

Company Registration No. 04464432

COURTAULD INSTITUTE OF ART

Report and Financial Statements 31 July 2008

COURTAULD INSTITUTE OF ART

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Contents	Page
Directors' report	1
Statement of directors' responsibilities	9
Corporate governance, the system of internal control and risk	10
Corporate governance statement	12
Independent auditors' report to the Board of Directors	13
Consolidated income and expenditure account	15
Statement of consolidated total recognised gains and losses	16
Institute balance sheet	17
Consolidated balance sheet	18
Consolidated cash flow statement	19
Notes to the financial statements	20

COURTAULD INSTITUTE OF ART

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 July 2008.

ACTIVITIES

The principal activities of the Institute are to carry out teaching 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. The Institute is a company limited by guarantee and an exempt charity.

Vision and Mission Statement

The Courtauld Institute of Art is dedicated to the studying and teaching of art history and conservation at the highest levels in the world.

The Courtauld is a world-class centre of intellectual enquiry in the fields of the history, conservation and curatorship of art and architecture. It fosters and advances the understanding, care and enjoyment of the visual arts through a distinctive combination of:

- Advanced research
- Specialist teaching
- Professional training
- Exceptional libraries and visual resources
- An outstanding gallery
- Diverse public programmes

Strategic Aims

- The Strategic Plan continues to be reviewed and developed regularly and the latest version was approved by the Governing Board in July 2007.

In order to achieve our mission we have seven core strategic aims:

- to secure the Institute's international position as a research centre of the highest calibre in the disciplines of the history of art and architecture and in museum and conservation studies;
- to attract national and international students with the highest academic, intellectual and technical potential to art history and conservation regardless of background;
- to realise students' potential by means of teaching and learning methods of the highest quality;
- to care for and develop the libraries and visual resources as a central part of the Institute's teaching and research;
- to care for and develop the Gallery and collection as a central part of the Institute's teaching and research and for wider public benefit and enjoyment; to use them as key vehicles for disseminating new knowledge and understanding;
- to raise philanthropic income in support of The Courtauld's mission and strategic aims;
- to secure long term financial viability.

Underpinning these are cross-cutting supporting aims:

- To achieve excellence in the leadership, governance and management of the Institute;
- To deliver excellence and efficiency in the organisation through the enhancement of systems and through staff development;
- To develop an estate which is fit for purpose and which has a physical infrastructure capable of meeting the needs of our students, staff and visitors;
- To enhance the reputation and brand of The Courtauld, in order to raise awareness of the Institute and Gallery, increasing target audiences, funding and income generation opportunities.

COURTAULD INSTITUTE OF ART

DIRECTORS' REPORT (continued)

RESOURCES, RISKS AND RELATIONSHIPS

Introduction

The Courtauld became an independent college of the University of London in 2002. At the beginning of its second five years of existence, the Chairman of the Governing Board instigated a process to ensure a balance between continuity and development of membership of the board. In the course of 2007-08 a restructuring of the Institute's senior management begun in 2006-07, resulted in the establishment of the Senior Management Team, which replaced the Director's Advisory Group. This has already led to greater efficiencies in the day to day operation of the Institute. All staff continue to rise to the challenges collegiate status has brought and the Institute remains a world leader in its field.

Academic staff and their students have continued to achieve notable successes with highly regarded publications, prestigious awards, 'visiting' appointments and exhibitions at other world renowned galleries. The Institute has also received striking reviews for its own exhibitions, complementing the permanent collection, which is seen as one of the most important in Britain. Most of the collection cared for by The Courtauld Institute of Art is vested in the Samuel Courtauld Trust, an independent Trust.

Improvements continue to be made to the use of space in The Courtauld, and particular improvements in the configuration of the libraries, the gallery and facilities for students and other visitors were undertaken in the summer of 2007. The provision of student accommodation in a self-contained building situated a few yards from the front door of the Institute continues to be a much appreciated asset. Investigations are underway to increase this provision.

Research

The Courtauld's reputation in the university and museum worlds is secured ultimately by the quality of its research contribution. At the same time, our work with students is research-led at every level, something which is highly valued by undergraduates as well as postgraduates.

The high regard in which the Institute is held as a research community is underlined by the success of our students and staff in winning research awards. During the year:

- Linda Goddard continued her three year British Academy Post-doctoral Fellowship which runs to January 2010.
- Peter Dent continued his British academy Post-doctoral Fellowship, completing it in August 2008.
- Rachel Wells was awarded and took up a Henry Moore Foundation post-doctoral Fellowship.
- Dr Catherine Grant completed her year as the 2007 Research Forum post-doctoral Fellow.
- Dr Judith Batalion became the 2008 Research Forum post-doctoral Fellow.
- Pascal Lebreuche became the 2007-8 Caroline Villers Fellow in Technical Art History.
- Dr. Sheila McTighe continued and completed her three year Leverhulme Major Research Fellowship.
- Dr Shulamith Behr took up her Leverhulme Research Fellowship for the autumn of 2007 and her Visiting Fellowship at the Centre for Research in the Arts, Social Sciences and Humanities, University of Cambridge for Lent term 2008.
- Professor Mignon Nixon was the Senior Scholar in Residence at the Musée d'Art Américain, Giverny, France, under the aegis of the Terra Foundation, during the summer of 2007.
- Professor Patricia Rubin took up her Visiting Fellowship at the Kunsthistorisches Institut in Florence, in the summer and autumn of 2007.
- Professor Paul Crossley was announced as the 2010-2011 Slade Professor, to deliver a series of lectures in that year in Cambridge University.
- Professor John House was announced as the Kress Visiting Professor at the Centre for the Advanced Study in the Visual Arts, (Smithsonian Institution), Washington D.C, for the year 2008-9.

COURTAULD INSTITUTE OF ART

DIRECTORS' REPORT (continued)

- Professor John Lowden was awarded a grant of £240,000 by the Thomson Foundation for a three year project, *A Survey of Medieval Ivories*.
- The Andrew W. Mellon Foundation made a \$300,000 award for the Maestro di Figline conservation documentation project; Austin Nevin was appointed as the Andrew W. Mellon Fellow for this project.
- The Getty Foundation made a grant of \$300,000 to the Mehrangarh Museum Trust, Jodhpur, India, for a wall painting conservation project that is being led and managed by the Courtauld.
- Dr Julian Stallabrass was awarded a one year Leverhulme Fellowship for 2008-9.
- Dr Georgia Clarke as co-investigator with Dr Fabrizio Nevola (principal investigator) of Oxford Brookes University, was awarded an AHRC Beyond Text network grant for the project: 'Street Life and Street Culture: between early modern Europe and the present'.
- Dr Antony Eastmond, as co-investigator with Dr Elizabeth James (principal investigator) of Sussex University, was awarded an AHRC Beyond Text network grant for the project: 'Viewing Texts: word as image and ornament in medieval inscriptions in the Byzantine world'.
- Professor John Lowden as co-investigator with Dr Scott McKendrick (principal investigator) was awarded a £180,000, AHRC Beyond Text major award for a three year project on the Royal Manuscripts of the British Library.
- The Institute was awarded two AHRC collaborative PhD awards for 2008-2011, the first, on early printmaking in Florence, jointly supervised by Dr Mark Macdonald, Keeper of Prints at the British Museum and Professor Patricia Rubin; the second on modern and contemporary Indian art, to be jointly supervised by Divia Patel, Curator of Indian Art at the Victoria and Albert Museum and Dr Deborah Swallow and Dr Julian Stallabrass.
- Rachel Morrison was made Student Conservator of the Year, as part of the Conservation Awards for 2007, in respect of her work on surface cleaning of unvarnished paintings, supervised at The Courtauld and the Institut Collectie Nederland, Amsterdam.

Major publications by faculty this year include: Dr Sheila McTighe: *The Imaginary Everyday: Genre Painting and Prints in Italy and France, 1580-1670*, Bownes, New York and Pittsburgh, 2007; Professor David Solkin's *Painting Out of the Ordinary: Modernity and the Art of Everyday Life in Early Nineteenth Century Britain*, Yale University Press, London, 2008; Dr Peter Stewart's *The Social History of Roman Art*, Cambridge University Press, 2008; Dr Joanna Woodall's *Anthonis Mor: Art and Authority*, Wanders, Zwolle, 2007.

The fifth issue of the postgraduate research journal *immediations* was launched in July 2008. The Courtauld undertook to produce a special Courtauld 75th anniversary edition (no 71) of the joint Journal of the Warburg and Courtauld Institutes, edited by Professors Paul Crossley and John Lowden, to be published in December 2008.

Our faculty's research 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. This year's activities included *Impressionists by the Sea*, curated by Professor John House, initially shown at the Royal Academy, which toured to the United States in 2007/08. Dr Susie Nash curated the exhibition: '*No Equal in Any Land*': *Andre Beauneveu, Artist to the Courts of France and Flanders*, at the Groeninge Museum, Bruges and wrote the accompanying catalogue.

The Research Forum

Well established at the centre of the Institute and of its research activities, the Research Forum has continued to mature its programme, with a diversified portfolio of projects covering the interests of all departments of the Institute. The programme of visiting scholars continues to be a great success, in 2007/08 the Research Forum hosted Visiting Professor Hal Foster (Princeton University). **Fourteen** conferences and colloquia were organised or co-organised, their subjects ranging from Sculpture and Touch, though Framing the Other: 30 Years after Orientalism; the 26th Annual Gerry Hedley Student Symposium; 9 Scripts from a Nation at War; 'In despite of the devouring flame; The Temple Church in

COURTAULD INSTITUTE OF ART

DIRECTORS' REPORT (continued)

London; Creative Writing and Art History: From the Fictional to the Biographical, and Writing Modern Art History – both of the latter being part of the year's Writing Art History theme. Writing Modern Art History; Papers in Honour of Christopher Green, arranged by Professor Green's own doctoral students, demonstrated the wide-ranging legacy of a generous teacher and internationally eminent authority on modern art.

This year's Frank Davis Lecture series was on the theme *Disciplines Unbound*, and the Friends Lecture series on *Discoveries in Conservation*. Other lectures included: Alexei Lidov (Research Centre for Eastern Christian Culture, Moscow), Zofia Kulik (artist, Warsaw), Anne Hedeman (University of Illinois) and Juliana Barone (University of Oxford) gave occasional lectures; Professor Mignon Nixon (Courtauld) delivered her inaugural lecture; Professor Griselda Pollock (University of Manchester) inaugurated the academic programme 'Writing Art History'. In addition to period-based research seminars, seminars and working groups were held on the history of photography, Roman art, medieval ivories, Giotto's O, and graphic art. The third Research Forum post doctoral fellow Catherine Grant completed her tenure on December 31st; Judith Batalion was appointed to the same post from January 1st. X Research Assistants were appointed to the Witt Library and Courtauld Gallery project, *Collecting and The Courtauld Collections*. Planning for three Research Forum/Andrew W. Mellon Foundation funded MA courses was completed and courses advertised in preparation for their scheduled timetables in 2008-9 and 2009-10.

The Andrew W. Mellon Foundation confirmed an award of \$1.6m to support the Research Forum for a further four years.

Students and teaching

We continue to recruit high calibre students and to make every effort to increase the diversity of the student community. Overall student numbers in 2007/08 increased from 428 to 441. There were 101 overseas students (2006/07: 95) and 340 home and EU students (2006/07: 333) on full or part-time undergraduate or postgraduate courses. Five students were on the IES Study Abroad programme (2006/07: 4). The balance between the different programmes continued in favour of postgraduate programmes, 158 (2006/07: 151) students being registered for the BA in the History of Art, 189 (2006/07: 186) for taught postgraduate programmes and 94 (2006/07: 91) for full-time research degrees.

The fees that the Institute charges to UK students will rise to £3,400 in the year 2008/09 in line with the government's variable fees policy. The Institute's Access agreement with the Office for Fair Access (OFFA) details the Institute's range of undergraduate bursaries designed to make university study possible for those otherwise unable to attend due to financial constraints.

We are also concerned to maintain our recruitment strengths internationally and the Institute will ensure compliance with requirements concerning students with US loans. The Study Abroad Programme is expanding through collaborative schemes such as the IES and a consortium of universities including Pennsylvania, Brown and Cornell. Relationships have been established with the Study Abroad Offices of Harvard and Columbia Universities. A Marshall-Courtauld scholarship recipient was recruited for the MA in the History of Art to begin in 2006, and the Institute is actively seeking further scholarship funding for US students.

Student life and student needs extend beyond purely academic concerns. The Institute continues to offer accommodation for students in the refurbished Strand Continental Hotel, only moments away from Somerset House. During 2007/08, this accommodation, managed by the Institute, was home to 26 students studying a variety of History of Art programmes.

The strength of our teaching lies in its specialist depth and its scope. We offer courses taught by leading specialists at every level, undergraduate and postgraduate, ranging from Antiquity to the 21st Century. In Wall Paintings Conservation, a major continuing element in the fieldwork component of the M.A. Programme is illustrative of the research-led nature of all our teaching, though unique as a collaborative enterprise: the Dunhuang project where Courtauld and Chinese students from the Dunhuang Academy work together on the conservation of the 6th Century paintings in Cave 260 at this major Silk Road site.

Despite our success as a teaching institution, we welcome innovative change in our Programmes and courses, and look to expand our offer where we can. The key focus of academic development in 2007/08 was the introduction of a new twelve month MA course entitled: Curating the Art Museum which was

COURTAULD INSTITUTE OF ART

DIRECTORS' REPORT (continued)

launched in October 2007. The programme was developed in close consultation with colleagues throughout the museum and gallery world, and we are delighted that it has been seen as a significant development and extremely well received. Our examination results were strong. 52 students entered and passed the BA in the History of Art first-year examinations (2006/07: 57 entered and passed); 60 Students entered and 59 passed the BA second-year (2006/07 46 entered and passed); and 45 entered and 44 passed the BA third-year (2006/07: 44 entered and passed). 23 full-time students entered and 21 passed The Courtauld Graduate Diploma in the History of Art (2006/07: 14 entered and passed). 123 (2006/07: 124) entered the MA in the History of Art Programme, of whom 116 (2006/07: 121) completed and passed the examination in June. There were 5 students on each of the 3 years of the Easel Paintings Conservation Postgraduate Diploma course, and 6 successfully completed the 3rd year of the three-year Wall Paintings Conservation MA (2006/07: 6). 9 candidates (2006/07: 7) were awarded BA degrees with first-class honours, 22 (2006/07: 30) achieved the MA with a Distinction and 16 candidates (2006/07: 16) were awarded a PhD.

Galleries

Courtauld Gallery

The Gallery is part-funded by a grant from the Arts and Humanities Research Council under its Museums and Galleries Core Funding Scheme. The current grant was made for the period to July 2009 as the result of an application graded A+, and defined as 'An application of the highest quality, to be funded as a matter of priority', and the award represents a strong endorsement of our strategic direction and programmes. Central to our application was the re-articulation of the Gallery's mission as a university art museum, including its proximity to the teaching and research conducted in the Institute.

Exhibitions: During 2007/08 the Gallery continued its distinctive programme of highly focused research led temporary exhibitions. The full programme was: *Walter Sickert: The Camden Town Nudes* (25 October 2007 to 20 January 2008); *Renoir and the Theatre* (21 February to 26 May 2008); and *The Courtauld Cézannes* (26 June to 5 October 2008). Overall attendance numbers during the year were 167,500, a record year for the Gallery.

In addition to the above, 2007/08 saw the inaugural exhibition of the Institute's new MA in Curating the Art Museum, *Scenes and Stages* (26 June to 27 July 2008). The year also saw a Courtauld exhibition at the Arts Depot in Finchley, *Manet to Matisse: French Prints from the Courtauld Gallery* (27 June to 26 August 2008), the first time that the Courtauld has proactively undertaken a community-orientated exhibition. Additionally *Paths to Fame: Turner Watercolours from the Courtauld* was shown at the Wordsworth Trust in Grasmere (16 July to 12 October 2008).

The programme for 2008/09 was also finalised- *Paths to Fame: Turner Watercolours from the Courtauld* (30 October 2008 to 25 January 2009) and *Love & Marriage in Renaissance Florence: The Courtauld Wedding Chests* (12 February to 17 May 2009) will be followed by *Experiments in Design: The Omega Workshops 1913 – 1919* (18 June to 20 September 2009). The Gallery exhibition programme, detailed above, is intended to attract a strong audience while adhering to our policy of focused scholarly exhibitions.

Loans

The Gallery supported a range of exhibitions nationally and internationally with loans of works in its care: 83 loans were made to 18 different venues including such distinguished institutions as the Museum of Modern Art in New York, Tate Britain, the National Museum in Stockholm and the Albertina in Vienna. Works lent included paintings, drawings and prints and items of decorative art by artists ranging from Edgar Degas and Georges Seurat to Renaissance masters such as Pinturicchio. The Gallery's own exhibition programme similarly benefitted from a series of important loans made by institutions and private collections in America, continental Europe and the United Kingdom.

Collections development

The collection in the care of the Gallery has continued to grow through acquisitions, gifts and bequests. Additions to the collection included an important watercolour by JMW Turner accepted in lieu of

COURTAULD INSTITUTE OF ART

DIRECTORS' REPORT (continued)

inheritance tax, a sketchbook with drawings by Winifred Gill and Roger Fry, a Cézanne etching, and a sculpture presented to the Gallery by Sir Anthony Caro.

The Hermitage Rooms

France in Russia: Empress Josephine's Malmaison Collection which opened on 25 July closed on 4 November 2007, was the last exhibition in the current collaborative programme of events co-organised by The Courtauld Institute of Art and The State Hermitage Museum in St Petersburg. The alliance has been enormously successful and has had a huge impact on both organisations, not only through the exhibition programme but also in the field of academic exchange. The Courtauld is most grateful to the Edmond J. Safra Philanthropic Foundation for its generous support of this programme over the past five years. Due to the rising costs of staging such shows at a time when funding is increasingly hard to obtain, The Courtauld and the Hermitage have decided that the focus of the alliance should shift from exhibitions to scholarship, which better reflects the long-term aims of both parties. Since 2003, the alliance has enabled the Hermitage to re-establish links with Western art scholarship. There continues to be an active programme of academic exchanges including symposia, lectures and conferences, as well as the highly successful visiting curator scheme. This programme enabled over 50 curators from the Hermitage to visit London for extended periods over the period 2003-2007 including 9 during 2007/08 (2006/07: 12).

Marketing The Courtauld Institute of Art

The 75th anniversary of the first intake of students to The Courtauld on 6 October 1932 provided us with an opportunity to focus efforts on raising the Institute's profile in a number of ways and considerable efforts to achieve this were made throughout the year. During the year we achieved a number of public and academic service improvements: redevelopment of our visual identity; the redesign and re-launch of The Courtauld website; improved Gallery toilet and cloakroom facilities and physical access; improved support facilities adjacent to the Research Forum and Administration; improvements to the use of space in the libraries; and (working with Somerset House Trust) improved site signage. The 75th anniversary academic year also saw the launch of The Courtauld Association - a new concept which will bring all current students and alumnae/alumni together in one organisation - and will continue with a rich programme of exhibition and academic events, some of them specifically focused on a theme highlighting The Courtauld's contributions to our disciplines in the past and present and future. The anniversary celebrations culminated in an alumni weekend in early July 2008 which was considered by all who attended to be a tremendous success.

Financial position

The Courtauld Institute of Art is a small, specialist arts institution operating in a largely publicly funded higher education environment, which favours large institutions that can deliver maximum economies of scale. Unusually, the Institute derives around half of its Higher Education Funding Council income from its research (R) whereas most Higher Education Institutions depend largely on funds relating to student numbers (T). As a small specialist institution, The Courtauld receives an additional T grant premium. Whereas T is normally predictable and controllable, R is not, being dependent on the Research Assessment Exercise, with its shifting allocation formula. All public funding is variable and alterations in the formulae can have major impacts. In large institutions covering all subjects, such variations are likely to cancel each other out; in a small monotechnic there is a much greater degree of risk.

The group results for 2007/08 as contained in these financial statements show a deficit of £629,000 (2006/07 £293,000). Included in this result was the outcome for the Institute itself, a deficit of £522,000. In operational terms, the group deficit was in fact £259,000 (2006/07 surplus of £278,000 including a one-off additional release from endowments of £538,000) of which £152,000 related to the Institute. The difference between the operational deficit and that recorded in these financial statements is the result of the reclassification of investments required by the new Statement of recommended practice: accounting for further and higher education ("SORP").

COURTAULD INSTITUTE OF ART

DIRECTORS' REPORT (continued)

Longer term prospects

As in all HE institutions, there is an adverse variation between the increase in the rate of inflation that applies to HEFCE income and the higher rate which applies in practice to significant parts of our expenditure. Furthermore, two major annual fixed term donations from benefactors came to an end during 2007-08; applications have been made for new grants from the same sources and there are a number of other promising developments via our fundraising programmes.

Our research funding from the Higher Education Funding Council income is dependent on the Research Assessment Exercise. This periodic assessment took place in 2008 and will affect our income from 2009/10. The outcome of this review is due to be published in December 2008. Our target is to maintain our current position as the most successful group of History of Art researchers in the country.

A significant portion of our teaching funding from HEFCE is in the form of exceptional funding, which recognises the unique nature of what we do at the Courtauld. This stream of funding is currently under review by the Funding Council and their decision is due to be announced early in 2009. HEFCE have already indicated that future funding will be cash limited. The decision to cease funding for Equivalent or Lower Qualifications (ELQ's) will also have an impact on our longer term planning and may affect our course offering in 2009/10 and beyond.

Systems and processes throughout the Institution have continued to mature and be enhanced. These have been supplemented by changes in the senior management team, which is helping to improve the effectiveness of the Institute.

Investment performance

During the course of the year, The Courtauld's investments, under the stewardship of the Investments Committee chaired by Dr David Landau, maintained steady progress, despite the market turmoil during the period. The increase in the value of investments totalled £600k and again exceeded the blended benchmark for the whole portfolio.

Property issues

The Courtauld occupies the north block of Somerset House which includes extensive basements, extending under the north terrace of the Courtyard. The buildings date from around 1780 and are Grade 1 listed. The accommodation is held on long lease from Somerset House Trust which manages the whole of Somerset House.

In order to give estates matters the priority and focus that they merit, the Governing Board established an Estates Committee early in 2005, chaired by Sir Angus Stirling, which met three times during the course of this year.

During 2007/08, a number of development projects took place, including improvements to the Book Library, to public facilities and to the cafe and to the disabled entrance to the Gallery. Office accommodation has also been converted into teaching space and storage space for paintings. The works have been funded by HEFCE and by generous benefactors, as well as from internal funds.

Student accommodation

For the last three years, The Courtauld has been able to offer its own student accommodation to students situated within a very short walk of Somerset House, at the Strand Continental Hotel, as well as a number of rooms in University of London Intercollegiate Halls. The ability to offer such accommodation is of strategic importance, because the lack of such facilities can impact negatively on recruitment and might detract from the student experience. We are currently actively investigating other larger, long-term facilities in the environs of Somerset House.

COURTAULD INSTITUTE OF ART

DIRECTORS' REPORT (continued)

DIRECTORS

The Directors who served during the year and subsequently were:

Nicholas Ferguson (Chairman)
Dr Michael Brand
Dr Aviva Burnstock (retired October 2008)
Dr Caroline Campbell (retired October 2008)
Professor Geoffrey Crossick (appointed August 2007)
Sir Nicholas Goodison
Christopher Griffin (appointed July 2008)
James Hughes-Hallett (appointed October 2008)
Dr Martin Halusa (appointed August 2007)
Professor John House (retired October 2008)
Dr David Landau
Neil MacGregor (retired December 2007)
Professor Mignon Nixon
Timothy Plaut (retired July 2008)
Dr Neil Rudenstine
Anjum Saad (retired October 2008)
Dr Katie Scott
Sir Angus Stirling
Elizabeth Swarbrick (retired July 2008)
Dr Deborah Swallow (The Director)
James N Wood

POLITICAL AND CHARITABLE CONTRIBUTIONS

There were no political or charitable contributions in the year (2006/07 - nil).

AUDITORS

In the case of each of the persons who were directors of the Institute at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Institute's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information (as defined) and to establish that the Institute's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte & Touche LLP were appointed as auditors for the year ended 31 July 2008 at the Annual General Meeting held on 12 December 2007. They have expressed their willingness to continue in office as auditors and a resolution to reappoint them for year 2008/09 will be proposed at the forthcoming Annual General Meeting on 26 November 2008.

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

COURTAULD INSTITUTE OF ART

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the accounts for the group in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

United Kingdom company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the state of affairs of the Institute and the group and of the surplus or deficit of the group for that period and comply with UK GAAP and the Companies Act 1985. In preparing those 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 proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Institute and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Institute and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with the Companies Act 1985 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 Institute, 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.

COURTAULD INSTITUTE OF ART

CORPORATE GOVERNANCE, THE SYSTEM OF INTERNAL CONTROL AND RISK

The following information is given to assist readers of the financial statements in obtaining an understanding of the governance procedures applied by the Board.

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 Courtauld'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.

The Governing Board meets three times a year and has several sub-committees which are as follows: Audit Committee, Estates Committee, Finance Committee, Galleries and Academic Committee, Investments Committee, Nominations Committee, Remuneration Committee, and Resources Fund-raising & Alumni 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 Audit Committee meets twice a year. The internal auditors attend every meeting and the external auditors attend the meeting which considers the annual accounts and following that meeting hold a private discussion with the members of the Committee, all of whom are lay, in the absence of the officers.

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; and on risks to the strategic plan; and other general issues.

The Galleries 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 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 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.

COURTAULD INSTITUTE OF ART

CORPORATE GOVERNANCE, THE SYSTEM OF INTERNAL CONTROL AND RISK (continued)

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 Resources, Fundraising and Alumni Committee meets three times a year and is largely concerned with fund raising.

COURTAULD INSTITUTE OF ART

CORPORATE GOVERNANCE STATEMENT

Risk

The Governing Board formally accepted responsibility for the system of internal control at its July 2004 meeting and took steps to ensure that its risk management strategy was effective throughout the Institute and that from 1 August 2004, the Institute was fully compliant with HEFCE's requirements relating to risk.

During the year, the 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 implementation and development of risk management;
- given executive responsibility for managing risk to the Director and the senior management team;
- considered the actions taken to manage the most serious physical risks identified; and
- set in motion a review of the way risk is assessed, to ensure there is consistency in the level of risk assessed, among risks having the same probability/impact assessment.

The risk 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 Director of Resources is required to report regularly to the Audit Committee and the Governing Board about the process.

In order to get the maximum benefit from the risk management process, the Institute requires, as part of the planning process, active risk management not only at the corporate level but also at the operational level.

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

We have audited the group and Institute financial statements of The Courtauld Institute of Art for the year ended 31 July 2008 which comprise the consolidated income and expenditure account, the statement of consolidated total recognised gains and losses, the balance sheets, the consolidated cash flow statement and the related notes 1 to 34. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Board of Governors (the Directors) of the University, as a body, in accordance with Section 235 of the Companies Act 1985 and the Financial Memorandum dated July 2006. Our audit work has been undertaken so that we might state to the Board of Governors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board and the Board's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the University's statute, the Statement of Recommended Practice on Accounting for Further and Higher Education and other applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and the Statement of Recommended Practice on Accounting for Further and Higher Education. We also report to you whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by The Courtauld Institute of Art have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

We report to you if in our opinion the directors' report is not consistent with the financial statements, if the group has not kept proper accounting records, if the accounting records do not agree with the financial statements or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the directors' report, including the corporate governance statement, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing issued by the Auditing Practices Board and the Audit Code of Practice issued by the Higher Education Funding Council for England. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Institute and group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement,

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

whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- a) the financial statements give a true and fair view of the state of affairs of the Institute and the group as at 31 July 2008 and of the group's deficit of income over expenditure for the year then ended and have been properly prepared in accordance with the Companies Act 1985 and taking into account the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions;
- b) in all material respects income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the Institute have been applied for the purposes for which they were received;
- c) in all material respects income has been applied in accordance with the Institute's articles and, where appropriate, with the Financial Memorandum, dated July 2006 with the Higher Education Funding Council for England; and
- d) the directors' report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and
Registered Auditors
Cambridge, England

28 November 2008

COURTAULD INSTITUTE OF ART

CONSOLIDATED INCOME & EXPENDITURE ACCOUNT

Year ended 31 July 2008

	Note	Year ended 31 July 2008 £'000	Year ended 31 July 2007 Restated (see Note 34) £'000
INCOME			
Funding Council grants	2	2,889	2,742
Tuition fees and education contracts	3	1,940	1,712
Research grants and contracts	4	1,196	1,234
Other income	5	3,231	3,343
Endowment and investment income	6	538	557
TOTAL INCOME		9,794	9,588
EXPENDITURE			
Staff costs	7	5,344	5,077
Other operating expenses	9	5,138	5,241
Depreciation	11	412	294
Interest payable	9a	50	74
TOTAL EXPENDITURE		10,944	10,686
DEFICIT ON CONTINUING OPERATIONS		(1,150)	(1,098)
Transfer from accumulated income within endowments	23	521	805
NET MOVEMENT IN GENERAL RESERVES		(629)	(293)

The income and expenditure account is in respect of continuing operations

COURTAULD INSTITUTE OF ART

STATEMENT OF THE CONSOLIDATED TOTAL RECOGNISED GAINS & LOSSES

Year ended 31 July 2008

	Note	Year ended 31 July 2008 £'000	Year ended 31 July 2007 <i>Restated (see Note 34)</i> £'000
Deficit on continuing operations		(1,150)	(1,098)
Appreciation of expendable endowment asset investments	22	30	2,004
Appreciation of fixed asset investments	14	45	1,001
New endowments	22	1,299	1,432
TOTAL RECOGNISED GAINS		224	3,339
Reconciliation			
Opening reserves and endowments		25,390	22,051
Total recognised gains		224	3,339
Closing reserves and endowments		25,614	25,390

COURTAULD INSTITUTE OF ART

INSTITUTE BALANCE SHEET

As at 31 July 2008

	Note	2008 £'000	2007 Restated (see Note 34) £'000
FIXED ASSETS			
Intangible assets	10	(243)	(307)
Tangible assets	11	3,463	3,133
Investments	14	7,614	7,939
		<hr/>	<hr/>
		10,834	10,765
ENDOWMENT ASSETS			
	13	18,350	17,542
CURRENT ASSETS			
Stocks	15	33	31
Debtors	16	580	731
Cash at bank and in hand		1,880	1,346
		<hr/>	<hr/>
TOTAL CURRENT ASSETS		2,493	2,108
CREDITORS: amounts falling due within one year	17	(3,155)	(2,274)
NET CURRENT LIABILITIES		<hr/>	<hr/>
		(662)	(166)
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		28,522	28,141
CREDITORS: amounts falling due after more than one year	18	(607)	(740)
PROVISIONS FOR LIABILITIES AND CHARGES	20	(882)	(818)
NET ASSETS		<hr/>	<hr/>
		27,033	26,583
DEFERRED CAPITAL GRANTS			
	21	1,441	1,322
ENDOWMENTS			
Permanent Restricted	22	3,850	3,335
Permanent Unrestricted	22	10,204	9,683
Expendable Restricted	22	4,296	4,524
		<hr/>	<hr/>
TOTAL ENDOWMENTS		18,350	17,542
RESERVES			
General reserve	23	5,662	5,846
Restricted reserves	23a	89	57
Revaluation reserve	23b	1,491	1,816
TOTAL		<hr/>	<hr/>
		27,033	26,583

The financial statements were approved by the governing body on 26 November 2008 and were signed on its behalf by:



COURTAULD INSTITUTE OF ART

CONSOLIDATED BALANCE SHEET

As at 31 July 2008

	Note	2008 £'000	2007 Restated (see Note 34) £'000
FIXED ASSETS			
Intangible assets	10	(243)	(307)
Tangible assets	11	3,470	3,143
Fixed asset Investments	14	7,614	7,939
		<u>10,841</u>	<u>10,775</u>
ENDOWMENT ASSETS			
	13	18,350	17,542
CURRENT ASSETS			
Stocks	15	138	170
Debtors	16	475	735
Cash at bank and in hand		1,973	1,445
TOTAL CURRENT ASSETS		<u>2,586</u>	<u>2,350</u>
CREDITORS: amounts falling due within one year	17	(3,233)	(2,503)
NET CURRENT LIABILITIES		<u>(647)</u>	<u>(153)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>28,544</u>	<u>28,164</u>
CREDITORS: amounts falling due after more than one year	18	(607)	(740)
PROVISIONS FOR LIABILITIES AND CHARGES	20	(882)	(712)
NET ASSETS		<u>27,055</u>	<u>26,712</u>
DEFERRED CAPITAL GRANTS			
	21	1,441	1,322
ENDOWMENTS			
Permanent Restricted	22	3,850	3,335
Permanent Unrestricted	22	10,204	9,683
Expendable Restricted	22	4,296	4,524
TOTAL ENDOWMENTS		<u>18,350</u>	<u>17,542</u>
RESERVES			
General reserve	23	5,684	5,975
Restricted reserves	23a	89	57
Revaluation Reserve	23b	1,491	1,816
TOTAL		<u>27,055</u>	<u>26,712</u>

The financial statements were approved by the governing body on 26 November 2008 and were signed on its behalf by:



COURTAULD INSTITUTE OF ART

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 July 2008

	Note	Year ended 31 July 2008 £'000	Year ended 31 July 2007 Restated (see Note 34) £'000
Cash flow from operating activities	24	(262)	(616)
Returns on investments and servicing of finance	25	488	503
Capital expenditure and financial investment	26	433	1,404
Management of liquid resources	27	-	-
Financing	28	(133)	(131)
Increase in cash in the year	29	526	1,160

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/ (DEBT)

Increase in cash in the year		526	1,160
Cash inflow from increase in debt	28	133	131
Cash inflow/(outflow) from endowment asset investments	29	1,402	(1,453)
Cash inflow/(outflow) from fixed asset investments	29	594	(700)
Movement in net funds in year		2,655	(862)
Net (debt)/ funds at 1 August	29	217	1,079
Net funds/ (debt) at 31 July		2,872	217

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2008

1. STATEMENT OF ACCOUNTING POLICIES

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 2008. Details of the Institute's subsidiary undertakings are provided in note 12 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 1993, 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.

(Deficit)/Surplus attributable to The Courtauld Institute of Art

The deficit for the financial year dealt with in the financial statements of the parent Institute, Courtauld Institute of Art, was £522,000 (2006-7: surplus £20,000). Included within the results for 2007-8 was a restricted surplus of £32,000 attributable to CIAF (2006-7 £57,000, see above and note 23a). As permitted by Section 230 of the Companies Act 1985, no separate income and expenditure account is presented in respect of the parent Institute.

Revenue Recognition

Recurrent grants from the Funding Council are recognised in the period in which they are receivable.

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.

Donations with restrictions are recognised when relevant conditions have been met; in many cases recognition is directly related to expenditure incurred on specific purposes. Donations which are to be retained for the benefit of the institute are recognised in the statement of consolidated total recognised gains and losses and in endowments; other donations are recognised by inclusion as other income in the income and expenditure account.

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.

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.

1. **STATEMENT OF ACCOUNTING POLICIES (continued)**

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 Institute contributes to the Universities Superannuation Scheme (USS) and the Superannuation Arrangements for the University of London (SAUL). Both schemes are multi-employer defined benefit schemes and it is not possible to identify the assets of the schemes that are attributable to the Institution. In accordance with FRS17 these schemes are accounted for on a defined contribution basis and 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 included in the balance sheet at cost. Freehold buildings are depreciated over their expected useful economic life of 50 years. Improvements to leasehold land and buildings are amortised over 10 years or, if shorter, the remaining period of the lease.

Where 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

Computer equipment - 33% per annum

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 (Heritage Assets) and valued at £853,000 are capitalised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material

1. **STATEMENT OF ACCOUNTING POLICIES (continued)**

Leased assets

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

Leasing agreements that transfer to the Institute substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets.

Assets, which are held under hire purchase contracts, which have the characteristics of finance leases, are depreciated over their useful lives.

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.

Current asset investments are included in the balance sheet at the lower of their original cost and net realisable 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.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks and building societies.

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
Year ended 31 July 2008

2	FUNDING COUNCIL GRANTS		
		Year ended	Year ended
		31 July 2008	31 July 2007
		£'000	£'000
	Recurrent grant from HEFCE	2,512	2,535
	Specific grants from HEFCE	377	207
		<u>2,889</u>	<u>2,742</u>
3	TUITION FEES AND EDUCATION CONTRACTS		
		Year ended	Year ended
		31 July 2008	31 July 2007
		£'000	£'000
	UK Higher Education students	796	642
	European Union (EU) (excluding UK)	106	141
	Non-EU students	1,011	904
	Total fees paid by or on behalf of individual students	<u>1,913</u>	<u>1,687</u>
	Other education income	27	25
		<u>1,940</u>	<u>1,712</u>
4	RESEARCH GRANTS AND CONTRACTS		
		Year ended	Year ended
		31 July 2008	31 July 2007
		£'000	£'000
	Research councils	882	876
	UK based charities	166	179
	Other grants and contracts	148	179
		<u>1,196</u>	<u>1,234</u>
5	OTHER INCOME		
		Year ended	Year ended
		31 July 2008	31 July 2007
		£'000	£'000
	Donations	1,464	1,748
	Other income	1,767	1,595
		<u>3,231</u>	<u>3,343</u>
6	ENDOWMENT AND INVESTMENT INCOME		
		Year ended	Year ended
		31 July 2008	31 July 2007
		£'000	£'000
	Income from endowments released to I&E account (note 22)	379	372
	Other investment income	159	185
		<u>538</u>	<u>557</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 July 2008

7 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 2008	Year ended 31 July 2007
	No	No
Teaching departments	43	35
Teaching support services	2	2
Administration and central services	64	63
Premises	4	4
Other	11	12
	<u>124</u>	<u>116</u>

Staff costs for the above persons:

	£'000	£'000
Wages and salaries	4,455	4,239
Social security costs	383	358
Other pension costs	506	480
	<u>5,344</u>	<u>5,077</u>

The number of staff, including the directors, who received emoluments of more than £100,000 in the financial year was:

	Year ended 31 July 2008	Year ended 31 July 2007
	No	No
£150,000- £160,000	-	1
£160,000- £170,000	1	-
	<u>1</u>	<u>-</u>

8 SENIOR POST HOLDER'S EMOLUMENTS

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

	Year ended 31 July 2008	Year ended 31 July 2007
	£'000	£'000
Salary	161	112
Other benefits	-	40
Pension contributions	22	16
	<u>183</u>	<u>168</u>

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.

9 ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff costs	Other operating expenses*	Depreciation	Year ended 31 July 2008	Year ended 31 July 2007
	£'000	£'000	£'000	Total £'000	Total £'000
Teaching departments	2,228	811	-	3,039	2,692
Academic information services	671	171	-	842	876
Gallery	388	809	28	1,225	1,532
Administration and central services	1,696	1,528	169	3,393	3,034
Premises costs	-	765	207	972	1,041
Planned maintenance	-	170	-	170	168
Other income generating activities - Institute	135	283	-	418	513
Other income generating activities - subsidiaries	226	651	8	885	830
	<u>5,344</u>	<u>5,188</u>	<u>412</u>	<u>10,944</u>	<u>10,686</u>

* other operating expenses includes interest payable (see note 9a).

9 ANALYSIS OF EXPENDITURE BY ACTIVITY (continued)	Year ended	Year ended
	31 July 2008	31 July 2007
	Total	Total
	£'000	£'000
Other operating expenses include:		
Amortisation of negative goodwill	(64)	(64)
Auditors' remuneration		
- statutory audit	56	47
- other services	6	25
Hire of other assets – operating leases	236	283

The external audit fee for the Institute was £49,000 (2006-07: £46,000)

9a INTEREST PAYABLE	Year ended	Year ended
	31 July 2008	31 July 2007
	£'000	£'000
On bank loans and other loans:		
Repayable within 5 years by instalments	47	40
Repayable wholly or partly in more than 5 years by instalments	3	34
	50	74

10 INTANGIBLE FIXED ASSETS

Negative goodwill

	INSTITUTE	GROUP
	£'000	£'000
Cost		
At 1 August 2007 and 31 July 2008	(599)	(1,080)
Amortisation		
At 1 August 2007	292	773
Released in the year	64	64
At 31 July 2008	356	837
Net book value		
At 31 July 2008	(243)	(243)
At 31 July 2007	(307)	(307)

11 TANGIBLE FIXED ASSETS

INSTITUTE

	Freehold land and buildings £'000	Rare books and artefacts £'000	Computer equipment £'000	General equipment £'000	Total £'000
Cost					
At 1 August 2007	1,708	853	539	1,227	4,327
Additions	651	-	42	41	734
At 31 July 2008	2,359	853	581	1,268	5,061
Depreciation					
At 1 August 2007	407	-	432	355	1,194
Charge for year	207	-	76	121	404
At 31 July 2008	614	-	508	476	1,598
Net book value					
At 31 July 2008	1,745	853	73	792	3,463
At 31 July 2007	1,301	853	107	872	3,133
Inherited	-	853	-	33	886
Financed by capital grant	1,691	-	-	23	1,714
Other	54	-	73	736	863
	1,745	853	73	792	3,463

11 TANGIBLE FIXED ASSETS (continued)
GROUP

	Freehold land and buildings £'000	Rare books and artefacts £'000	Computer equipment £'000	General equipment £'000	Total £'000
Cost					
At 1 August 2007	1,708	853	542	2,396	5,499
Additions	651	-	46	42	739
Disposals	-	-	-	(1,109)	(1,109)
At 31 July 2008	2,359	853	588	1,329	5,129
Depreciation					
At 1 August 2007	407	-	437	1,512	2,356
Charge for year	207	-	77	128	412
Disposals	-	-	-	(1,109)	(1,109)
At 31 July 2008	614	-	514	531	1,659
Net book value					
At 31 July 2008	1,745	853	74	798	3,470
At 31 July 2007	1,301	853	105	884	3,143
Inherited	-	853	-	33	886
Financed by capital grant	1,691	-	-	23	1,714
Other	54	-	74	742	870
	1,745	853	74	798	3,470

12 SUBSIDIARY UNDERTAKINGS
INSTITUTE

The institute has the following subsidiary undertakings:

Name	Ownership	Year end
Hermitage Development Trust	100%	31/07/2008
SCT Enterprises Limited	100%	31/07/2008

The Hermitage Development Trust is a company limited by guarantee and hence has no share capital and is incorporated in England and Wales.

The Hermitage Development Trust operates an Art Gallery within Somerset House for exhibitions in association with the State Hermitage Museum in St Petersburg.

Control of the Hermitage Development Trust transferred to the Institute in July 2003.

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

Control of SCT Enterprises Limited transferred to the Institute on 1 August 2003.

13 ENDOWMENT ASSETS
INSTITUTE AND GROUP

	2008 £'000	2007 Restated (see Note 34) £'000
Balance at 1 August 2007		
Capital	12,108	10,860
Unapplied Total Returns	5,434	4,051
	17,542	14,911
Additions (note 22)	1,299	1,432
Appreciation of endowment asset investments	99	1,997
Income received	310	372
Income received transferred to income & expenditure account	(379)	(372)
Transfer of accumulated income to general reserves	(521)	(798)
Balance at 31 July 2008	18,350	17,542
Represented by:		
Unit Trusts and Investment Trusts	17,087	17,617
Cash balances	1,157	(245)
Amounts owing from benefactors & others	106	170
	18,350	17,542

14 FIXED ASSET INVESTMENTS
INSTITUTE AND GROUP

	2008	2007
		Restated (see Note 34)
	£'000	£'000
Balance at 1 August 2007	7,939	7,509
Appreciation of fixed asset investments	45	1,001
Income Received	138	174
Income received transferred to income & expenditure account	(138)	(174)
Disposals	(370)	(571)
	<u>7,614</u>	<u>7,939</u>
Represented by:		
Unit Trusts and Investment Trusts	7,131	8,050
Cash balances	483	(111)
	<u>7,614</u>	<u>7,939</u>

In accordance with the new SORP which replaced the previous analysis of endowment assets (specific or general) with a revised set of classifications (Permanent restricted, Permanent unrestricted and Expendable restricted (see Note 22)) those assets that are both expendable and unrestricted can no longer be described as endowments and have therefore been reclassified as Fixed Asset Investments. The balances for 2007 as stated above were previously included within note 13 as part of the endowment assets. However 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 £25.964m at 31 July 2008 (31 July 2007-£25.481m).

15 STOCKS

	INSTITUTE		GROUP	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Finished goods	33	31	138	170

16 DEBTORS

	INSTITUTE		GROUP	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Trade and student debtors	62	111	72	133
Amounts due from subsidiary undertakings	130	50	-	-
Prepayments	139	135	154	152
Taxation and VAT recoverable	34	50	34	65
Other debtors	215	385	215	385
	<u>580</u>	<u>731</u>	<u>475</u>	<u>735</u>

17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	INSTITUTE		GROUP	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Loan from University of London	120	120	120	120
Bank loan	30	30	30	30
Payments received in advance	1,905	969	1,905	969
Trade creditors	313	315	321	443
Amounts due to subsidiary undertakings	2	103	-	-
Accruals	653	580	710	768
Other taxation and social security	116	108	131	123
Other creditors	16	49	16	50
	<u>3,155</u>	<u>2,274</u>	<u>3,233</u>	<u>2,503</u>

18 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR
INSTITUTE AND GROUP

	2008	2007
	£'000	£'000
Loan from University of London	456	559
Bank loan	151	181
	<u>607</u>	<u>740</u>

19 BORROWINGS
INSTITUTE AND GROUP

	2008 £'000	2007 £'000
Loans are repayable as follows:		
In one year or less	150	150
Between one and two years	485	150
Between two and five years	90	529
In five years or more	31	61
	<u>756</u>	<u>890</u>

Interest is payable on the loan from the University of London and from the bank at variable rates, linked to the Bank of Scotland overnight deposit rate and the lender bank's base rate respectively. The amount due in over 5 years will be repaid in instalments by July 2014.

20 PROVISIONS FOR LIABILITIES AND CHARGES
INSTITUTE

	Hermitage support £'000	Dilapidations £'000	Total £'000
At 1 August 2007	106	712	818
Transferred from income and expenditure account	99	225	324
Utilised in year	(205)	(55)	(260)
At 31 July 2008	<u>-</u>	<u>882</u>	<u>882</u>

GROUP

	Dilapidations £'000
At 1 August 2007	712
Transferred from income and expenditure account	225
Utilised in year	(55)
At 31 July 2008	<u>882</u>

The provision for Hermitage support is part of the donation of £5m over five years by the Safra Foundation, which is also to be used to support academic research and teaching, associated scholarships and otherwise generally at the Institute. There is an expectation that the unused balance will be released in the coming year. As the related payments are between group entities, the provision is eliminated in the financial statements. The dilapidations provision relates to costs to be incurred in returning the premises licensed from Somerset House Trust to their original condition.

21 DEFERRED CAPITAL GRANTS
INSTITUTE AND GROUP

	Balance at 1 August 2007 £'000	Received in year £'000	Released in year £'000	Balance at 31 July 2008 £'000
Freehold land and buildings	(1,295)	(281)	159	(1,417)
General Equipment	(27)	-	3	(24)
	<u>(1,322)</u>	<u>(281)</u>	<u>162</u>	<u>(1,441)</u>

Capital grants are normally received in respect of 80-90% of the total asset cost. The 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.

22 ENDOWMENTS
INSTITUTE AND GROUP

	Permanent Restricted £'000	Permanent Unrestricted £'000	Total Permanent £'000	Expendable Restricted £'000	Total 2008 £'000
At 1 August 2007					
Capital	2,802	6,148	8,950	3,158	12,108
Unapplied Total Returns	533	3,535	4,068	1,366	5,434
	<u>3,335</u>	<u>9,683</u>	<u>13,018</u>	<u>4,524</u>	<u>17,542</u>
Received in the year	533	721	1,254	45	1,299
Appreciation of endowment asset	13	56	69	30	99
Income for year	42	175	217	93	310
Total Returns transferred to income & expenditure account (note 6)	(55)	(231)	(286)	(93)	(379)
Transfer of accumulated income to general reserves	(18)	(200)	(218)	(303)	(521)
At 31 July 2008	<u>3,850</u>	<u>10,204</u>	<u>14,054</u>	<u>4,296</u>	<u>18,350</u>
Representing					
Fellowships and scholarships funds	2,425	218	2,643	1,494	4,137
Prizes funds	10	-	10	-	10
Chairs and lectureships funds	-	-	-	1,865	1,865
Other funds	1,415	9,986	11,401	937	12,338
	<u>3,850</u>	<u>10,204</u>	<u>14,054</u>	<u>4,296</u>	<u>18,350</u>

The Friends of the Courtauld Institute of Art (FCIA), a company limited by guarantee and also a registered charity, is an independent body, which has decided to invest its funds in the Institute's endowment investment pool. FCIA retains all ownership of the funds and the income and growth relating to them. These funds have therefore been excluded from the Institute's financial statements.

The Board has resolved that, as from 1 August 2005, income up to a maximum of 4% of the current value of unrestricted endowments should be released to the Income & Expenditure Account, to cover any residual operating deficit of the Institute. This is an increase of 0.5% on the level of release which had operated from 1 August 2004, prior to which no releases had been made from unrestricted endowment funds.

The Institute operates a total returns policy in respect of its endowment and fixed asset investments. Releases to the income & 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.

23 MOVEMENT ON GENERAL RESERVES

	INSTITUTE £'000	GROUP £'000
At 1 August 2007 (Restated)	5,846	5,975
Deficit retained for the year	(1,075)	(1,182)
Released from accumulated income within endowments	521	521
Released from Revaluation Reserve	370	370
At 31 July 2008	<u>5,662</u>	<u>5,684</u>

23a MOVEMENT ON RESTRICTED RESERVES
INSTITUTE AND GROUP

	Year ended 31 July 2008 £'000
At 1 August 2007	57
CIAF surplus retained for the year	32
At 31 July 2008	<u>89</u>

23b MOVEMENT ON REVALUATION RESERVES
INSTITUTE AND GROUP

	Year ended 31 July 2008 £'000
At 1 August 2007 (Restated)	1,816
Appreciation of fixed asset investments	45
Transfer to general reserves	(370)
At 31 July 2008	<u>1,491</u>

24 RECONCILIATION OF OPERATING DEFICIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Year ended 31 July 2008 £'000	Year ended 31 July 2007 £'000
Deficit on continuing operations	(1,150)	(1,098)
Depreciation	412	294
Amortisation of negative goodwill	(64)	(64)
Decrease/ (Increase) in stocks	32	(5)
Decrease in debtors	261	112
Increase in creditors	727	548
Increase in provisions	170	207
Interest receivable	(538)	(557)
Interest payable	50	74
Deferred capital grants released	(162)	(127)
Net outflow from operating activities	<u>(262)</u>	<u>(616)</u>

25 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2008 £'000	2007 Restated £'000
Income from endowments	379	372
Other interest received	159	185
Interest paid	(50)	(54)
Net cash inflow from returns on investments and servicing of finance	<u>488</u>	<u>503</u>

26 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2008 £'000	2007 £'000
Purchase of tangible fixed assets	(739)	(331)
Capital grants received	281	359
Endowment income received	521	805
Income received from fixed asset investments	370	571
Net cash inflow from capital expenditure and financial investment	<u>433</u>	<u>1,404</u>

27 MANAGEMENT OF LIQUID RESOURCES

	2008 £'000	2007 £'000
Movement in Endowment Assets	-	-

28 FINANCING

	2008 £'000	2007 £'000
New loans	17	19
Repayment of loans	(150)	(150)
	<u>(133)</u>	<u>(131)</u>

29 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2007 £'000	Cash flows £'000	Other changes £'000	At 31 July 2008 £'000
Cash at bank and in hand	1,447	526	-	1,973
Endowment asset investments (note 13)	(245)	1,402	-	1,157
Fixed Asset investments (note 14)	(111)	594	-	483
Debt due within one year	(150)	-	-	(150)
Debt due after more than one year	(740)	133	-	(607)
Correction to balances brought forward at 1 August 2007	16	-	-	16
Total	<u>217</u>	<u>2,655</u>	<u>-</u>	<u>2,872</u>

30 PENSION AND SIMILAR OBLIGATIONS

The two principal pension schemes for the Institute's staff are the Universities Superannuation Scheme (USS) and the Superannuation Arrangements for the University of London (SAUL). The assets of the schemes are held in separate trustee administered funds. The USS and SAUL are not closed, nor is the age profile of their active membership rising significantly.

The schemes are defined benefit schemes, which are valued every three years using the projected unit method, by professionally qualified actuaries, the rates of contribution payable being determined by the trustees on the advice of the actuaries. Surpluses or deficits, which arise at future valuations, may impact on the Institute's future contribution commitments. As a result of the valuation in March 2005, contribution rates for employers and employees rose from 10.5% to 13% and from 5% to 6% respectively in August 2006. The valuation for USS at the same date concluded that rates for employers and employees would remain unchanged at 14% and 6.35% respectively.

The latest actuarial valuations for both schemes, based on March 2008 market values, are currently underway. Preliminary calculations suggest that, in the case of USS at least, there is a possibility that employer's contributions will need to increase by 2% of pensionable payroll at some point in the not to distant future.

The Institute's contributions to the USS and SAUL are affected by a surplus or deficit in these schemes but the Institute is unable to identify its share of the underlying assets and liabilities in the schemes on a reasonable and consistent basis. The Institute therefore accounts for its contributions to these pension schemes as if they were defined contribution schemes, as permitted by FRS 17.

The assumptions and other data, which have the most significant effect on the determination of the contributions levels, are as follows:

	USS	SAUL
	March 2005	March 2005
Latest actuarial valuations		
Investment returns per annum	4.5%	5.5%
Interest rate	4.0%	4.02%
Salary scale increases per annum	3.9%	4.15%
Pension increases per annum	2.9%	2.65%
Market value of assets at date of last valuation	£21,740m	£982m
Proportion of members' accrued benefits covered by the actuarial value of the assets	77%	93%

The total employer's pension cost for the year was:

	2008	2007
	£'000	£'000
Contributions to USS	404	383
Contributions to SAUL	92	89
Other	10	8
	<u>506</u>	<u>480</u>

31 FINANCIAL COMMITMENTS

At 31 July 2008 the group and the Institute had annual commitments under non-cancellable operating leases as follows:

	2008	2007
	£'000	£'000
Land and buildings		
Expiring in over five years	212	212

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. Nicholas Ferguson, Chairman of the Courtauld Institute of Art, is also Chairman of SVG Capital plc.

During the year, the Institute paid £211,000 to the University of London, of which the Institute is an independent College, (2006-7 £202,000). Of this amount, £150,000 was in connection with the loan referred to in notes 17 and 18 (2006-7 £152,000). The balance of £61,000 was for other support services (2006-7 £50,000).

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.

33 CONTROLLING PARTY

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

34 PRIOR YEAR ADJUSTMENTS

As a result of the new SORP, the Institute has changed its accounting policy in respect of certain expendable unrestricted donations.

In previous years, unrestricted gifts intended to support the Institute over a long period of time were treated as general endowments, even if the terms of the gift meant the capital was potentially expendable. In accordance with the requirements of the SORP, these gifts are now treated as donations and the related investments classified as fixed asset investments. Gains on the investments are now credited to a revaluation reserve. Disposals from these investments were previously reported as 'releases from accumulated income within general endowments' on the face of the Income & Expenditure account to the extent that the release exceeded income received in the year. In accordance with the requirements of the SORP, these are now shown as a transfer from the revaluation reserve to general reserves on the balance sheet. Comparative figures have been restated to reflect the revised accounting policies. The changes had no effect on the deficit on continuing operations, as no new gifts of this type were received in either year.

The effect of these changes on net assets is as follows:

	2008	2007	2008	2007
	Institute	Institute	Group	Group
	£'000	£'000	£'000	£'000
Increase in Deferred Capital grants	107	266	107	266
Reduction in Endowments	(7,885)	(8,299)	(7,885)	(8,299)
Increase in General reserves	6,123	6,123	6,123	6,123
Increase in Revaluation reserves	1,491	1,816	1,491	1,816
Net decrease in net assets	(164)	(94)	(164)	(94)
Net assets under previous basis and accounting policies	<u>27,197</u>	<u>26,677</u>	<u>27,219</u>	<u>26,806</u>
Net Assets as restated	<u>27,033</u>	<u>26,583</u>	<u>27,055</u>	<u>26,712</u>