

Company Registration No. 04464432

**COURTAULD INSTITUTE OF ART**

**Report and Financial Statements 31 July 2009**

# COURTAULD INSTITUTE OF ART

Report and Financial Statements 31 July 2009

Contents	Page
Directors' Report	1
Statement of Corporate governance and internal control	10
Statement of Primary Responsibilities of the Governing Board	14
Independent auditors' report to the Board of Directors	16
Consolidated income and expenditure account	18
Statement of consolidated total recognised gains and losses	19
Institute balance sheet	20
Consolidated balance sheet	21
Consolidated cash flow statement	22
Notes to the financial statements	23

# COURTAULD INSTITUTE OF ART

## DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 July 2009.

### 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 (company no. 4464432) and an exempt charity for the purposes of the Charities Act 1993 under the Exempt Charities Order 2002 No.1626.

### Vision and Mission Statement

The Courtauld Institute of Art ("The Courtauld", or "the institute") 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 is currently being reviewed and a revised strategic plan is expected to be approved during financial year 2009/10. 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. All staff, under the leadership of the Director and the Senior Management Team, 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. Courtauld alumni continue to be recruited for top and senior positions in museums, galleries and other institutions throughout the world. Alumnus, Dr Thomas Campbell, became the Director of the Metropolitan Museum of Art, New York, in January 2009.

The Courtauld continues to receive excellent 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 Gallery is vested in the Samuel Courtauld Trust, an independent Trust.

Improvements continue to be made to the use of space in The Courtauld, and further improvements have been made in the year. 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 and a long lease has been taken out on nearby Duchy House for additional bespoke 67-bed student accommodation, which should be ready during summer 2010.

#### 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 results of the 2008 HEFCE Research Assessment Exercise were announced in December 2008. 40% of The Courtauld's submission was graded @ 4\* (quality that is world-leading in terms of originality, significance and rigour), 40% was graded @ 3\* (quality that is internationally excellent in terms of originality, significance and rigour) and 20% @ 2\* (quality that is recognised internationally in terms of originality, significance and rigour). Its total submission was made to the History of Art Subpanel (64), where it achieved first place in power ranking (a combination of overall quality and numbers of full-time equivalent research active staff) and second place in quality ranking in the group (based on the proportion of submitted research graded at each level). At an institutional level, it achieved second position in quality ranking in the index of all UK universities and colleges.

Following the retirement of Professor Christopher Green, Dr Gavin Parkinson was appointed to a permanent post as Lecturer in European Modernism. Other temporary appointments (Dr Satish Padiyar (19<sup>th</sup> century art history) and Dr Laura Cleaver (Medieval art history)) were made where permanent faculty had taken up research projects or honorific appointments. The following academic promotions were made: Dr Caroline Arscott and Dr Joanna Woodall to Professor, Dr Sharon Cather and Dr Peter Stewart to Reader.

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. During the year:

- Professor Patricia Rubin was appointed as Director of the Institute of Fine Arts, New York University (taking up the post on 1 September 2009).
- Professor John House was 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.
- Dr Aviva Burnstock (Conservation and Technology), Dr Caroline Campbell (The Courtauld Gallery) and Dr Joanna Cannon (Art History) continued to lead The Andrew W. Mellon Foundation funded project on conservation documentation of the work by the Maestro di Figline Austin Nevin was appointed as the Andrew W. Mellon Fellow for this project.
- Dr Georgia Clarke continued as co-investigator with Dr Fabrizio Nevola of Oxford Brookes University (principal investigator) of the AHRC Beyond Text network grant for the project: 'Street Life and Street Culture between early modern Europe and the present'.

# COURTAULD INSTITUTE OF ART

## DIRECTORS' REPORT (continued)

- Dr Antony Eastmond continued as co-investigator with Dr Elizabeth James of Sussex University (principal investigator) on the 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 continued to lead the three year project (funded by a grant of £240,000 by Thomson Works of Art Ltd.), *A Survey of Medieval Ivories*, and won a further award for a project to document Wall Paintings.
- Professor John Lowden continued as co-investigator with Dr Scott McKendrick (principal investigator) on the AHRC Beyond Text three year project on the Royal Manuscripts of the British Library.
- Dr David Park continued to lead wall painting conservation project at Ahicchatragarh Fort, Nagaur, in collaboration with the Mehrangarh Museum Trust, Jodhpur, funded by The Getty Foundation.
- Dr Julian Stallabrass took up his one year Leverhulme Fellowship for the year 2008-9.
- Dr Sarah Wilson was awarded a fellowship at the CNRS Paris to be held in the spring term 2010.
- 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 2009.
- Rachel Wells was awarded and took up a Henry Moore Foundation Post-doctoral Fellowship.
- Judith Battaglia completed her year as the 2008 Research Forum Postdoctoral Fellow and Federico Botana became The Courtauld Research Forum Postdoctoral Fellow for the year 2009.
- Dr Charles Miller joined The Courtauld as the Research Forum/Andrew W Mellon Postdoctoral Fellow.
- Dr Austin Nevin became the Andrew W Mellon Fellow in Conservation and Technology,
- Dr Maria Kokkori became the 2008-9 Caroline Villers Fellow in Technical Art History.
- Melena Hope became the Bob McCarthy Research Fellow.
- Catherine Yvard was appointed project officer for the Gothic Ivories project.
- Successful candidates for the two AHRC collaborative PhD awards for 2009-2011, took up their studentships, on early printmaking in Florence, jointly supervised by Dr Mark Macdonald, Keeper of Prints at the British Museum and Professor Patricia Rubin; and on modern and contemporary Indian art, jointly supervised by Divia Patel, Curator of Indian Art at the Victoria and Albert Museum and Professor Deborah Swallow and Dr Julian Stallabrass.

Courtauld doctoral graduates achieved significant successes and were appointed to the following academic positions:

- Dr James Boaden: Lecturer in Art History, University of York
- Dr Douglas Brice: Lecturer in Art History, University of Austin, Texas
- Dr Linda Goddard: Lecturer in Art History, University of St Andrews
- Dr Charles Miller: Leverhulme Early Career Fellowship, University of Manchester
- Dr Sarah Monks: Lecturer in Art History, University of East Anglia
- Dr Thomas Nixon: Lecturer in Art History, University of York

Major publications by faculty this year include: Caroline Arscott, *William Morris and Edward Burne-Jones: Interlacings* (Yale University Press); Susie Nash, *The Art of the Northern Renaissance* (Oxford University Press) Professor Paul Crossley and Professor John Lowden, (eds) *Journal of the Warburg and Courtauld Institutes* (Vol LXXI) (a special Courtauld Institute of Art 75<sup>th</sup> anniversary edition); two medieval art publications which were the products of conferences at The Courtauld: *The year 1300 and the Creation of a New European Architecture*, edited by A Gajewski and S. Opacic and *Under the Influence. The Concept of Influence and the Study of Illuminated Manuscripts*, edited by John Lowden and Alixe Bovey in honour of former Courtauld Director Michael Kauffman. The sixth issue of the postgraduate research journal *immediations* was launched in July 2009. Our faculty's research reaches beyond the professional to much wider publics through The Courtauld's own exhibitions and through faculty involvement in other

# COURTAULD INSTITUTE OF ART

## DIRECTORS' REPORT (continued)

major exhibitions, conferences and lecture programmes, often international in their impact. This year's activities included Julian Stallabrass's sole curatorship of the Brighton Biennale 2008 entitled: *Memory of Fire – The War of Images and the Images of War* (including 17 Exhibitions).

### 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 2008/09 the Research Forum hosted Charlotte Hale (Conservator, Sherman Fairchild Paintings Conservation Center, The Metropolitan Museum of Art, New York) as the Research Forum Visiting Conservator and Dr Ella Hendriks (Head of Conservation, van Gogh Museum, Amsterdam). Continuing with the conservation theme, Dr Maria Kokkori, Caroline Villers Research Fellow introduced her forthcoming work in a presentation on Theory and Practice: Paintings by Alexander Rodchenko – An Introduction to Technical Historical Investigations.

Conference, colloquia and workshop subjects included: *The World Turned Inside Out: Bronze Casting in the 20th Century* and *Mal'occhio: Looking Awry at the Renaissance*. Cassoni symposium (organiser: Caroline Campbell, April); *London Festival of Europe - City 2009: bringing down the walls* with the opening debate held at The Courtauld on *City/Multiplicity* (organisers: London Festival of Europe and Sarah Wilson, April); *Music and Modernism* Study Day (organiser: Charlotte de Mille with the Royal Musical Association, May); *The Function of the Studio: Four Artists in Conversation* (organiser: Giles Waterfield, May); *A Rajput Pleasure Palace: the Art of Nagaur in Context* (organisers: David Park with the Department of Asia, the British Museum, May); *1789, 1989, 2009: Changing Perspectives on Post-Revolutionary Art* (organisers: Satish Padiyar and graduate student Melanie Vandenbrouck-Przybylski with University College London and University of Michigan, June); *Photo Archives and the Photographic Memory of Art History* (organisers: Patricia Rubin with Kunsthistorisches Institut, June, to be followed by part two in Florence in Autumn, 2009); *The Art of Evolution: Charles Darwin and Visual Cultures* (organisers: Gavin Parkinson with Fae Brauer (University of East London; The University of New South Wales) and, Barbara Larson (University of West Florida), July); *Drawings Week Conversations: What is Spanish About Spanish Drawings?* (organisers: Stephanie Buck and Zahira Véliz, July)

The programmes under the rubric Writing Art History also continue to engender fascinating events and rich discussion including a seminar on: Anonymity and Art History, and the Frank Davis Memorial Lectures on Writing Art History: Off the Page, with : Dr Charlie Gere (Reader in New Media Research and Director of the Institute for Cultural Research, Lancaster University) on Slitting Open the Kantian Eye; Andrea Fraser (Associate Professor, Department of Art, UCLA; and faculty, Whitney Museum of American Art Independent Study Program on Performing Art History and Professor Mark Hallett (Department of History of Art, University of York) on Looking at Faces: Re-viewing Joshua Reynolds' The Marlborough Family (1777-9). Later in the year the programme also included: *Writing Art History: Writing about Giotto* (organiser: Joanna Cannon, June); *Writing Art History: The Patron's Turn: Giotto, Enrico Scrovegni, and the Arena Chapel in Padua* (organiser: Joanna Cannon, June); *Artists' Writings 1850 - Present* (organiser: Linda Goddard, British Academy Postdoctoral Research Fellow, June); *Writing Art History: The Formats of Art History: The Art Book and the Exhibition* (organisers: Catherine Grant with the Writing Art History Seminar Group, June)

*Collecting and the Courtauld Collections workshops: Record or Representation? Photography and the Artist's Studio*: Presentations by Research Associates (Claire Brisby (PhD research on nineteenth-century Balkan icon-painters' perception of western art ), Katie Faulkner (MA The Aesthetic Body: Science, Aestheticism and the Image of the Body in British Art 1860-1900), Joanna Milk (PhD 'Visio Dei: The Iconography of Contemplative Vision in the Lives of the Saints in Tuscany, 1450-1500' ) and Gregory Salter (MA Modernism in Britain 1890-1970) appointed in December to form a research team examining materials in the Witt and Conway Libraries, and in particular the Rob Dickins Collection. (organisers: Geoffrey Fisher, Patricia Rubin and Barbara Thompson, March and June)

Other lectures included: Barbad Golshiri (artist) in conversation with Loyal Ftouni (University of Westminster): *"Unveiled" Unveiled: Dismantling or Reproducing the Orientalist Canon?* (organiser: Sarah Wilson, May); Maria Kokkori (Caroline Villers Research Fellow, The Courtauld Institute of Art): *Rodchenko at Work: A Technical Examination of his Paintings* (organiser: Aviva Burnstock); Professor Philip Steadman, (Professor of Urban and Built Form Studies at University College London, and the author of *Vermeer's Camera* (Oxford University Press 2001)); *Light and Shadow in Vermeer* (organiser: Francis Ames-Lewis, May); Jacqueline Rose (Queen Mary, University of London): *'Why War? Psychoanalysis, Politics and the Return to Melanie Klein': A Discussion with Jacqueline Rose* (organisers: graduate students of The Courtauld's Psychoanalysis Society, Cesar Cortez and Henrietta Stanford,

# COURTAULD INSTITUTE OF ART

## DIRECTORS' REPORT (continued)

June); Professor Dame Gillian Beer FBA (Professor Emeritus, University of Cambridge): *The Backbone Shiver: Darwin and the Arts* (organisers: Gavin Parkinson with Fae Brauer (University of East London; The University of New South Wales) and, Barbara Larson (University of West Florida) with the Wellcome Trust, at the Wellcome Collection Conference Centre, July); Christopher Reed (Associate Professor of English and Visual Culture at Pennsylvania State University): *Only Collect! What Americans see in Bloomsbury* (organiser: Alexandra Gerstein, July) and the Friends Lecture series.

We are extremely grateful to the Andrew W. Mellon Foundation for their continued funding of the Research Forum.

### Students and teaching

We continue to recruit high calibre students and to make every effort to increase the diversity of the student community.

Student numbers in 2008/09 were reduced, mainly due to a decline in the number of North American students attending the MA History of Art and the temporary suspension of the part-time Graduate Diploma due to loss of government funding for students with equivalent level qualifications (ELQs). The Graduate Diploma is being offered again in 2009/10. There were 93 overseas students (2007/08: 101) and 332 home and EU students (2007/08: 340) on full or part-time undergraduate or postgraduate courses. 6 (2007/08: 5) students enrolled on the IES Study Abroad programme. The balance between the different programmes continued to favour postgraduate programmes; 165 (2007/08: 158) students being registered for the BA in the History of Art, 162 (2007/08: 189) for taught postgraduate programmes, and 98 (2007/08: 94) for full-time research degrees.

The fees that the Institute charges to UK undergraduate students will rise to £3,225 in the year 2009/10 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 has ensured 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 and a new relationship established with Boston University. A Marshall-Courtauld scholarship recipient was recruited for the MA in Curating, and the Institute succeeded in raising additional scholarship funding for US students from the Fulbright Commission and other trusts and foundations.

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 2008/09, this accommodation, managed by the Institute, was home to 26 students studying a variety of History of Art programmes. During 2008/09, the Institute entered into a long lease with the Duchy of Lancaster for the provision in Duchy House, equally close to Somerset House, for a further 67 student rooms, the building being refurbished to the Institute's specifications. This accommodation, which should be available for summer 2010, will also be used as residential accommodation for attendees of the Institute's summer schools in July and August each year.

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 21<sup>st</sup> 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 6<sup>th</sup> 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 second year of the new twelve month MA course entitled: *Curating the Art Museum* recruited 11 students, who as part of the course curated an exhibition entitled: *Once Upon a Time: Artists and Storytelling*, in the Embankment Galleries, Somerset House.

Our examination results were strong. 50 students entered and passed the BA in the History of Art first-year examinations (2007-08: 52 entered and passed); 52 Students entered and passed the BA second-year (2007-08 60 entered and 59 passed); and 58 entered and passed the BA third-year (2007-08: 45 entered and 44 passed). 4 full-time students entered and passed The Courtauld Graduate Diploma in the History of Art (2007-08: 23 entered and 21 passed). 118 (2007-08: 123) entered the MA in the History of

# COURTAULD INSTITUTE OF ART

## DIRECTORS' REPORT (continued)

Art Programme, of whom 117 (2007-08: 116) completed and passed the examination in June. 11 (2007/08: 8) entered the MA in Curating the Art Museum Programme, of whom 11 (2007/08: 8) completed and passed the examination in September. There were 5 students on each of the 3 years of the Postgraduate Diploma in the Conservation of Easel Paintings course, and 5 candidates successfully completed the 2nd year of the three-year Wall Paintings Conservation MA (2007/08: 5 completed the 1st year). 9 candidates (2007-08: 9) were awarded BA degrees with first-class honours, 31 (2007-08: 22) achieved the MA with a Distinction and 19 candidates (2007-08: 16) were awarded a PhD.

### The Courtauld Gallery

The Gallery was part-funded by a grant from the Arts and Humanities Research Council under its Museums and Galleries Core Funding Scheme until July 2009, when the funding was moved to the Higher Education Funding Council for England (HEFCE). The current grant was made for the period to July 2009 (since extended to July 2010) 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. A review of HEFCE museum and gallery funding is currently underway.

Exhibitions: During 2008/09 the Gallery continued its distinctive programme of highly focused research led temporary exhibitions. The full programme included: *The Courtauld Cézannes* (26 June – 5 October 2008); *Paths to Fame: Turner Watercolours from The Courtauld* (30 October 2008 – 25 January 2009); *Love and Marriage in Renaissance Florence: The Courtauld Wedding Chests* (12 February – 17 May 2009) and *Beyond Bloomsbury: Designs of The Omega Workshops 1913–19* (18 June – 20 September 2009). Overall attendance numbers during the year were 179,000, a record year for the Gallery.

The programme for 2009/10 was also finalised - *Frank Auerbach: London Building Sites 1952 – 1962* (16 October 2009 – 17 January 2010); *Michelangelo's Dream* (18 February – 16 May 2010) and *The Courtauld Collects: 20 years of acquisition* (17 June – 19 September 2010).

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: 21 works were lent by the Samuel Courtauld Trust to 18 different venues in support of a wide variety of important shows, including *Cezanne and Beyond* at the Philadelphia Art Museum, *Mantegna* at the Louvre, *Baroque* at the V&A and *Vincent van Gogh: The Landscapes* in Basel. The Gallery's own exhibition programme similarly benefitted from a series of important loans made by institutions and private collections nationally and internationally.

### Collections development

The collection in the care of the Gallery has continued to grow through acquisitions, gifts and bequests.

There continues to be an active programme of academic exchanges including symposia, lectures and conferences, as well as the highly successful visiting curator scheme.



# COURTAULD INSTITUTE OF ART

## DIRECTORS' REPORT (continued)

### Fundraising

Despite the tough economic conditions in which the Institute, in common with other HEIs has operated in the past year, annual fundraising continues to make a significant contribution to the Institute's financial health. Donations from individuals have increased in comparison with the previous financial year, as has scholarship funding and gifts to the endowment fund. The three year HEFCE Matched funding scheme has been a valuable tool in assisting the Institute in its fundraising objectives over the year. Having successfully applied to tier 3 of the scheme, the potential exists to realise £2.75m in matched funding over the three year period to 31 July 2011. The claim for the year under review is due to be finalised in November 2009, and an accrual for £720,000 is included in these financial statements.

### 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. The Institute also derives a considerably higher proportion than is normal in the sector from its Higher Education Funding Council recurrent income from its research grant (R) than from its grant relating to student numbers (T). Furthermore, as we are a small specialist institution, a significant portion of our funding from HEFCE is in the form of exceptional funding, which recognises the unique nature of what we do at The Courtauld. Part of this is in the form of an additional T grant premium, which from 2009/10 has been partly included in its recurrent T funding. Subject to unscheduled cuts to HEFCE funding, as experienced in Spring 2009 and the potential cuts resulting from expected Government remedies for resolving the current public sector deficit, T is normally predictable and controllable. R is not, being dependent on the Research Assessment Exercise (RAE), with its shifting allocation formula. In the RAE results announced in December 2008, the Institute maintained its position academically in the forefront of research in its subject. However, changes in the distribution of funding for this research – principally to reward excellence wherever it was found in institutions, rather than rewarding excellent institutions – meant that the Courtauld's share of RAE funding dropped from 17% of available funding to less than 10%, a reduction of funding of £280k. This demonstrates the disproportionate adverse effect that the variability of public funding generally and alterations in allocations formulae can have on small monotechnic institutions, which in large institutions covering all subjects are often likely to cancel each other out. The Courtauld is currently in discussions with HEFCE to ensure that any future cuts will be proportionate and not applied inadvertently. We are doing this by communicating our specific concerns to HEFCE and ensuring that HEFCE fully understands the Institute, its international standing and the nature and scale of the challenges it faces. In addition, we have already taken actions to increase our effectiveness and to develop our income streams further to help ameliorate the known and anticipated funding cuts.

The group results for 2008/09 as contained in these financial statements show a deficit of £479,000 (2007/08: £629,000). Included in this result was the outcome for the Institute itself, a deficit of £485,000 (2007/08: £522,000). In operational terms, the group deficit was in fact £180,000 (2007/08: a deficit of £259,000) of which £186,000 related to the Institute. The difference between the operational deficit and that recorded in these financial statements is the result of the treatment of releases of fixed asset investments as required by the new Statement of Recommended Practice: accounting for further and higher education ("SORP").

### 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.

The structure changes in the senior management team (SMT), which were introduced in 2007/08 continue to help ensuring management focus is maintained on development and implementation of strategy and all system, process and other management issues are dealt with in a way that continues to deliver improvements in operational and financial effectiveness.

In addition to the above, senior management are continuing to maximise the potential of existing activities and to explore further complementary areas of income generation, and have identified a number of areas over and above those included in the medium term financial projections for further investigation. Updates on progress towards achieving targets in these areas are presented to the Finance Committee and Governing Board at each meeting, and the results incorporated into future forecasts as and when the

# COURTAULD INSTITUTE OF ART

## DIRECTORS' REPORT (continued)

ability to deliver on them becomes more certain. The Governing Board remains satisfied as to both the short and long term financial sustainability of the Institute.

### **Going Concern**

The Institute's business activities and plans for the future are set out on these pages. 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 the financial statements starting on page 18. In making this assessment the directors have produced future forecasts which show that the Institute 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 the financial statements on the going concern basis.

### **Investment performance**

During the course of the year, The Courtauld's investments suffered due to the economic environment. However, when viewed over the last two financial years, the value of the portfolio has dropped by less than 12%, based on the average opening and closing valuations, adjusted for new endowments and releases. Furthermore, since the year end the portfolio has recovered some of that lost value, and as of the end of September 2009 had appreciated by approximately £1,969,000.

### **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 2008/09, it became clear that, despite extensive negotiations, the Institute would not be able to acquire additional permanent space within Somerset House in the short or medium term, although an option exists in the longer term for permanent use of some or all of King's College buildings contiguous with the North Block. Temporary use of additional space within Somerset House is also likely to be possible, once development of the East Wing is completed by King's College, although this is unlikely for several years. A series of space reorganisations has therefore begun which will lead to greater effectiveness in utilising the limited space available. In addition, further improvements have been made to our public and student facilities

---

### ***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. This arrangement will continue at least for 2009/10. 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. As has been described elsewhere, during 2008/09, the Institute entered into a long lease with the Duchy of Lancaster for the provision in Duchy House, equally close to Somerset House, for a further 67 student rooms, the building being refurbished to the Institute's specifications. This accommodation, which should be available for summer 2010, will also be used as residential accommodation for attendees of the Institute's summer schools in July and August each year.

# COURTAULD INSTITUTE OF ART

## DIRECTORS' REPORT (continued)

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  
Sir Nicholas Goodison  
Christopher Griffin (retired July 2009)  
James Hughes-Hallett (appointed October 2008)  
Dr Martin Halusa  
Antony Hopkins (appointed October 2008)  
Professor John House (retired October 2008)  
Andrew Jones (appointed July 2009)  
Dr David Landau  
Daniella Luxembourg (appointed April 2009)  
Professor Mignon Nixon (retired July 2009)  
Dr Nicholas Penny (appointed August 2008)  
Dr Neil Rudenstine  
Anjum Saad (retired October 2008)  
Dr Katie Scott (retired July 2009)  
Sir Angus Stirling  
Professor Deborah Swallow (The Director)  
Joff Whitten (appointed October 2008)  
James N Wood

### POLITICAL AND CHARITABLE CONTRIBUTIONS

There were no political or charitable contributions in the year (2007/08 - 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 director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each director has taken all the steps that he/she ought to have taken as a director in order to make himself/ herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

---

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP were appointed as auditors for the year ended 31 July 2009 at the Annual General Meeting held on 26 November 2008. With the completion of the audit of these financial statements, Deloitte will have completed seven years as external auditors, involving two partners. Solely because of the passage of time, the Institute is carrying out market testing for external audit services and expects to have reached a decision by 31 December 2009, which is the date the current contract ends. Deloitte have expressed their willingness to continue in office as auditors and have asked to be included in the selection short-list. The Institute is happy to agree to this request.

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 CORPORATE GOVERNANCE AND INTERNAL CONTROL

### The Courtauld's Principles of Governance

The Governing Board formally reviewed the CUC Governance Code of Practice, November 2004, at its meeting in July 2009 and confirmed its commitment to the Code, subject to a number of departures from the Guide, which are fully justifiable. The major ones are identified below, with the reasons –

- the Governing Board meets three times a year (CUC guidance is four). The Institute finds that one Board meeting a term works particularly well, especially as individual Governors have frequent interaction and dialogue with Institute officers between Board meetings.
- 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 Institute, given the specialist nature of its work and the need to source and retain Governors with specific expertise (e.g. fundraising and investment).
- 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 Institute'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 will be included in the Statement of Primary Responsibilities.

Amendments are being made to achieve compliance in the following cases –

- A register of relevant interests is being established and is expected to be available for inspection early in 2010.
- A formal review of Board and Committee effectiveness is underway and will be completed by early 2010.

A Statement of Primary Responsibilities was adopted at the Governing Board meeting on 18 November 2009 and is produced below.

## COURTAULD INSTITUTE OF ART

### STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

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: Academic Board, Academic Promotions Committee, Audit Committee, Estates Committee, Finance Committee, Galleries and Academic Committee, Honorary Degrees and Titles 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 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 the following matters, having regard at all times to the educational character and objectives of the Courtauld as determined by the Governing Board:

- matters relating to the teaching, courses, scholarship and research of the Courtauld; and
- considering the development of the academic activities of the Courtauld and the resources needed for them and advising the Director and the Governing Board thereon.

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. 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 Honorary Degrees and Titles Committee meets annually to request, collect and consider nominations for the award of an Honorary Degree by the Courtauld Institute of Art; 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

## **COURTAULD INSTITUTE OF ART**

### **STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)**

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.

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**

### **STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)**

#### **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.

# COURTAULD INSTITUTE OF ART

## STATEMENT OF PRIMARY RESPONSIBILITIES OF THE GOVERNING BOARD

The primary responsibilities of the Governing Board are derived from the Financial Memorandum with HEFCE dated June 2008 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 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.

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.



## **COURTAULD INSTITUTE OF ART**

### **STATEMENT OF PRIMARY RESPONSIBILITIES OF THE GOVERNING BOARD (continued)**

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 Chairmen 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 COURTAULD INSTITUTE OF ART**

We have audited the financial statements of The Courtauld Institute of Art for the year ended 31 July 2009 which comprise of the consolidated income and expenditure account, the statement of total recognised gains and losses, the balance sheets, the consolidated cash flow statement and the related notes 1 to 33. 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 Institute, as a body, in accordance with the Sections 495 and 496 of the Companies Act 2006 and the Financial Memorandum dated June 2008. 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 The Board of Governors (the Directors) and auditors**

The Board of Governors' responsibilities for preparing the Annual Report and the financial statements in accordance with the Institute's statute, the Statement of Recommended Practice on Accounting for Further and Higher Education and other applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the statement of the Board of Governors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant 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, have been properly prepared in accordance with the Statement of Recommended Practice on Accounting for Further and Higher Education and have been prepared in accordance with the Companies Act 2006. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements. We also report whether income from funding bodies, grants and income for specific purposes and from other restricted funds administered by the Institute 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.

In addition, we report to you if, in our opinion, the Institute has not kept adequate accounting records, if we have not received all the information and explanations we require for our audit, or if disclosures of governors' remuneration specified by law are not made.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

### **Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 Board of Governors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Institute's and the Group's circumstances, 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, 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.

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

## 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 2009 and of the deficit of the Group for the year then ended;
- (b) the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice on Accounting for Further and Higher Education Institutions;
- (b) the financial statements have been prepared in accordance with the Companies Act 2006;
- (b) in all material respects income from Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the University have been applied only for the purposes for which they were received;
- (c) in all material respects income has been applied in accordance with the University's statutes and, where appropriate, with the Financial Memorandum, dated June 2008 with the Higher Education Funding Council for England; and
- (d) the information given in the Directors' Report is consistent with the financial statements.



David Halstead (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditors  
Cambridge, UK

27 November 2009

COURTAULD INSTITUTE OF ART

CONSOLIDATED INCOME & EXPENDITURE ACCOUNT

Year ended 31 July 2009

	Note	Year ended 31 July 2009 £'000	Year ended 31 July 2008 £'000
<b>INCOME</b>			
Funding Council grants	2	3,462	2,889
Tuition fees and education contracts	3	1,904	1,940
Research grants and contracts	4	1,656	1,196
Other income	5	2,861	3,231
Endowment and investment income	6	548	538
<b>TOTAL INCOME</b>		<b>10,431</b>	<b>9,794</b>
<b>EXPENDITURE</b>			
Staff costs	7	5,730	5,344
Other operating expenses	9	5,093	5,138
Depreciation	11	439	412
Interest payable	9a	20	50
<b>TOTAL EXPENDITURE</b>		<b>11,282</b>	<b>10,944</b>
<b>DEFICIT ON CONTINUING OPERATIONS</b>		<b>(851)</b>	<b>(1,150)</b>
Transfer from accumulated income within endowments	23	372	521
<b>NET MOVEMENT IN GENERAL RESERVES</b>		<b>(479)</b>	<b>(629)</b>

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 2009

	Note	Year ended 31 July 2009 £'000	Year ended 31 July 2008 £'000
Deficit on continuing operations		(851)	(1,150)
(Depreciation)/ Appreciation of endowment asset investments	22	(2,777)	99
Endowment Income retained in the year	22	-	(69)
(Depreciation)/ Appreciation of fixed asset investments	14	(1,132)	45
New endowments	22	631	1,299
<b>TOTAL RECOGNISED (LOSSES)/ GAINS</b>		<b>(4,129)</b>	<b>224</b>
<b>Reconciliation</b>			
Opening reserves and endowments		25,614	25,390
Total recognised (losses)/ gains		(4,129)	224
<b>Closing reserves and endowments</b>		<b>21,485</b>	<b>25,614</b>

COURTAULD INSTITUTE OF ART

INSTITUTE BALANCE SHEET

As at 31 July 2009

	Note	2009 £'000	2008 £'000
<b>FIXED ASSETS</b>			
Intangible assets	10	(179)	(243)
Tangible assets	11	3,400	3,463
Investments	14	6,183	7,614
		9,404	10,834
<b>ENDOWMENT ASSETS</b>	13	15,832	18,350
<b>CURRENT ASSETS</b>			
Stocks	15	-	33
Debtors	16	1,304	580
Cash at bank and in hand		1,288	1,880
		2,592	2,493
<b>TOTAL CURRENT ASSETS</b>			
<b>CREDITORS: amounts falling due within one year</b>	17	(3,538)	(3,155)
<b>NET CURRENT LIABILITIES</b>		(946)	(662)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		24,290	28,522
<b>CREDITORS: amounts falling due after more than one year</b>	18	(121)	(607)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	20	(1,089)	(882)
<b>NET ASSETS</b>		23,080	27,033
<b>DEFERRED CAPITAL GRANTS</b>	21	1,623	1,441
<b>ENDOWMENTS</b>			
Permanent Restricted	22	3,186	3,850
Permanent Unrestricted	22	8,741	10,204
Expendable Restricted	22	3,905	4,296
		15,832	18,350
<b>TOTAL ENDOWMENTS</b>			
<b>RESERVES</b>			
General reserve	23	5,524	5,662
Restricted reserves	23a	41	89
Revaluation reserve	23b	60	1,491
<b>TOTAL</b>		23,080	27,033

The financial statements of the Courtauld Institute of Art, registered number 04464432, were approved by the governing body on 18 November 2009 and were signed on its behalf by:

Nick Ferguson, Chairman



COURTAULD INSTITUTE OF ART

CONSOLIDATED BALANCE SHEET

As at 31 July 2009

	Note	2009 £'000	2008 £'000
<b>FIXED ASSETS</b>			
Intangible assets	10	(179)	(243)
Tangible assets	11	3,431	3,470
Fixed asset Investments	14	6,183	7,614
		<u>9,435</u>	<u>10,841</u>
<b>ENDOWMENT ASSETS</b>			
	13	15,832	18,350
<b>CURRENT ASSETS</b>			
Stocks	15	88	138
Debtors	16	1,215	475
Cash at bank and in hand		1,346	1,973
		<u>2,649</u>	<u>2,586</u>
<b>TOTAL CURRENT ASSETS</b>			
<b>CREDITORS: amounts falling due within one year</b>	17	(3,598)	(3,233)
		<u>(949)</u>	<u>(647)</u>
<b>NET CURRENT LIABILITIES</b>			
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>24,318</u>	<u>28,544</u>
<b>CREDITORS: amounts falling due after more than one year</b>			
	18	(121)	(607)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
	20	(1,089)	(882)
		<u>23,108</u>	<u>27,055</u>
<b>NET ASSETS</b>			
<b>DEFERRED CAPITAL GRANTS</b>			
	21	1,623	1,441
<b>ENDOWMENTS</b>			
Permanent Restricted	22	3,186	3,850
Permanent Unrestricted	22	8,741	10,204
Expendable Restricted	22	3,905	4,296
		<u>15,832</u>	<u>18,350</u>
<b>TOTAL ENDOWMENTS</b>			
<b>RESERVES</b>			
General reserve	23	5,552	5,684
Restricted reserves	23a	41	89
Revaluation Reserve	23b	60	1,491
		<u>23,108</u>	<u>27,055</u>
<b>TOTAL</b>			
		<u><u>23,108</u></u>	<u><u>27,055</u></u>

The financial statements of the Courtauld Institute of Art, registered number 04464432, were approved by the governing body on 16 November 2009 and were signed on its behalf by:

Nick Ferguson, Chairman



COURTAULD INSTITUTE OF ART

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 July 2009

	Note	Year ended 31 July 2009 £'000	Year ended 31 July 2008 £'000
<b>Cash flow from operating activities</b>	24	(1,636)	(262)
Returns on investments and servicing of finance	25	528	488
Capital expenditure and financial investment	26	615	433
Management of liquid resources	27	-	-
Financing	28	(134)	(133)
<b>(Decrease)/ Increase in cash in the year</b>	29	<b>(627)</b>	<b>526</b>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

(Decrease)/ Increase in cash in the year		(627)	526
Cash outflow from increase in debt	28	134	133
Cash (outflow)/ inflow from endowment asset investments	29	(1,331)	1,402
Cash (outflow)/ inflow from fixed asset investments	29	(551)	594
Movement in net funds in year		(2,375)	2,655
Net funds at 1 August	29	2,872	217
Net funds at 31 July		497	2,872



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2009

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 2009. 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 within the financial statements of the parent Institute, Courtauld Institute of Art, was £485,000 (2007-8: £522,000). Included within the results for 2008-9 was a restricted deficit of £48,000 attributable to CIAF (2007-8: surplus of £32,000, see above and note 23a). 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 Institute's business activities and plans for the future are set out in the Directors' Report on page 2. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2009

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

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.

**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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2009

1. STATEMENT OF ACCOUNTING POLICIES (continued)

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.

**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.

**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 2009**2 FUNDING COUNCIL GRANTS**

	Year ended 31 July 2009 £'000	Year ended 31 July 2008 £'000
Recurrent grant from HEFCE	2,476	2,512
Matched Funding Scheme	720	-
Other specific grants from HEFCE	266	377
	<u>3,462</u>	<u>2,889</u>

**3 TUITION FEES AND EDUCATION CONTRACTS**

	Year ended 31 July 2009 £'000	Year ended 31 July 2008 £'000
UK Higher Education students	843	796
European Union (EU) (excluding UK)	131	106
Non-EU students	880	1,011
Total fees paid by or on behalf of individual students	1,854	1,913
Other education income	50	27
	<u>1,904</u>	<u>1,940</u>

**4 RESEARCH GRANTS AND CONTRACTS**

	Year ended 31 July 2009 £'000	Year ended 31 July 2008 £'000
Research councils	940	882
UK based charities	103	166
EU Charity	37	-
Other grants and contracts	576	148
	<u>1,656</u>	<u>1,196</u>

**5 OTHER INCOME**

	Year ended 31 July 2009 £'000	Year ended 31 July 2008 £'000
Donations	1,230	1,464
Other income	1,631	1,767
	<u>2,861</u>	<u>3,231</u>

**6 ENDOWMENT AND INVESTMENT INCOME**

	Year ended 31 July 2009 £'000	Year ended 31 July 2008 £'000
Income from endowments released to I&E account (note 22)	386	379
Other investment income	162	159
	<u>548</u>	<u>538</u>

NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 July 2009

## 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 2009	Year ended 31 July 2008
	No	No
Teaching departments	37	35
Teaching support services	2	2
Gallery & Libraries	22	20
Administration and central services	44	44
Premises	4	4
Other	12	11
	<u>121</u>	<u>116</u>

## Staff costs for the above persons:

	£'000	£'000
Wages and salaries	4,781	4,455
Social security costs	425	383
Other pension costs	524	506
	<u>5,730</u>	<u>5,344</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 2009	Year ended 31 July 2008
	No	No
£160,000- £170,000	-	1
£170,000- £180,000	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 2009	Year ended 31 July 2008
	£'000	£'000
Salary	171	161
Pension contributions	24	22
	<u>195</u>	<u>183</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 2009	Year ended 31 July 2008
	£'000	£'000	£'000	Total £'000	Total £'000
Teaching departments	2,372	951	-	3,323	3,039
Academic information services	774	435	-	1,209	842
Gallery	419	299	28	746	1,225
Administration and central services	1,687	1,523	187	3,397	3,393
Premises costs	-	1,263	218	1,481	972
Planned maintenance	-	207	-	207	170
Other income generating activities - Institute	177	141	-	318	418
Other income generating activities - subsidiaries	301	294	6	601	885
	<u>5,730</u>	<u>5,113</u>	<u>439</u>	<u>11,282</u>	<u>10,944</u>

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

9 ANALYSIS OF EXPENDITURE BY ACTIVITY (continued)	Year ended	Year ended
	31 July 2009	31 July 2008
	Total	Total
	£'000	£'000
<b>Other operating expenses include:</b>		
Amortisation of negative goodwill	(64)	(64)
Auditors' remuneration		
- statutory audit	57	56
- other services	29	6
Hire of other assets	22	23
Operating Leases	223	213

The external audit fee for the Institute was £50,000 (2007-08: £49,000)

9a INTEREST PAYABLE	Year ended	Year ended
	31 July 2009	31 July 2008
	£'000	£'000
On bank loans and other loans:		
Repayable within 5 years by instalments	20	47
Repayable wholly or partly in more than 5 years by instalments	-	3
	20	50

#### 10 INTANGIBLE FIXED ASSETS

##### Negative goodwill

	INSTITUTE	GROUP
	£'000	£'000
<b>Cost</b>		
At 1 August 2008 and 31 July 2009	(599)	(1,080)
<b>Amortisation</b>		
At 1 August 2008	356	837
Released in the year	64	64
At 31 July 2009	420	901
<b>Net book value</b>		
At 31 July 2009	(179)	(179)
At 31 July 2008	(243)	(243)

#### 11 TANGIBLE FIXED ASSETS

##### INSTITUTE

	Freehold land and buildings £'000	Rare books and artefacts £'000	Computer equipment £'000	General equipment £'000	Total £'000
<b>Cost</b>					
At 1 August 2008	2,359	853	581	1,268	5,061
Additions	164	-	61	145	370
Disposals	-	-	(170)	(111)	(281)
At 31 July 2009	2,523	853	472	1,302	5,150
<b>Depreciation</b>					
At 1 August 2008	614	-	508	476	1,598
Charge for year	218	-	79	136	433
Disposals	-	-	(170)	(111)	(281)
At 31 July 2009	832	-	417	501	1,750
<b>Net book value</b>					
At 31 July 2009	1,691	853	55	801	3,400
At 31 July 2008	1,745	853	73	792	3,463
Inherited	-	853	-	33	886
Financed by capital grant	1,526	-	-	20	1,546
Other	165	-	55	748	968
	1,691	853	55	801	3,400

**11 TANGIBLE FIXED ASSETS (continued)**  
**GROUP**

	Freehold land and buildings £'000	Rare books and artefacts £'000	Computer equipment £'000	General equipment £'000	Total £'000
<b>Cost</b>					
At 1 August 2008	2,359	853	588	1,329	5,129
Additions	164	-	61	175	400
Disposals	-	-	(170)	(111)	(281)
At 31 July 2009	2,623	853	479	1,393	5,248
<b>Depreciation</b>					
At 1 August 2008	614	-	514	531	1,659
Charge for year	218	-	80	141	439
Disposals	-	-	(170)	(111)	(281)
At 31 July 2009	832	-	424	561	1,817
<b>Net book value</b>					
At 31 July 2009	1,691	853	55	832	3,431
At 31 July 2008	1,745	853	74	798	3,470
Inherited	-	853	-	33	886
Financed by capital grant	1,526	-	-	20	1,546
Other	165	-	55	779	999
	1,691	853	55	832	3,431

**12 SUBSIDIARY UNDERTAKINGS**  
**INSTITUTE**

The institute has the following subsidiary undertaking:

Name	Ownership	Year end
SCT Enterprises Limited	100%	31/07/2009

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**

	2009 £'000	2008 £'000
Balance brought forward at 1 August		
Capital	14,500	12,108
Unapplied Total Returns	3,850	5,434
	18,350	17,542
Additions (note 22)	631	1,299
(Depreciation)/ Appreciation of endowment asset investments	(2,777)	99
Income received	386	310
Income received transferred to income & expenditure account	(386)	(379)
Transfer of accumulated income to general reserves	(372)	(521)
Balance at 31 July	15,832	18,350
<b>Represented by:</b>		
Unit Trusts and Investment Trusts	15,977	17,087
Cash balances	(174)	1,157
Amounts owing from benefactors & others	29	106
	15,832	18,350

**14 FIXED ASSET INVESTMENTS  
INSTITUTE AND GROUP**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Balance brought forward at 1 August	7,614	7,939
(Depreciation)/ Appreciation of fixed asset investments	(1,132)	45
Income Received	158	138
Income received transferred to income & expenditure account	(158)	(138)
Transfer of accumulated income to general reserves	(299)	(370)
	<u>6,183</u>	<u>7,614</u>
Balance at 31 July	<u>6,183</u>	<u>7,614</u>
<b>Represented by:</b>		
Unit Trusts and Investment Trusts	6,251	7,131
Cash balances	(68)	483
	<u>6,183</u>	<u>7,614</u>

In accordance with the the 2007 HE 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 within these financial statements. 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 £22.015m at 31 July 2009. (31 July 2008: £25.964m)

**15 STOCKS**

	<b>INSTITUTE</b>		<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Finished goods	-	33	88	138

**16 DEBTORS**

	<b>INSTITUTE</b>		<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade and student debtors	73	62	75	72
Amounts due from subsidiary undertakings	103	130	-	-
Taxation and VAT recoverable	49	34	49	34
Other debtors	960	215	960	215
Prepayments	119	139	131	154
	<u>1,304</u>	<u>580</u>	<u>1,215</u>	<u>475</u>

**17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>INSTITUTE</b>		<b>GROUP</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Loan from University of London	472	120	472	120
Bank loan	30	30	30	30
Payments received in advance	1,898	1,905	1,898	1,905
Trade creditors	301	313	310	321
Amounts due to subsidiary undertakings	-	2	-	-
Accruals	660	653	703	710
Other taxation and social security	163	116	171	131
Other creditors	14	16	14	16
	<u>3,538</u>	<u>3,155</u>	<u>3,598</u>	<u>3,233</u>

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

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Loan from University of London	-	456
Bank loan	121	151
	<u>121</u>	<u>607</u>



**19 BORROWINGS  
INSTITUTE AND GROUP**

	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Loans are repayable as follows:		
In one year or less	502	150
Between one and two years	30	486
Between two and five years	91	90
In five years or more	-	31
	<u>623</u>	<u>757</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.

**20 PROVISIONS FOR LIABILITIES AND CHARGES  
INSTITUTE AND GROUP**

	<b>Dilapidations</b>
	<b>£'000</b>
At 1 August 2008	882
Transferred from income and expenditure account	225
Utilised in year	(18)
At 31 July 2009	<u>1,089</u>

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**

	<b>Balance at</b>	<b>Received in</b>	<b>Released in</b>	<b>Balance at 31</b>
	<b>1 August</b>	<b>year</b>	<b>year</b>	<b>July 2009</b>
	<b>2008</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Freehold land and buildings	(1,417)	(344)	159	(1,602)
General Equipment	(24)	-	3	(21)
	<u>(1,441)</u>	<u>(344)</u>	<u>162</u>	<u>(1,623)</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	Permanent	Total	Expendable	Total 2009
	Restricted	Unrestricted	Permanent	Restricted	
	£'000	£'000	£'000	£'000	£'000
At 1 August 2008					
Capital	3,335	6,869	10,204	4,296	14,500
Unapplied Total Returns	515	3,335	3,850	-	3,850
	<u>3,850</u>	<u>10,204</u>	<u>14,054</u>	<u>4,296</u>	<u>18,350</u>
Transfers	(500)	-	(500)	500	-
Received in the year	322	273	595	36	631
Appreciation of endowment asset	(526)	(1,538)	(2,064)	(713)	(2,777)
Income for year	73	214	287	99	386
Total Returns transferred to income & expenditure account (note 6)	(73)	(214)	(287)	(99)	(386)
Transfer of accumulated income from/ (to) general reserves	40	(198)	(158)	(214)	(372)
At 31 July 2009					
Capital	3,157	7,142	10,299	3,905	14,204
Unapplied Total Returns	29	1,599	1,628	-	1,628
	<u>3,186</u>	<u>8,741</u>	<u>11,927</u>	<u>3,905</u>	<u>15,832</u>
<b>Representing</b>					
Fellowships and scholarships funds	1,505	181	1,686	1,535	3,221
Prizes funds	9	-	9	-	9
Chairs and lectureships funds	437	-	437	1,543	1,980
Other funds	1,235	8,560	9,795	827	10,622
	<u>3,186</u>	<u>8,741</u>	<u>11,927</u>	<u>3,905</u>	<u>15,832</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 alongside 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 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.

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	GROUP
	£'000	£'000
At 1 August 2008	5,662	5,684
Deficit retained for the year	(809)	(803)
Released from accumulated income within endowments	372	372
Released from Revaluation Reserve	299	299
At 31 July 2009	<u>5,524</u>	<u>5,552</u>

23a MOVEMENT ON RESTRICTED RESERVES INSTITUTE AND GROUP	Year ended 31 July 2009 £'000
At 1 August 2008	89
CIAF deficit retained for the year	(48)
At 31 July 2009	<u>41</u>

23b MOVEMENT ON REVALUATION RESERVES INSTITUTE AND GROUP	Year ended 31 July 2009 £'000
At 1 August 2008	1,491
Appreciation of fixed asset investments	(1,132)
Transfer to general reserves	(299)
At 31 July 2009	<u>60</u>

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

	Year ended 31 July 2009 £'000	Year ended 31 July 2008 £'000
Deficit on continuing operations	(851)	(1,150)
Depreciation	439	412
Amortisation of negative goodwill	(64)	(64)
Decrease in stocks	50	32
(Increase)/ Decrease in debtors	(740)	261
Increase in creditors	13	727
Increase in provisions	207	170
Interest receivable	(548)	(538)
Interest payable	20	50
Deferred capital grants released	(162)	(162)
Net outflow from operating activities	<u>(1,636)</u>	<u>(262)</u>

**25 RETURNS ON INVESTMENTS AND SERVICING OF FINANCE**

	2009 £'000	2008 £'000
Income from endowments	386	379
Other interest received	162	159
Interest paid	(20)	(50)
Net cash inflow from returns on investments and servicing of finance	<u>528</u>	<u>488</u>

**26 CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT**

	2009 £'000	2008 £'000
Purchase of tangible fixed assets	(400)	(739)
Capital grants received	344	281
Endowment income received	372	521
Income received from fixed asset investments	299	370
Net cash inflow from capital expenditure and financial investment	<u>615</u>	<u>433</u>

**27 MANAGEMENT OF LIQUID RESOURCES**

	2009 £'000	2008 £'000
Movement in Endowment Assets	-	-

**28 FINANCING**

	2009 £'000	2008 £'000
New loans	16	17
Repayment of loans	(150)	(150)
	<u>(134)</u>	<u>(133)</u>

**29 ANALYSIS OF CHANGES IN NET FUNDS**

	At 1 August 2008 £'000	Cash flows £'000	At 31 July 2009 £'000
Cash at bank and in hand	1,973	(627)	1,346
Endowment asset investments (note 13)	1,157	(1,331)	(174)
Fixed Asset investments (note 14)	483	(551)	(68)
Debt due within one year	(150)	(352)	(502)
Debt due after more than one year	(607)	486	(121)
Correction to balances brought forward at 1 August 2007	16	-	16
Total	<u>2,872</u>	<u>(2,375)</u>	<u>497</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 2008, contribution rates for employers in the USS scheme will increase from 14% to 16% with effect from 1 October 2009. The valuation for SAUL at the same date concluded that rates for employers and employees would remain unchanged at 13% and 6% respectively.

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
Latest actuarial valuations	March 2008	March 2008
Investment returns per annum	4.4%	7.0%
Salary scale increases per annum	4.3%	4.85%
Pension increases per annum	3.3%	3.35%
Market value of assets at date of last valuation	£28,843m	£1,266m
Proportion of members' accrued benefits covered by the actuarial value of the assets	71%	83%
The total employer's pension cost for the year was:		
	<b>2009</b>	<b>2008</b>
	<b>£'000</b>	<b>£'000</b>
Contributions to USS	409	404
Contributions to SAUL	104	92
Other	8	10
	<u>521</u>	<u>506</u>

**31 FINANCIAL COMMITMENTS**

At 31 July 2009 the group and the Institute had annual commitments under non-cancellable operating leases as follows:

	2009	2008
	£'000	£'000
<b>Land and buildings</b>		
Expiring in over five years	223	212

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. No payments are due under the lease before July 31 2010.

**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 £228,000 to the University of London, of which the Institute is an independent College, (2007-8 £211,000). Of this amount, £134,000 was in connection with the loan referred to in notes 17 and 18 (2007-8 £150,000). The balance of £94,000 was for other support.

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.