	909	810
Residences and accommodation	619	583
Other income	477	641
	<u>4,828</u>	<u>4,546</u>

5. ENDOWMENT AND INVESTMENT INCOME

	Year ended 31 July 2013 £'000	Year ended 31 July 2012 £'000
Income from endowments released to I&E account (note 21)	1,308	80
Other investment income	398	438
	<u>1,706</u>	<u>518</u>

6. STAFF COSTS

The average weekly number of persons (including directors) employed by the Group during the year, expressed as full-time equivalents, was:

	Year ended 31 July 2013 No	Year ended 31 July 2012 No
Teaching departments	31	34
Teaching support services	2	2
Gallery & Libraries	18	18
Administration and central services	51	47
Premises	5	6
Other	14	13
	<hr/> 121	<hr/> 120
	£'000	£'000

Staff costs for the above persons:

Wages and salaries	5,135	4,969
Social security costs	453	434
Pension costs	603	567
	<hr/> 6,191	<hr/> 5,970

The number of staff, including the directors, who received emoluments (excluding employers pension contributions) of more than £100,000 in the financial year was:

	Year ended 31 July 2013 No	Year ended 31 July 2012 No
£170,000- £180,000	<hr/> 1	<hr/> 1

7. SENIOR POSTHOLDERS' EMOLUMENTS

The emoluments of the Director of the Institute are as follows:

	Year ended 31 July 2013 £'000	Year ended 31 July 2012 £'000
Salary	178	174
Pension contributions	28	28
	<hr/> 206	<hr/> 202

Pension contributions are in respect of employer's contributions to the Universities Superannuation Scheme and are paid at the same rate as for other employees.

8. ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff costs	Other operating expenses	Depreciation	Year ended 31 July 2013	Year ended 31 July 2012
	£'000	£'000	£'000	Total £'000	Total £'000
Teaching departments	2,705	1,535	-	4,240	4,339
Academic information services	508	202	-	710	650
Gallery	689	856	28	1,573	1,321
Administration and central services	1,723	1,414	290	3,427	2,944
Premises costs	-	1,582	340	1,922	2,103
Planned maintenance	-	420	-	420	233
Other income generating activities - Institute	299	183	-	482	367
Other income generating activities - subsidiaries	267	454	17	738	730
	6,191	6,646	675	13,512	12,687

Other operating expenses include:

	Year ended 31 July 2013	Year ended 31 July 2012
	Total £'000	Total £'000
Amortisation of negative goodwill	1	(51)
Auditors' remuneration		
- statutory audit	56	55
- other services	42	20
Hire of other assets	12	12
Operating Leases	606	606
Interest payable (note 9)	1	1

The external audit fee for the Institute was £52,788 inclusive of VAT (2011-12: £50,880)

9. INTEREST PAYABLE

Interest payable	Year ended 31 July 2013	Year ended 31 July 2012
	£'000	£'000
On bank loans and other loans:		
Repayable within 5 years by instalments	1	1
	1	1

10. TANGIBLE FIXED ASSETS

Institute	Leasehold land and buildings £'000	Rare books and artefacts £'000	Computer equipment £'000	General equipment £'000	Total £'000
Cost					
At 1 August 2012	3,735	853	711	1,670	6,969
Additions	122	-	230	62	414
At 31 July 2013	3,857	853	941	1,732	7,383
Depreciation					
At 1 August 2012	1,702	-	615	973	3,290
Charge for year	340	-	149	169	658
At 31 July 2013	2,042	-	764	1,142	3,948
Net book value					
At 31 July 2013	1,815	853	177	590	3,435
At 31 July 2012	2,033	853	96	697	3,679
Inherited	-	853	-	-	853
Financed by capital grant	1,643	-	-	86	1,729
Other	172	-	177	504	853
	1,815	853	177	590	3,435
Group					
	Leasehold land and buildings £'000	Rare books and artefacts £'000	Computer equipment £'000	General equipment £'000	Total £'000
Cost					
At 1 August 2012	3,735	853	718	1,806	7,112
Additions	122	-	233	72	427
At 31 July 2013	3,857	853	951	1,878	7,539
Depreciation					
At 1 August 2012	1,702	-	622	1,072	3,396
Charge for year	340	-	150	185	675
At 31 July 2013	2,042	-	772	1,257	4,071
Net book value					
At 31 July 2013	1,815	853	179	621	3,468
At 31 July 2012	2,033	853	96	734	3,716
Inherited	-	853	-	-	853
Financed by capital grant	1,643	-	-	86	1,729
Other	172	-	179	535	886
	1,815	853	179	621	3,468

11. SUBSIDIARY UNDERTAKINGS

The Institute has the following subsidiary undertaking:

Name	Ownership	Year end
SCT Enterprises Limited	100%	31 July 2013

SCT Enterprises Limited is a company registered in England and Wales and its principal activity is the sale of items related to The Courtauld Gallery and its collections.

12. FIXED ASSET INVESTMENTS

	2013 £'000	2012 £'000
Balance brought forward at 1 August	10,005	9,087
Total Returns accrued in the year	1,466	36
Income received transferred to income & expenditure account	(359)	(432)
Transfers from cash	311	1,314
Balance at 31 July	11,423	10,005
Represented by:		
Unit Trusts and Investment Trusts	10,930	9,531
Cash balances	493	474
	11,423	10,005

13. ENDOWMENT ASSETS

Institute and Group	2013 £'000	2012 £'000
Balance brought forward at 1 August		
Capital	16,890	16,831
Unapplied Total Returns	4,147	4,660
	21,037	21,491
Additions (note 21)	1,873	353
Total Returns on endowment asset investments	3,195	80
Income received transferred to income & expenditure account	(1,308)	(80)
Transfer of accumulated income from general reserves	326	(807)
Balance at 31 July	25,123	21,037
Represented by:		
Unit Trusts and Investment Trusts	24,038	19,929
Cash balances	966	964
Amounts owing from benefactors & others	119	144
	25,123	21,037

For the purpose of managing the investment portfolio and for all other management and administrative purposes, the endowment asset investments and fixed asset investments continue to be administered jointly in a single fund which was valued at £36.546m at 31 July 2013. (31 July 2012: £31.042m).

14. STOCKS

	Institute 2013 £'000	2012 £'000	Group 2013 £'000	2012 £'000
Finished goods	2	3	89	99

15. DEBTORS

	Institute 2013 £'000	2012 £'000	Group 2013 £'000	2012 £'000
Trade and student debtors	113	114	117	126
Amounts due from subsidiary undertakings	181	171	-	-
Taxation and VAT recoverable	100	74	100	74
Other Accrued Revenue	275	218	287	223
Other debtors	136	41	136	41
Prepayments	124	195	132	202
	929	813	772	666

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Institute 2013 £'000	2012 £'000	Group 2013 £'000	2012 £'000
Bank loan	30	30	30	30
Payments received in advance	3,159	3,236	3,159	3,236
Trade creditors	605	260	622	277
Amounts due to subsidiary undertakings	2	4	-	-
Accruals	339	186	350	218
Other taxation and social security	120	137	141	149
Other creditors	33	147	33	147
	4,288	4,000	4,335	4,057

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Institute and Group	2013 £'000	2012 £'000
Bank loan	2	32
	2	32

18. BORROWINGS

Institute and Group	2013 £'000	2012 £'000
Loans are repayable as follows:		
In one year or less	30	30
Between one and two years	2	32
	32	62

Interest is payable on the unsecured loan from the bank at variable rates, linked to the lender bank's base rate. Interest payable on the bank loan was 1.5% throughout the year.

19. PROVISIONS FOR LIABILITIES

Institute and Group	Dilapidations 2013 £'000	2012 £'000
At 1 August	1,307	1316
Transferred from income and expenditure account	175	175
Utilised in year	(305)	(184)
At 31 July	1,177	1,307

The dilapidations provision relates to costs to be incurred in returning the premises licensed from Somerset House Trust to their original condition. Following a significant round of capital improvements over the last three years, it is anticipated that much of the remaining provision will be utilised during 2013/14. At that time the need to continue to build the provision will be re-assessed.

20. DEFERRED CAPITAL GRANTS

Institute and Group	Balance at 1 August 2012 £'000	Received in year £'000	Released in year £'000	Balance at 31 July 2013 £'000
HEFCE- Leasehold land and buildings	(1,071)	(61)	208	(924)
HEFCE- General Equipment	(49)	-	44	(5)
Other- Land and buildings	(273)	-	32	(241)
Other- General Equipment	(109)	(32)	24	(117)
	(1,502)	(93)	308	(1,287)

Capital grants are deferred and released to the Income & Expenditure account over the useful economic life of the asset against the related depreciation charge in proportion to the level of the grant received.

21. ENDOWMENTS

	Permanent Restricted £'000	Permanent Unrestricted £'000	Total Permanent £'000	Expendable Restricted £'000	Total 2013 £'000	Total 2012 £'000
At 1 August 2012						
Capital	4,607	7,831	12,438	4,452	16,890	16,831
Unapplied Total Returns	861	3,286	4,147	-	4,147	4,660
	5,468	11,117	16,585	4,452	21,037	21,491
Received in the year	1,781	-	1,781	92	1,873	353
Total Returns accrued in the year	962	1,604	2,566	629	3,195	80
Total Returns transferred to income & expenditure account (note 5)	(316)	(363)	(679)	(629)	(1,308)	(80)
Transfer of accumulated income from/(to) general reserves	-	-	-	326	326	(807)
At 31 July 2013						
Capital	6,388	7,831	14,219	4,870	19,089	16,890
Unapplied Total Returns	1,507	4,527	6,034	-	6,034	4,147
	7,895	12,358	20,253	4,870	25,123	21,037
Representing						
Fellowships and scholarships funds	2,052	231	2,283	1,709	3,992	3,615
Prizes funds	13	-	13	-	13	12
Chairs and lectureships funds	4,137	-	4,137	1,893	6,030	3,792
Other funds	1,693	12,127	13,820	1,268	15,088	13,618
	7,895	12,358	20,253	4,870	25,123	21,037

The Board has resolved that income up to a maximum of 4% of the current value of unrestricted endowments should be released to the Income and Expenditure Account, to cover any residual operating deficit of the Institute.

The Institute operates a total returns policy in respect of its endowment and fixed asset investments. Releases to the income and expenditure account and transfers to general reserves are accordingly based on income and growth realised during the year, subject to the conditions for the use of funds being met in the case of restricted funds and the limits imposed by the board in the case of unrestricted funds.

Included within the table above, the Institute holds three permanent unrestricted endowments that could be considered to be material charitable funds. The funds, each of which was given to support the long term financial sustainability of the Institute, can be analysed as follows:

	Lisbet Rausing £'000	The Garfield Weston Foundation £'000	The Deborah Loeb Brice Foundation £'000	The Robert HN Ho Family Foundation £'000
At 1 August 2012				
Capital	5,000	1,000	1,344	-
Unapplied Total Returns	2,562	504	118	-
	7,562	1,504	1,462	-
Additions	-	-	219	1,563
Total Returns accrued in the year	1,092	217	218	166
Total Returns transferred to Income and Expenditure Account (note 6)	(337)	(33)	(78)	(19)
At 31 July 2013				
Capital	5,000	1,000	1,563	1,563
Unapplied Total Returns	3,317	688	258	147
	8,317	1,688	1,821	1,710

22. MOVEMENT ON GENERAL RESERVES

	Institute £'000	Group £'000
At 1 August 2012	7,199	7,215
Deficit retained for the year	684	677
Transfers from accumulated income within endowments	(326)	(326)
At 31 July 2013	<u>7,557</u>	<u>7,566</u>

23. MOVEMENT ON RESTRICTED RESERVES

Institute and Group	Year ended 31 July 2013 £'000
At 1 August 2012	324
CIAF surplus retained for the year	<u>(247)</u>
At 31 July 2013	<u>77</u>

24. MOVEMENT ON REVALUATION RESERVES

Institute and Group	Year ended 31 July 2013 £'000
At 1 August 2012	1,132
Total Returns on fixed asset investments	1,466
Income received transferred to income & expenditure account	<u>(359)</u>
At 31 July 2013	<u>2,239</u>

**25. RECONCILIATION OF OPERATING SURPLUS/
(DEFICIT) TO NET CASH OUTFLOW**

	Year ended 31 July 2013 £'000	Year ended 31 July 2012 £'000
Surplus / (Deficit) on continuing operations	430	(646)
Depreciation	675	596
Amortisation of negative goodwill	-	(51)
Decrease in stocks	10	7
(Increase)/ Decrease in debtors	(106)	1,187
Increase/ (Decrease) in creditors	278	(1,363)
(Decrease) in provisions	(130)	(9)
Interest receivable	(1,706)	(518)
Interest payable	1	1
Deferred capital grants released	<u>(308)</u>	<u>(296)</u>
Net outflow from operating activities	<u>(856)</u>	<u>(1,092)</u>

26. RETURNS ON INVESTMENT AND SERVICING OF FINANCE

	2013 £'000	2012 £'000
Income from endowments	1,308	80
Other interest received	398	438
Interest paid	<u>(1)</u>	<u>(1)</u>
Net cash inflow from returns on investments and servicing of finance	<u>1,705</u>	<u>517</u>

27. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2013 £'000	2012 £'000
Purchase of tangible fixed assets	(427)	(649)
Capital grants received	93	59
Endowment income received	(326)	807
Transfers from cash to fixed asset investments	(311)	(1,314)
Net cash outflow from capital expenditure and financial investment	(971)	(1,097)

28. FINANCING

	2013 £'000	2012 £'000
Repayment of loans	(30)	(29)
	(30)	(29)

29. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2012 £'000	Cash flows £'000	At 31 July 2013 £'000
Cash at bank and in hand	1,083	(152)	931
Endowment asset investments (note 13)	964	2	966
Fixed Asset investments (note 12)	474	19	493
Debt due within one year	(30)	-	(30)
Debt due after more than one year	(32)	30	(2)
Total	2,459	(101)	2,358

30. PENSIONS AND SIMILAR OBLIGATIONS

University Superannuation Scheme (USS)

The Institute participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is contracted out of the State Second Pension (SP2). The assets of the scheme are held in a separate administered by the trustees, Universities Superannuation Scheme Limited.

The appointment of directors to the board of the trustee is determined by the trustee company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are co-opted directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the new scheme-specific funding regime introduced by the Pension Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2012 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (ie the valuation rate of interest), the rate of increase in salary and pensions and the assumed rate of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An 'inflation risk premium' adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases due to age and promotion reflecting historic scheme experience, with further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for three years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members' mortality	S1NA ["light"] YoB tables- No age rating
Female members' mortality	S1NA ["light"] YoB tables- rated down one year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates. The CMI 2009 projections with a 1.25% per annum long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.5 million and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets were therefore sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using an AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the valuation date the scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the previous valuation at 31 March 2008 there have been a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

New Entrants

Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal pension age

The Normal pension age was increased for future service and new entrants, to age 65.

Flexible retirement

Flexible retirement options were introduced.

Member contributions increased

Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS and CRB section members respectively.

Cost sharing

If the total contribution level exceeds 23.5% of salaries per annum, the employer will pay 65% of the excess over 23.5% and members would pay the remaining 35% to the fund as additional contributions.

Pension increase cap

For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

The actuary has estimated that the funding level as at 31 March 2013 under the scheme specific funding regime had fallen from 92% to 77%. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions. These are cited as the two most significant factors affecting the funding positions which have been taken into account for the 31 March 2013 estimation.

On the FRS17 basis, using an AA bond discount rate of 4.2% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2013 was 68%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 55%.

Surpluses or deficits which arise at future valuations may impact on the Institute's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial valuation are set out below:

Assumption	Change in assumption	Impact on shortfall
Investment Return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed		
Equity markets in isolation	1 year longer	Increase by £0.8 billion
	Fall by 25%	Increase by £4.6 billion

USS is a 'last man standing' scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustees believe that over the long-term equity investment and investment in selected alternative asset classes will provide superior returns to other investment classes. The management structure and targets set by the Trustee are designed to give the fund a significant exposure to equities through portfolios that are diversified both geographically and by sector. The trustee recognises that, putting the issue of the USS fund's size and scale to one side for a moment, it might be theoretically possible to select investments producing income flows broadly similar to the estimated liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that it considers the sponsoring employers would be willing and able to make, it is necessary and appropriate for the trustee to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide whilst maintaining a prudent approach to meeting the fund's liabilities. Before deciding what degree of investment risk to take relative to the liabilities, the trustee receives advice from its internal investment team, its investment consultant and the scheme actuary, and importantly considers the ability of the sponsoring employers to support the scheme if the investment strategy does not deliver the expected returns.

The positive cash flow of the scheme means that it is not necessary to realise investments to meet liabilities, and the scheme actuary has confirmed that this is likely to remain the position for the next ten years or more. The trustee believes that this, together with the ongoing flow of new entrants into the scheme and most critically the ability of the employers to provide additional support to the scheme should additional contributions be required, enables it to take a longer-term view of its investments. Some short-term volatility in returns can be tolerated and need not feed through directly to the contribution rate. However, the trustee is mindful of the difficult economic climate which exists for defined benefit pension schemes currently, and the need to be clear about the responses that are available should the deficits persist and a revised recovery plan becomes necessary following the next actuarial valuation of the scheme as at 31 March 2014. The trustee is making preparations ahead of the next valuation to compile a formal financial management plan, which will bring together – in an integrated form – the various funding strands of covenant strength, investment strategy and funding assumptions, in line with the latest guidance from the Pensions Regulator.

At 31 March 2013, USS had over 148,000 active members and The Courtauld had 58 active members participating in the final salary scheme, with a further 12 participating in the CRB scheme.

The total pension cost for the institution was £508,000 (2012: £473,000). The contribution rate payable by the institute was 16% of pensionable salaries.

Superannuation Scheme of the University of London (SAUL)

The Institute participates in a centralised defined benefit scheme for all qualified employees with the assets held in separate Trustee-administered funds. The Courtauld Institute of Art has now adopted FRS17 for accounting for pension costs. It is not possible to identify the The Courtauld's share of the underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the

amounts actually paid (i.e. cash amounts) in accordance with paragraphs 8 – 12 of FRS17.

SAUL is subject to triennial valuations by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2011 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The following assumptions were used to assess the technical provisions:

	31-Mar-11
Discount Rate:	
'- pre-retirement	6.80% p.a.
'- post-retirement	4.70% p.a.
General salary increases*	3.75% p.a. until 31 March 2014, 4.50% p.a. thereafter
Retail Prices Index Inflation ('RPI')	3.50% p.a.
Consumer Prices Index Inflation ('CPI')	2.80% p.a.
Pension increases in payment (excess over GMP)	2.80% p.a.
Mortality – base table	SAPS Normal (year of birth) tables with an age rating of +0.5 years for males and -0.4 years for females
Mortality – future improvements	Future improvements in line with CMI 2010 projections with a long term trend of 1.25% p.a.

*excluding an allowance for promotional increases

The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of SAUL's assets was £1,506 million representing 95% of the liability for benefits after allowing for expected future increases in salaries.

Based on the strength of the Employer covenant and the Trustee's long-term investment strategy, the Trustee and the Employers agreed to maintain Employer and Member contributions at 13% of Salaries and 6% of Salaries respectively following the valuation. The above rates will be reviewed when the results of the next formal valuation (as at 31 March 2014) are known.

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed SAUL to be in deficit at the last formal valuation date (31 March 2011). As part of this valuation, the Trustee and Employer have agreed that no additional contributions will be required to eliminate the current shortfall.

The more material changes (the introduction of a Career Average Revalued Earnings, or 'CARE') to SAUL's benefit structure will apply from 1 July 2012. As a consequence, the cost of benefit accrual is expected to fall as existing final salary members are replaced by new members joining the CARE structure. This will allow an increasing proportion of the expected asset return to be used to eliminate the funding shortfall. Based on conditions as at 31 March 2011, the shortfall is expected to be eliminated by 31 March 2021, which is ten years from the valuation date.

At 31 March 2013, SAUL had over 10,000 active members and The Courtauld had 28 active members participating in the final salary scheme, with a further 3 members in the CARE scheme.

The total pension cost for the institute was £87,000 (2012: £87,000). The contribution rate payable by the institution was 13% of pensionable salaries.

31. FINANCIAL COMMITMENTS

At 31 July 2013 the Group and the Institute had annual commitments under non-cancellable operating leases as follows:

	2013 £'000	2012 £'000
Land and buildings		
Expiring in over five years	606	606

The Institute occupies the North block of Somerset House under a lease dated 1 December 1987. The annual rent payable under the terms of the lease is subject to review every five years with the next review due to take place as at July 2012. The current terms include a peppercorn rent on the 'fine rooms' which house the public area of The Courtauld Gallery.

In April 2009, the Institute entered into a 30 year lease (with a break clause after 15 years) with the Duchy of Lancaster for the provision of student accommodation at Duchy House.

32. RELATED PARTY TRANSACTIONS

On 20 May 2003, the Institute invested £300,000 of endowment assets in SVG Capital plc (formerly Schroder Ventures International Investment Trust plc) convertible bonds. In accordance with the terms and conditions of the bonds, they were converted into ordinary shares of the company on 13 June 2006 and the Institute elected to retain the shares. At the time of the investment and the decision to convert Nicholas Ferguson served as Chairman of both The Courtauld Institute of Art and of SVG Capital plc. He has since stepped down from both roles.

During the year, the Institute paid £98,000 (2011-12 £114,000) to the University of London, of which the Institute is an independent College, for central university governance, the university Careers Group, Senate House Libraries, the University of London Union, examination services and the private housing group.

During the year the Institute acted as Custodian for the works of art displayed and stored in The Courtauld Gallery but owned by the Samuel Courtauld Trust and others. Nicholas Ferguson and Sir Angus Stirling are also directors of the Samuel Courtauld Trust. SCT Enterprises Limited ('SCTE') is a wholly owned subsidiary of The Courtauld Institute of Art. During the year, the Institute paid SCTE £121,000 for the provision of admissions and image services (2011-12

£111,000) and SCTE paid the Institute £65,000 in rent for the use of space within The Courtauld (2011-12 £65,000). At the end of the year, SCTE accrued a gift aid payment to the Institute equal to its taxable profit of £181,000 (2011-12 £152,000).

During the year the Institute received donations from Martin Halusa of £1,100 (2011-12 £20,000), from James Hughes-Hallett of £8,100 (2011-12 £8,000), from Sir Angus Stirling of £3,500 (2011-12 £1,600) and from Professor Deborah Swallow of £11,250 (2011-12 £16,500). All four are Directors of the Institute.

No payment was made to any director for expenses relating to their role as a Director (2011-12: £Nil).

33. CONTROLLING PARTY

The Courtauld is a company limited by guarantee without any share capital and members, hence there is no controlling party.

34. CONTINGENT ASSET

A claim for losses in respect of an alleged theft of gallery admissions proceeds has been accepted in principle by the Institute's insurers; negotiations as to the amount payable are currently underway and are expected to be resolved during 2013/14.

