

Company Registration No. 04464432

COURTAULD INSTITUTE OF ART

Report and Financial Statements 31 July 2010

(- 22/11/2010)

COURTAULD INSTITUTE OF ART

Report and Financial Statements 31 July 2010

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COURTAULD INSTITUTE OF ART

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 July 2010.

ACTIVITIES

The principal activities of the Institute are to carry out teaching, curating and research in the areas of art history and the conservation of wall and easel paintings, to operate an art gallery and to provide and maintain facilities and services in support of the principal activities. 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 leading international 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. The latest version was approved by the Governing Board in July 2007.

In order to achieve our mission we currently 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.

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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.

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. Duchy House, an Edwardian building converted to a bespoke 64-bed student residence has been made available to new students with effect from 2010/11 and was twice over-subscribed for its first year.

The Charities Act 2006 places an obligation on charities to demonstrate explicitly how they provide public benefit, whereas previously it was automatically presumed that charities advancing education provided such benefits.

Public Benefit

In setting our objectives and planning our activities our Governors have given careful consideration to the Charity Commission's general guidance on public benefit and in particular to its supplementary public benefit guidance on advancing education and on fee-charging. For the 2009/10 academic year, a total of 78 scholarships were awarded to 61 students in support of tuition fees and / or maintenance costs. In addition, the Courtauld continues to spend 25% of the additional fee income it has received from undergraduate students since the introduction of top up fees in 2006 on student bursaries and activities to encourage widening access to and participation in higher education by students from less advantaged backgrounds.

In order to ensure that no one is put off coming to The Courtauld Gallery as a result of the admission charge, The Courtauld offers a number of concessionary tickets as well as offering free admission for visitors under the age of 18, full-time UK students, staff of UK universities, registered unwaged and Friends of The Courtauld. Disabled visitors may bring in a helper without charge. Admission is free for all visitors on Mondays between 10.00 am and 2:00 pm except on public holidays. In the year to 31 July 2010, 119,000 of the 173,000 visitors to the Gallery received free or concessionary admission.

The Courtauld makes a significant contribution, via its research, teaching and other activities to both the advancement of education and the advancement of the arts, culture, and heritage; each of which are specific categories of charitable purposes as set out in the Charities Act 2006. Further details of how this has been achieved are detailed below.

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.

Among key faculty developments, Professor Caroline Arscott was appointed as Head of Research and Dr. Susie Nash was promoted to Professor. Following the retirement of Professor Aileen Ribeiro, Dr Rebecca Arnold was appointed to a permanent post as Lecturer in Dress and Textiles. Professor John House, Walter H Annenberg Professor, retired at the end of July.

Also during the year Dr Scott Nethersole was appointed to a permanent post as Lecturer in Italian Renaissance Art to commence in September 2010 and Elizabeth Reissner was appointed to a Lecturer post in Conservation and Technology. Following the departure of Dr Laura Cleaver, Dr Lucy Donkin was appointed to the temporary Medieval Art History post. Other temporary lecturer appointments were made in Conservation of Wall Paintings: Charlotte Martin de Fonjaudran, Sybilla Tringham, and Horen Velson.

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DIRECTORS' REPORT (continued)

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 Mignon Nixon was awarded Fellowships at both the Getty Research Institute and at the Radcliffe Institute for Advanced Study for the academic year 2010-11 and accepted the latter;
- Professor David Solkin was awarded a Fellowship at the Paul Mellon Centre for British Art for the academic year 2010-11;
- Dr Sarah Wilson held a fellowship at the Centre National de la Recherche Scientifique, Paris in the spring term 2010 and was awarded a Residency at Dora Maar House (under Brown Foundation Fellows Program) for the academic year 2010-11;
- Sharon Cather was awarded a three year AHRC/EPSRC award for a post-doctoral student in wall painting conservation under a new scheme which is part of The Science and Heritage Programme which takes forward recommendations made by the House of Lords Science and Technology Select Committee report on science and heritage of November 2006 which concluded that there was a compelling need for a comprehensive national strategy for heritage science which covered both immovable and moveable heritage.
- 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 with Dr Austin Nevin 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'.
- 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 a funded project to digitize images of Wall Paintings in the Conway library.
- 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.
- Professor David Park continued to lead a wall painting conservation project at Ahicchatragarh Fort, Nagaur, in collaboration with the Mehrangarh Museum Trust, Jodhpur, funded by The Getty Foundation.

Our research community was enhanced at pre- and post-doctoral level by the appointment of:

- Dr Rebecca Farbstein as Caroline Villers Research Fellow
- Dr Klara Kemp Welch as Leverhulme Early Career Fellow
- Dr Wendy Ikemoto as Terra Foundation for American Art Postdoctoral teaching Fellow
- Stephanie Schwartz as Research Forum Andrew W Mellon Foundation Fellow
- Jessica Berenbeim as Kress Institutional Fellow
- Dr Francesco Lucchini as Research Forum Postdoctoral Fellow

Major publications (other than exhibition catalogues, which are reported below) by faculty, research students and curatorial staff this year include:

- Martin Caiger-Smith: *Antony Gormley*, Modern Artists series, Tate Publishing, 2 May 2010
- Sarah Wilson: *The Visual World of French Theory: Figurations*, Yale University Press, May 2010
- Jo Kirby, Susie Nash & Joanna Cannon (eds) *Trade in Artists Materials: Markets and Commerce in Europe to 1700*, Archetype Publications Ltd, 2010.

Research by faculty, curatorial staff and our research students and post-doctoral fellows reaches beyond the professional to much wider publics through The Courtauld's own exhibitions and through faculty

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DIRECTORS' REPORT (continued)

involvement in other major exhibitions, conferences and lecture programmes, often international in their impact. This year's exhibition activity included:

- *Turner and the Masters*, curated by David Solkin: at Tate Britain, 23 September 2009 to 31 January 2010; Grand Palais, Paris, 22 February to 24 May, 2010 and The Museo Nacional del Prado, Madrid, 22 June to 19 September 2010. The exhibition had outstanding reviews and attracted over 840,000 visitors in Britain, France and Spain.
- *The Artist's Studio*, exhibition and catalogue by Giles Waterfield: Compton Verney, 26 September – 13 December 2009 and at The Sainsbury Centre, University of East Anglia 9 February to 3 May.
- *Lissitzky + (three parts): Victory over the Sun; Radical Female Artists; The Dynamic Human Figure*, exhibition and catalogue by John Milner: Band Abbeuseum, Eindhoven, 19 September 2009 to 2 September 2012.
- *Frank Auerbach: London Building Sites 1952-62*, exhibition and catalogue (ed) Barnaby Wright: The Courtauld Gallery, 16 October 2009 – 17 January 2010
- *Michelangelo's Dream*, exhibition and catalogue (ed) Stephanie Buck: The Courtauld Gallery, 18 February to 16 May, 2010, which achieved magnificent press coverage and critical acclaim and a total of 61,878 visitors.
- *The Courtauld Collects: 20 years of acquisitions*: curated by Ernst Vegelin The Courtauld Gallery, 17 June to 19 September 2010
- *Blood tears faith doubt: Historical & Contemporary encounters*
Curated by students of the MA Curating Programme 2009-10: The Courtauld Gallery, 17 June to 18 July 2010

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

- Stefania Gerevini: Two year post at the Kunsthistorisches Institute in Florence.
- Dr Sarah James, PhD 2008, University Lecturer at University College London
- Dr Francesco Lucchini: PhD 2010, Research Forum post-doctoral Fellow 2010, two year Leverhulme Early Career Fellowship to be held at the Department of History of Art, University of Warwick from April 2011.
- Dr Alister Mill: PhD 2010, AHRC postdoctoral fellowship at the University of Exeter.
- Amarilli Rava: MA Conservation of Wall paintings 2010: Internship 2010-11 at the Getty Conservation Institute
- Dr Mellie Naydenova-Slade: PhD 2008, Paul Mellon Foundation 6 month Fellowship
- Dr Glenn Sujo: PhD 2010, Wingate Foundation scholarship to fund his postdoctoral research at The Courtauld 2010-11.
- Dr Stephanie Schwartz, Andrew W Mellon MA Postdoctoral fellow 2009-10, University Lecturer at University College, London
- Dr Rachel Wells, PhD 2008, Tutor, Ruskin School of Drawing and Fine Art, University of Oxford

Further examples of graduate successes in achieving employment in the arts sector are evidenced by the current employment of the 2008-9 MA Curating the Art Museum cohort:

- Rebecca Lewin, Tate Britain, Assistant Curator (cover)
- Miriam Lloyd Evans, Curator/Project Manager, Edge of Arabia, Contemporary Saudi Arabian Art
- Anna Harnden, British Museum/Wallace Collection, Curatorial Assistant
- Amanda Hajjar, Gagosian Gallery, New York, Gallery Assistant
- Viktorya Vilik, Frick Collection, Kress Fellowship in Museum Teaching, 2010/11
- Caroline New, Philadelphia Museum of Art (Development Office)
- Meg Weeks, Scottish National Gallery of Modern Art, Edinburgh
- Monse Pis, Museo Centro de Arte Reina Sofia Madrid, 9-month paid internship; part-time PhD, Santiago de Compostella
- Katy Marcou, Private gallery London, curatorial position
- Alice Tunmore, Position in marketing

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DIRECTORS' REPORT (continued)

The Research Forum

The Research Forum sits at the heart of the Courtauld Institute and has developed activities with members of the Academic Staff in Art History, Conservation Departments, Courtauld Gallery, Development, Libraries and Public Programmes. It provides an exceptionally productive, lively research environment for The Courtauld's students and offers unrivalled opportunities for conference convening, research group participation and publishing for the doctoral and postdoctoral community here. The autumn term 2009 saw the launch of *immediations vol. 2, no. 2* (December) and of a volume of essays *immediations Conference Papers no. 1, Art and Nature: Studies in Medieval Art and Architecture* (November). The Head of Research is the local editor for the newly-launched online journal for the Research Institutes in the History of Art (RIHA) The First Annual RIHA Lecture was given by Dr. Peter Stewart (The Courtauld Institute of Art) on *Geographies of Provincialism in Roman Sculpture* (February).

Additionally the Research Forum forms a bridge into the wider academic community drawing in participants from the art history world locally, nationally and internationally. We have had a number of distinguished visiting scholars coming to join our research community in the Research Forum in the past year. In 2009-10 the Research Forum hosted Dr. Holm Bevers (Kupferstichkabinett, Staatliche Museen zu Berlin) as Visiting Curator; Malcolm Bull as Mellon MA Visiting Professor teaching and sharing his research on 'The Political in Globalised Contemporary Art'; Christy Anderson (Department of Art, University of Toronto) as Visiting Professor on Gernsheim; Jonathan Katz (Associate Professor and Chair, Visual Studies Doctoral Program, University at Buffalo), as Terra Professor of American Art teaching and giving an insight into his work on Eros and the 1960s. Speakers in the Research Forum have included Dmitry Gutov (artist, October); Rebecca Farbstein (Caroline Villers Research, October); Martin Harrison (art historian and curator, December) Dr Kathryn M Rudy (Caroline Villers Associate Fellow, January); Michael R. Taylor (The Muriel and Philip Berman Curator of Modern Art, Philadelphia Museum of Art, February); Barbara Drake Boehm (Curator, Department of Medieval Art and The Cloisters, The Metropolitan Museum of Art, New York, March); Vitaly Komar (artist, April); Julian Gardner (Emeritus Professor of the History of Art, University of Warwick, May); Martin Kemp (University of Oxford, May) and Pascal Cotte (Directeur de recherche scientifique, Lumiere Technology S.A.S, May); Dr Sethuraman Suresh (Indian National Trust for Art and Cultural Heritage (INTACH, May); David Cohen (Gallery Director, New York Studio School, and Publisher, artcritical.com, May); Judith Clark (London College of Fashion) and Adam Phillips (psychoanalyst and writer, June).

2009-10 saw the launch of two new research Groups; The Material Life of Things with a total of 20 participants from departments of art history and museums worldwide working on the shifting relationship between artefacts, people and environments throughout the life history of particular objects or classes of objects; and PULSATIONS MODELLING working on ideas of representation and scientific modelling in collaboration with the California Institute of Technology.

Conference, colloquia and workshop subjects included: *Simple Weave Automated Thread Counting from x-Rays of Paintings on Canvas* (September); *Beyond Text: Sight and Sound on the Street* (October); *Modernity's Cultural Politics: China in Context* (October); *Photo Archives and the Photographic Memory of Art History – Part II* (October); *Imaging Dogma, Picturing Belief: Late-Medieval Mural Painting in Parish Churches across Europe* (November); *Conference in Honour of Jennifer Fletcher* (November); *Writing Art History: Reading and Writing* (November); *Everyday Objects: Art and Experience in Early Modern Europe* (November); *Medieval Art in Theory: Framing the Middle Ages: Concepts of the Frame in Medieval Art and Architecture* (November); *Surrealism, Post-War Theory and the Avant-Garde* (November); *'Gothic' and its Legacies* (December) *Viewing Text: Word as Image and Ornament in Medieval Inscriptions* (January); *Past Histories & Afterlives of Medieval Art and Architecture* (February); *Looking Like: Mimesis/Imitatio in the Art and Architecture of the Middle Ages* (March); *Identities in Time* (March). Our collaborators and funding partners for these events included the AHRC for several Beyond Text projects, the Kunsthistorisches Institut Florenz, The Peter Fuller Memorial Foundation, and individuals from a number of art history departments and Museums and Galleries.

An ambitious autumn term Frank Davis lecture series *Globalisation and Contemporary Art* was organised by Julian Stallabrass and Visiting Professor Malcolm Bull to coincide with their MA. Speakers included: T J Demos (University College London); Malcolm Bull (Ruskin School of Drawing and Fine Art, University of Oxford); Coco Fusco (artist, writer, and Parsons The New School for Design, New York); Adam Broomberg and Oliver Chanarin (artists); Anne M Wagner (University of California, Berkeley). The Spring Term Friends Lecture Series was *Conservation in Focus*, organised by the Conservation of Wall Painting and Conservation & Technology Departments and included Lorinda Wong (Project Specialist, the Getty Conservation Institute); Pia Gottschaller (German Academy Villa Massimo, Rome); Elke Oberthaler (Head of Conservation, Kunsthistorisches Museum Vienna); Giovanni Verri (Mellon Fellow, British

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Museum); Margriet van Eikema Hommes (Instituut Collectie Nederland and University of Amsterdam); David Saunders (Keeper of Conservation and Scientific Research, British Museum).

Exhibiting Research II and III: Delivering the Message (October and March) were policy debates, organised by the MA Programme 'Curating the Art Museum' in collaboration with the Research Forum, to examine the way in which galleries and museums deal with the relationship between research, exhibitions and their public. Research Associates worked on a Courtauld Collections project entitled *Objects in Focus*. Courtauld graduate students Sarah Laurence Goodwin, Sam Lake, Sam Rose and Eileen Rubery conceived and installed two themed displays for the Courtauld Gallery in collaboration with Dr Alexandra Gerstein, Curator for Sculpture and Decorative Arts (May) and produced Gallery-based and Web-based interpretative texts. Our Postdoctoral Fellow Stephanie Schwartz organized a film series to tie in with a third year BA course *Cine Cubano: The Revolution and Film*.

We are extremely grateful to the Andrew W. Mellon Foundation for their continued funding of the Research Forum and to the Terra Foundation for making possible the visits of our Terra Professor and Terra Postdoctoral Fellow.

Witt and Conway Libraries

Following the restructuring of the Witt and Conway Libraries during the summer of 2009, the Libraries re-opened to the public in November 2009. The Governing Board continues to maintain a high degree of interest in the future of these libraries and talks with potential supporters are ongoing.

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 2009/10 were as follows: There were 105 overseas students (2008/09: 93) and 361 home and EU students (2008/09: 332) on full or part-time undergraduate or postgraduate courses. 10 (2008/09: 6) students enrolled on the IES Study Abroad programme. The balance between the different programmes continued to favour postgraduate programmes; 152 (2008/09: 165) students being registered for the BA in the History of Art, 165 (2008/09: 162) for taught postgraduate programmes, and 93 (2008/09: 98) for full-time research degrees.

Our examination results were strong. 45 students entered and passed the BA in the History of Art first-year examinations (2008/09: 50 entered and passed); 57 students entered and passed the BA second-year (2008/09 52 entered and passed); and 51 students entered and passed the BA third-year (2008/09: 58 entered and passed). 14 students entered and passed the Courtauld Graduate Diploma in the History of Art (2008/09: 4 entered and passed). 121 (2008/09: 118) entered the MA in the History of Art Programme, of whom 112 (2008/09: 117) completed and passed the examination in June. 11 (2008/09: 11) entered the MA in Curating the Art Museum Programme, of whom 11 (2008/09: 11) 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 4 candidates successfully completed the 3rd year of the three-year Wall Paintings Conservation MA, graduating in July (2008/09: 5 completed the 2nd year). 11 candidates (2008/09: 9) were awarded BA degrees with first-class honours, 29 (2008/09: 31) achieved the MA with a Distinction and 16 candidates (2008/09: 19) were awarded a PhD.

The fees that the Institute charges to UK undergraduate students will rise to £3,290 in the year 2010/11 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 continues to grow through collaborative schemes such as the IES and a consortium of universities including Boston, Brown, Cornell and Pennsylvania. 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 continued to offer accommodation for students in the refurbished Strand Continental Hotel, only moments away from Somerset House during 2009/10, when 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

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DIRECTORS' REPORT (continued)

lease with the Duchy of Lancaster for the provision of a further 67 student rooms in Duchy House, equally close to Somerset House. The building was refurbished to the Institute's specifications and work was completed in Spring 2010. The rooms were then used as residential accommodation for students of the Institute's summer schools in July and August 2010 and will take on a full complement of new students for the start of the 2010/11 academic 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 21st Century. Nevertheless, we continue to welcome innovative change in our programmes and course, and look to expand our offer where we can. The second year of the new twelve month MA course in 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.

Public Programmes

Our ambitious and stimulating art history short courses, talks and events aim to make The Courtauld Institute of Art's scholarly expertise and the wealth of the Courtauld Gallery's collections accessible to the wider public. Courses and events are led by art historians and by experienced artists. A wide variety of events and activities including regular lunch time talks in The Courtauld Gallery, evening weekday lectures, spring and summer schools, and study tours to various locations led by experts in their field provide a wealth of opportunities for members of the public to learn about art and art history and to engage with The Courtauld throughout the year.

The Courtauld Public Programmes department also works with local schools, colleges and community groups to offer a variety of experiences and opportunities for young people outside of formal education. We aim to engage students with the research and academic thinking that personifies The Courtauld Institute of Art. The department also delivers Continuing Professional Development (CPD) to Primary, Secondary and Special School teachers from across the UK and will continue to develop new ways to support teachers in the future.

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) initially for a period on one year, during which time HEFCE conducted a review into the future of Museum and Galleries funding. As a result of that review, funding was confirmed for a period of at least one more year.

Exhibitions: During 2009/10 the Gallery continued its distinctive programme of highly focused research led temporary exhibitions. The full programme included: *Beyond Bloomsbury: Designs of The Omega Workshops 1913–19* (18 June – 20 September 2009); *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). Overall attendance numbers during the year were 173,000. The Michelangelo exhibition, in particular, was a landmark for the Gallery.

The programme for 2010/11 was also finalised – *Cezanne's Card Players* (21 October 2010 – 16 January 2011) organised with the Metropolitan Museum of Art, New York which will host the exhibition after it leaves the Courtauld; *Victorian Drawings and Watercolours from The Courtauld* (17 February – 15 May 2011) organised in collaboration with the University of Bristol; and *Toulouse Lautrec and Jane Avril* (16 June – 18 September 2011). Additionally, an exhibition staged by The Courtauld's Youth Council is planned for February 2011 as part of the London Olympics *Stories of the World* programme.

The Gallery exhibition programme, detailed above, is intended to attract a strong audience while adhering to our policy of focused scholarly exhibitions.

Admission to the Gallery was priced at £5 for adults with £4 concessions for visitors over the age of 60, part-time and international students throughout the year, increasing to £6 with £4.50 concessions in September 2010. Free admission is available for visitors under the age of 18, full-time UK students, staff of UK universities, registered unwaged and Friends of The Courtauld. Disabled visitors may bring in a helper without charge. Admission is free for all visitors on Mondays between 10.00 am and 2:00 pm except on public holidays. The admission charge includes entrance to the permanent collection as well as all temporary exhibitions and displays.

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DIRECTORS' REPORT (continued)

Loans

The Gallery supported a range of exhibitions nationally and internationally with loans of works in its care: 63 new loans were made to 30 exhibitions in 11 countries. These included major exhibitions at the Louvre, the J. Paul Getty Museum, the V&A, The National Art Centre, Tokyo, and many others. The Gallery also arranged several other loans of work in its care belonging to third parties.

Collections development

The collection in the care of the Gallery has continued to grow through acquisitions, gifts and bequests. Of special note were the gift of two watercolours by Frederick Walker presented by Diana Mallinson; Peter Lely's *Portrait of a Woman* and a bronze by Edgar Degas presented by the AIL Scheme, and a selection of prints published by the Paragon Press presented by Charles Booth-Clibborn.

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

Fundraising

Despite the tough economic conditions in which the Institute, in common with other HEIs has operated during 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 2010, and an accrual for £888,000 is included in these financial statements bringing the total claim for the first two years to £1.608m of which £262,000 has been received to date.

Financial position

The Courtauld Institute of Art is a small, specialist arts institution operating in a higher education sector where the level of public funding is decreasing. The funding model has favoured large institutions that can deliver maximum economies of scale. The Courtauld's total expenditure has increased by just 7% in cash terms since 2003, during which time non staff costs have been reduced by over 12%. In that time the number of academic staff has increased by 24% while maintaining overall staff numbers at a constant level. It is therefore becoming increasingly difficult to reduce expenditure further to counter the effect of reductions in funding without damaging core services. Nonetheless, we are continuing to take action wherever possible to increase our effectiveness and to develop our income streams to help ameliorate the known and anticipated funding cuts.

The group results for 2009/10 as contained in these financial statements show a surplus of £528,000 (2008/09: deficit of £479,000). Included in this result is the outcome for the Institute itself, a surplus of £532,000 (2008/09: deficit of £485,000). In operational terms, the group surplus is in fact £695,000 (2008/09: a deficit of £180,000) of which £699,000 relates to the Institute. The difference between the operational deficit and that recorded in these financial statements is the result of the treatment of transfers to and from fixed asset investments as required by the Statement of Recommended Practice: accounting for further and higher education ("SORP"). The improved performance year on year is the result of a number of different factors, including growth in tuition fees, philanthropic and commercial income as well as further reductions in the cost base and the return to growth of the Institute's endowment and investment portfolio.

Longer term prospects

As in all HE institutions we are acutely aware of the impact of Lord Browne's review *Securing a sustainable future for higher education: an independent review of higher education funding and student finance*, the likely scale of impending funding cuts via the CSR and the changes the cuts will bring to the sector. We are continuing to model the potential impact of various scenarios and with our plans for expansion and diversification as outlined below, we remain confident that we can meet head on the challenges we will face over the next few years.

The Senior Management Team has rigidly maintained its focus on the development and implementation of strategy while ensuring that all system, process and other management issues are dealt with in a way that continues to deliver improvements in operational and financial effectiveness.

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DIRECTORS' REPORT (continued)

In addition, 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 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.

Investment policy and performance

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

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

The Courtauld retains external investment managers who have demonstrated skill in a particular asset class. Investment discretion is delegated to each manager, subject to this investment policy and any other written investment guidelines that the Committee may establish for a manager. A variety of management styles and investment vehicles are utilised as appropriate. In addition to active management, passive management may be used in asset classes where market efficiency is sufficiently high, such that active management is unlikely to result in added value. No more than 5% of the fund is invested in any one company, nor is more than 20% assigned to any one manager. The Courtauld retains the services of an advisor, Cambridge Associates, who have vast experience in the handling of Universities' and foundations' portfolios.

During the course of the year, The Courtauld's investments recovered much of the loss suffered over the previous two years, increasing in value by a little more than 10% during the year, after adjusting for new endowments and releases. Between the Balance Sheet date and 30 September 2010 the fund increased in value by a further £1.2m, a little under 4.8% on the valuation at 31 July 2010.

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.

The Estates Committee, chaired by Sir Angus Stirling, 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. A high level feasibility study and options appraisal is currently underway to assess the benefits this building could bring for The Courtauld. This study will include a review of the impact on utilisation of space within the current building, where a series of space reorganisations has already taken place, leading to greater effectiveness in utilising the limited space available. Temporary use of additional space within Somerset House may also be an option. In addition, further improvements have been made to our public and student facilities.

Student accommodation

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, situated within a very short walk of Somerset House, for 64 student rooms. In addition, the Courtauld is able to offer a number of rooms in University of London

COURTAULD INSTITUTE OF ART

DIRECTORS' REPORT (continued)

Intercollegiate Halls. The ability to offer such accommodation is of strategic importance, because the lack of such facilities can impact negatively on recruitment and might detract from the student experience. The building has been refurbished to the Institute's specifications and is now open. This accommodation will be used exclusively by the student body between October and early July each year. During the summer it will remain available for all students, including the participants in the Summer Schools programme, as well as for wider academic and other use.

The Directors who served during the year and up to the date of signing these financial statements were:

Nicholas Ferguson (Chairman)
Professor Caroline Arscott
Dr Michael Brand (to July 2010)
Sharon Cather
Professor Geoffrey Crossick
Sir Nicholas Goodison (to July 2010)
James Hughes-Hallett
Dr Martin Halusa
Antony Hopkins
Andrew Jones (to April 2010)
Daisy Jones (appointed July 2010)
Dr David Landau
Daniella Luxembourg
Dr Nicholas Penny
Dr Neil Rudenstine
Anna Somers-Cox
Dr Christine Stevenson
Sir Angus Stirling
Professor Deborah Swallow (The Director)
Joff Whitten
James N Wood (to June 2010)

POLITICAL AND CHARITABLE CONTRIBUTIONS

There were no political or charitable contributions in the year (2008/09 - nil).

Serious Incidents

The Institute is aware of guidance and the need to report serious incidents arising since 1 June 2010 to HEFCE. There have been no such reportable incidents since that date.

Disclosure of information to auditors

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

Auditors:

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

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

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



Terry Hefford
Company Secretary

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

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 Fundraising & 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. In addition to the above, a Communications Committee is currently being established.

The current Chairman of the Board will retire in 2012 and a special committee of the board has been established to assist in the selection of his successor.

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:

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

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 and the external auditors attend every meeting and following the meeting which considers the annual accounts the external auditors hold a private discussion with the members of the Committee, all of whom are lay, in the absence of the officers.

The 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.

COURTAULD INSTITUTE OF ART

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

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

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

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.

The Institute's risk register is being reviewed as part of the review of corporate strategy, which is expected to be completed during 2011.

As part of the risk management process, management consider the gross risk (i.e. the likelihood of a particular event taking place and the impact on the Institute of that event before taking account of any actions or controls that may be in place, or could be put in place, to manage and mitigate the identified risk) and the net risk (i.e. the likelihood and impact of an event after taking account of the actions and controls in place to prevent that event) for all risks identified as posing a significant threat to the future of the Institute and report on these to the Audit Committee at each meeting.

The three risks which are currently considered to be significant at the net risk level are:

1. The risk of failing to perform at the highest level in the next REF review

The results of the last RAE review were excellent from an academic viewpoint but, due to the decision to award research performance 'wherever it was found in the sector', HEFCE research funds were stretched in a number of ways and the financial reward for the RAE for The Courtauld was considerably lower than under the previous arrangements for a similar research performance.

Action taken: A new research strategy is being developed, designed to maximise The Courtauld's research performance in all aspects of research and research-related income streams.

STATEMENT OF CORPORATE GOVERNANCE AND INTERNAL CONTROL (continued)

2. Changes in Government/HEFCE funding

The fact that The Courtauld teaches a single subject in a small, specialist institution makes it vulnerable to re-allocations of funding among subject areas. Furthermore, announcements from HEFCE and Government, most recently in the Browne Report and the Comprehensive Spending Review, state that such re-allocations will favour science and maths subjects.

Agreed action:

- The impacts of the Browne Report and the CSR are being assessed. The Courtauld has confirmed to HEFCE that it is following a robust strategy for the development of its activities, which assumes significant changes to its funding profile at the levels intimated by these recent announcements.
- We will continue to keep in close contact with HEFCE and up to date with all funding developments to ensure that HEFCE are aware of the effect that any proposed changes would have on us.
- We will continue to improve financial and other modelling and to develop our marketing expertise so that we can accurately assess the impact of changes and take steps well in advance to deal with it.

3. Failure to meet fundraising targets

The unpredictable nature of fundraising generally is exacerbated by the world economic situation, although 2009/10 was an excellent year for The Courtauld.

The funding programme continues to be given very high priority at Board level and at every level below.

Agreed action: To continue developing, refining and implementing a coherent development strategy and fundraising campaign fit to deal with the current circumstances and the post-HEFCE matched funding initiative.

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 2010 which comprise the Consolidated Income and Expenditure Account, the Consolidated and Institute Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Responsibilities set out on page 17, the Board of Governors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those auditing standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Institute's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. It also includes those audit matters specified within the Audit Code of Practice issued by the Higher Education Funding Council for England.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 July 2010 and of the Group's surplus of income over expenditure for the year then ended;
- the financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Statement of Recommended Practice: Accounting for Further and Higher Education and the Companies Act 2006.

Opinion on regularity matters

- in all material respects, income from the Higher Education Funding Council for England, grants and income for specific purposes and from other restricted funds administered by the Institute during the year ended 31 July 2010 have been applied for the purposes for which they were received; and
- in all material respects, income during the year ended 31 July 2010 has been applied in accordance with the Institute's statutes and, where appropriate, with the Financial Memorandum with the Higher Education Funding Council for England.

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

Opinion on other matters prescribed by the Companies Act 2006

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



Neil Thomas (**Senior Statutory Auditor**)

for and on behalf of KPMG LLP Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

23.11.2010

COURTAULD INSTITUTE OF ART

CONSOLIDATED INCOME & EXPENDITURE ACCOUNT

Year ended 31 July 2010

	Note	Year ended 31 July 2010 £'000	Year ended 31 July 2009 £'000
INCOME			
Funding Council grants	2	4,391	3,462
Tuition fees and education contracts	3	2,085	1,904
Research grants and contracts	4	820	1,656
Other income	5	3,228	2,861
Endowment and investment income	6	1,360	548
TOTAL INCOME		11,884	10,431
EXPENDITURE			
Staff costs	7	5,849	5,730
Other operating expenses	9	4,892	5,093
Depreciation	12	444	439
Interest payable	10	4	20
TOTAL EXPENDITURE		11,189	11,282
SURPLUS /(DEFICIT) ON CONTINUING OPERATIONS		695	(851)
Transfer (to)/ from accumulated income within endowments	24	(167)	372
NET MOVEMENT IN RESERVES		528	(479)

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 2010

	Note	Year ended 31 July 2010 £'000	Year ended 31 July 2009 £'000
Surplus/ (Deficit) on continuing operations after depreciation on fixed assets		695	(851)
Total Returns on fixed asset investments	14	860	(974)
Total Returns on fixed asset investments released in the year	14	(354)	(158)
Total Returns on endowment asset investments	15	2,169	(2,391)
Total Returns on endowments released in the year	15	(1,003)	(386)
New endowments	23	1,120	631
TOTAL RECOGNISED GAINS/ (LOSSES)		3,487	(4,129)
Reconciliation			
Opening reserves and endowments		21,485	25,614
Total recognised gains/ (losses)		3,487	(4,129)
Closing reserves and endowments		24,972	21,485

COURTAULD INSTITUTE OF ART

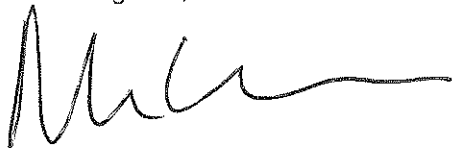
INSTITUTE BALANCE SHEET

As at 31 July 2010

	Note	2010 £'000	2009 £'000
FIXED ASSETS			
Intangible assets	11	(115)	(179)
Tangible assets	12	3,281	3,400
Investments	14	6,951	6,183
		<hr/>	<hr/>
		10,117	9,404
ENDOWMENT ASSETS			
	15	18,285	15,832
CURRENT ASSETS			
Stocks	16	-	-
Debtors	17	2,307	1,304
Cash at bank and in hand		1,185	1,288
		<hr/>	<hr/>
TOTAL CURRENT ASSETS		3,492	2,592
CREDITORS: amounts falling due within one year	18	(3,711)	(3,538)
NET CURRENT LIABILITIES		<hr/>	<hr/>
		(219)	(946)
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		28,183	24,290
CREDITORS: amounts falling due after more than one year	19	(91)	(121)
PROVISIONS FOR LIABILITIES AND CHARGES	21	(1,287)	(1,089)
NET ASSETS		<hr/>	<hr/>
		26,805	23,080
DEFERRED CAPITAL GRANTS			
	22	1,857	1,623
ENDOWMENTS			
Permanent Restricted	23	3,797	3,186
Permanent Unrestricted	23	10,186	8,741
Expendable Restricted	23	4,302	3,905
		<hr/>	<hr/>
TOTAL ENDOWMENTS		18,285	15,832
RESERVES			
General reserve	24	6,003	5,524
Restricted reserves	24a	94	41
Revaluation reserve	24b	566	60
TOTAL		<hr/>	<hr/>
		26,805	23,080

The financial statements of the Courtauld Institute of Art, registered number 04464432, were approved by the governing body on 17 November 2010 and were signed on its behalf by:

Nick Ferguson, Chairman



COURTAULD INSTITUTE OF ART

CONSOLIDATED BALANCE SHEET

As at 31 July 2010

	Note	2010 £'000	2009 £'000
FIXED ASSETS			
Intangible assets	11	(115)	(179)
Tangible assets	12	3,300	3,431
Fixed asset investments	14	6,951	6,183
		<u>10,136</u>	<u>9,435</u>
ENDOWMENT ASSETS			
	15	18,285	15,832
CURRENT ASSETS			
Stocks	16	105	88
Debtors	17	2,175	1,215
Cash at bank and in hand		1,233	1,346
		<u>3,513</u>	<u>2,649</u>
TOTAL CURRENT ASSETS		3,513	2,649
CREDITORS: amounts falling due within one year	18	(3,727)	(3,598)
NET CURRENT LIABILITIES		<u>(214)</u>	<u>(949)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>28,207</u>	<u>24,318</u>
CREDITORS: amounts falling due after more than one year	19	(91)	(121)
PROVISIONS FOR LIABILITIES AND CHARGES	21	(1,287)	(1,089)
NET ASSETS		<u>26,829</u>	<u>23,108</u>
DEFERRED CAPITAL GRANTS			
	22	1,857	1,623
ENDOWMENTS			
Permanent Restricted	23	3,797	3,186
Permanent Unrestricted	23	10,186	8,741
Expendable Restricted	23	4,302	3,905
		<u>18,285</u>	<u>15,832</u>
TOTAL ENDOWMENTS		18,285	15,832
RESERVES			
General reserve	24	6,027	5,552
Restricted reserves	24a	94	41
Revaluation Reserve	24b	566	60
TOTAL		<u>26,829</u>	<u>23,108</u>

The financial statements of the Courtauld Institute of Art, registered number 04464432, were approved by the governing body on 17 November 2010 and were signed on its behalf by:

Nick Ferguson, Chairman



COURTAULD INSTITUTE OF ART

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 July 2010

	Note	Year ended 31 July 2010 £'000	Year ended 31 July 2009 £'000
Cash flow from operating activities	25	(625)	(1,636)
Returns on investments and servicing of finance	26	1,356	528
Capital expenditure and financial investment	27	(342)	615
Management of liquid resources	28	-	-
Financing	29	(502)	(134)
Decrease in cash in the year	30	(113)	(627)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

Decrease in cash in the year		(113)	(627)
Cash outflow from increase in debt	29	502	134
Cash inflow/ (outflow) from endowment asset investments	30	1,446	(1,331)
Cash inflow/ (outflow) from fixed asset investments	30	556	(551)
Movement in net funds in year		2,391	(2,375)
Net funds at 1 August	30	497	2,872
Net funds at 31 July		2,888	497

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 2010. 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 surplus for the financial year dealt within the financial statements of the parent Institute, Courtauld Institute of Art, was £532,000 (2008/09: deficit of £485,000). Included within the results for 2009/10 was a restricted surplus of £53,000 attributable to CIAF (2008/09: deficit of £48,000, see above and note 24a). As permitted by Section 408 of the Companies Act 2006, no separate income and expenditure account is presented in respect of the parent Institute.

Going Concern

The company's business activities and plans for the future are set out in the 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.

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

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.

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Endowments

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

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

The Institute also participates in the Superannuation Arrangements of the University of London (SAUL), which is a centralised defined benefit scheme and is contracted-out of the Second State Pension. SAUL is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in SAUL, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation. A formal valuation of SAUL is carried out every three years by professionally qualified and independent actuaries using the Projected Unit method. Informal reviews of SAUL's position are carried out between formal valuations.

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

Negative goodwill

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

Tangible fixed assets

a) Land and buildings

Improvements to leasehold land and buildings are amortised over 10 years or, if shorter, the remaining period of the lease.

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2010

1. STATEMENT OF ACCOUNTING POLICIES (continued)

b) Equipment

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

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

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

1. STATEMENT OF ACCOUNTING POLICIES (continued)

Tangible fixed assets (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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 July 2010

1. STATEMENT OF ACCOUNTING POLICIES (continued)

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.

2 FUNDING COUNCIL GRANTS

	Year ended 31 July 2010	Year ended 31 July 2009
	£'000	£'000
Recurrent grant from HEFCE	3,012	2,476
Matched Funding Scheme	888	720
Deferred Capital Grants released	137	137
Other specific grants from HEFCE	354	129
	<u>4,391</u>	<u>3,462</u>

3 TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July 2010	Year ended 31 July 2009
	£'000	£'000
UK Higher Education students	942	843
European Union (EU) (excluding UK)	162	131
Non-EU students	891	880
Total fees paid by or on behalf of individual students	1,995	1,854
Other education income	90	50
	<u>2,085</u>	<u>1,904</u>

4 RESEARCH GRANTS AND CONTRACTS

	Year ended 31 July 2010	Year ended 31 July 2009
	£'000	£'000
Research councils	42	940
UK based charities	65	103
EU Charity	23	37
Other grants and contracts	690	576
	<u>820</u>	<u>1,656</u>

5 OTHER INCOME

	Year ended 31 July 2010	Year ended 31 July 2009
	£'000	£'000
Donations	1,442	1,230
Deferred Capital Grants released	29	25
The Courtauld Gallery- admissions and events	436	418
SCT Enterprises Ltd (The Gallery Shop)	625	612
Other income	696	576
	<u>3,228</u>	<u>2,861</u>

6 ENDOWMENT AND INVESTMENT INCOME

	Year ended 31 July 2010	Year ended 31 July 2009
	£'000	£'000
Income from endowments released to i&E account (note 23)	1,003	386
Other investment income	357	162
	<u>1,360</u>	<u>548</u>

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 2010	Year ended 31 July 2009
	No	No
Teaching departments	36	37
Teaching support services	2	2
Gallery & Libraries	20	22
Administration and central services	43	44
Premises	4	4
Other	13	12
	<u>118</u>	<u>121</u>
Staff costs for the above persons:	£'000	£'000
Wages and salaries	4,867	4,781
Social security costs	423	425
Pension costs	559	524
	<u>5,849</u>	<u>5,730</u>

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

	Year ended 31 July 2010	Year ended 31 July 2009
	No	No
£170,000- £180,000	<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 2010	Year ended 31 July 2009
	£'000	£'000
Salary	173	171
Pension contributions	27	24
	<u>200</u>	<u>195</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 2010	Year ended 31 July 2009
	£'000	£'000	£'000	Total £'000	Total £'000
Teaching departments	2,606	975	-	3,583	3,323
Academic information services	522	142	-	664	1,209
Gallery	552	580	28	1,160	746
Administration and central services	1,703	1,147	159	3,009	3,397
Premises costs	-	1,327	245	1,572	1,481
Planned maintenance	-	272	-	272	207
Other income generating activities - Institute	228	103	-	331	318
Other income generating activities - subsidiaries	236	350	12	598	601
	<u>5,849</u>	<u>4,896</u>	<u>444</u>	<u>11,189</u>	<u>11,282</u>

* other operating expenses includes interest payable (see note 10).

9 ANALYSIS OF EXPENDITURE BY ACTIVITY (continued)	Year ended	Year ended
	31 July 2010	31 July 2009
	Total	Total
	£'000	£'000
Other operating expenses include:		
Amortisation of negative goodwill	(64)	(64)
Auditors' remuneration		
- statutory audit	42	57
- other services	-	29
Hire of other assets	13	22
Operating Leases	207	223

The external audit fee for the Institute was £39,000 (2008-09: £50,000)

10 INTEREST PAYABLE	Year ended	Year ended
	31 July 2010	31 July 2009
	£'000	£'000
On bank loans and other loans:		
Repayable within 5 years by instalments	4	20
	<u>4</u>	<u>20</u>

11 INTANGIBLE FIXED ASSETS	Negative goodwill	
	Institute	Group
	£'000	£'000
Cost		
At 1 August 2009 and 31 July 2010	(599)	(1,080)
Amortisation		
At 1 August 2009	420	901
Released in the year	64	64
At 31 July 2010	<u>484</u>	<u>965</u>
Net book value		
At 31 July 2010	(115)	(115)
At 31 July 2009	<u>(179)</u>	<u>(179)</u>

Negative goodwill for the Institute relates to the difference between the value of assets acquired on independence from the University of London and the amount paid for those assets. Negative goodwill for the Group additionally includes the difference between the value of assets acquired on the takeover of SCT Enterprises Ltd and the price paid for those assets.

12 TANGIBLE FIXED ASSETS	institute				
	Leasehold land and buildings	Rare books and artefacts	Computer equipment	General equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 August 2009	2,623	853	472	1,302	5,150
Additions	130	-	29	154	313
At 31 July 2010	<u>2,653</u>	<u>853</u>	<u>501</u>	<u>1,456</u>	<u>5,463</u>
Depreciation					
At 1 August 2009	832	-	417	501	1,750
Charge for year	237	-	43	152	432
At 31 July 2010	<u>1,069</u>	<u>-</u>	<u>460</u>	<u>653</u>	<u>2,182</u>
Net book value					
At 31 July 2010	<u>1,584</u>	<u>853</u>	<u>41</u>	<u>803</u>	<u>3,281</u>
At 31 July 2009	<u>1,691</u>	<u>853</u>	<u>55</u>	<u>801</u>	<u>3,400</u>
Inherited	-	853	-	-	853
Financed by capital grant	1,393	-	-	50	1,443
Other	191	-	41	763	985
	<u>1,584</u>	<u>853</u>	<u>41</u>	<u>803</u>	<u>3,281</u>

12 TANGIBLE FIXED ASSETS (continued) Group	Leasehold land and buildings £'000	Rare books and artefacts £'000	Computer equipment £'000	General equipment £'000	Total £'000
Cost					
At 1 August 2009	2,523	853	479	1,393	5,248
Additions	130	-	29	154	313
At 31 July 2010	2,653	853	508	1,547	5,561
Depreciation					
At 1 August 2009	832	-	424	561	1,817
Charge for year	237	-	43	164	444
At 31 July 2010	1,069	-	467	725	2,261
Net book value					
At 31 July 2010	1,584	853	41	822	3,300
At 31 July 2009	1,691	853	55	832	3,431
Inherited	-	853	-	-	853
Financed by capital grant	1,393	-	-	50	1,443
Other	191	-	41	772	1,004
	1,584	853	41	822	3,300

13 SUBSIDIARY UNDERTAKINGS

Institute

The Institute has the following subsidiary undertaking:

Name	Ownership	Year end
SCT Enterprises Limited	100%	31/07/2010

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.

14 FIXED ASSET INVESTMENTS

Institute and Group

	2010 £'000	2009 £'000
Balance brought forward at 1 August	6,183	7,614
Total Returns accrued in the year	860	(974)
Income received transferred to income & expenditure account	(354)	(158)
Transfers from / (to) general reserves	282	(299)
Balance at 31 July	6,951	6,183
Represented by:		
Unit Trusts and Investment Trusts	6,463	6,251
Cash balances	488	(68)
	6,951	6,183

15 ENDOWMENT ASSETS

Institute and Group

	2010 £'000	2009 £'000
Balance brought forward at 1 August		
Capital	14,204	14,500
Unapplied Total Returns	1,628	3,850
	15,832	18,350
Additions (note 22)	1,120	631
Total Returns on endowment asset investments	2,169	(2,391)
Income received transferred to income & expenditure account	(1,003)	(386)
Transfer of accumulated income from / (to) general reserves	167	(372)
Balance at 31 July	18,285	15,832
Represented by:		
Unit Trusts and Investment Trusts	16,854	15,977
Cash balances	1,272	(174)
Amounts owing from benefactors & others	159	29
	18,285	15,832

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 23)) 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 £25,236m at 31 July 2010. (31 July 2009: £22,015m)

16 STOCKS	Institute		Group	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Finished goods	-	-	105	88
17 DEBTORS	Institute		Group	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade and student debtors	52	73	55	75
Amounts due from subsidiary undertakings	148	103	-	-
Taxation and VAT recoverable	58	49	58	49
HEFCE Match Funding Grants	1,346	720	1,346	720
Other Accrued Revenue	524	223	524	243
Other debtors	16	17	16	17
Prepayments	163	119	176	131
	<u>2,307</u>	<u>1,304</u>	<u>2,175</u>	<u>1,235</u>

HEFCE Match funding is paid according to a profile determined by HEFCE, with the final payment due in February 2012.

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	Institute		Group	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Loan from University of London	-	472	-	472
Bank loan	30	30	30	30
Payments received in advance	2,922	1,898	2,922	1,898
Trade creditors	399	301	418	310
Amounts due to subsidiary undertakings	26	-	-	-
Accruals	193	660	201	703
Other taxation and social security	119	163	134	171
Other creditors	22	14	22	14
	<u>3,711</u>	<u>3,538</u>	<u>3,727</u>	<u>3,598</u>

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	Institute and Group	
	2010 £'000	2009 £'000
Bank loan	91	121
	<u>91</u>	<u>121</u>

20 BORROWINGS	Institute and Group	
	2010 £'000	2009 £'000
Loans are repayable as follows:		
In one year or less	30	502
Between one and two years	30	30
Between two and five years	61	91
	<u>121</u>	<u>623</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 tender bank's base rate respectively. During the year, the average loan interest payable on the loan from the University of London, which matured on 31 July 2010 was 0.35%. Interest payable on the bank loan was 1.5% throughout the year.

21 PROVISIONS FOR LIABILITIES AND CHARGES
Institute and Group

	Dilapidations £'000
At 1 August 2009	1,089
Transferred from income and expenditure account	225
Utilised in year	(27)
At 31 July 2010	<u>1,287</u>

The dilapidations provision relates to costs to be incurred in returning the premises licensed from Somerset House Trust to their original condition.

22 DEFERRED CAPITAL GRANTS
Institute and Group

	Balance at 1 August 2009 £'000	Received in year £'000	Released in year £'000	Balance at 31 July 2010 £'000
HEFCE- Leasehold land and buildings	(1,285)	(293)	133	(1,445)
HEFCE- General Equipment	(21)	-	4	(17)
Other- Land and buildings	(317)	(12)	25	(304)
Other- General Equipment	-	(95)	4	(91)
	<u>(1,623)</u>	<u>(400)</u>	<u>166</u>	<u>(1,857)</u>

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

23 ENDOWMENTS
Institute and Group

	Permanent Restricted £'000	Permanent Unrestricted £'000	Total Permanent £'000	Expendable Restricted £'000	Total 2010 £'000	Total 2009 £'000
At 1 August 2009						
Capital	3,157	7,142	10,299	3,905	14,204	14,500
Unapplied Total Returns	29	1,599	1,628	-	1,628	3,850
	<u>3,186</u>	<u>8,741</u>	<u>11,927</u>	<u>3,905</u>	<u>15,832</u>	<u>18,350</u>
Received in the year	201	689	890	230	1,120	631
Total Returns accrued in the year	447	1,193	1,640	529	2,169	(2,391)
Total Returns transferred to income & expenditure account (note 6)	(37)	(437)	(474)	(529)	(1,003)	(386)
Transfer of accumulated income from/ (to) general reserves	-	-	-	167	167	(372)
At 31 July 2010						
Capital	3,358	7,831	11,189	4,302	15,491	14,204
Unapplied Total Returns	439	2,355	2,794	-	2,794	1,628
	<u>3,797</u>	<u>10,186</u>	<u>13,983</u>	<u>4,302</u>	<u>18,285</u>	<u>15,832</u>
Representing						
Fellowships and scholarships funds	1,702	198	1,900	1,615	3,515	3,221
Prizes funds	10	-	10	-	10	9
Chairs and lectureships funds	709	-	709	1,670	2,379	1,980
Other funds	<u>1,376</u>	<u>9,988</u>	<u>11,364</u>	<u>1,017</u>	<u>12,381</u>	<u>10,622</u>
	<u>3,797</u>	<u>10,186</u>	<u>13,983</u>	<u>4,302</u>	<u>18,285</u>	<u>15,832</u>

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.

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

	Lisbet Rausing £'000	The Garfield Weston Foundation £'000
At 1 August 2009		
Capital	5,000	1,000
Unapplied Total Returns	1,431	236
	<u>6,431</u>	<u>1,236</u>
Total Returns accrued in the year	879	169
Total Returns transferred to income & expenditure account (note 6)	(353)	(43)
At 31 July 2010		
Capital	5,000	1,000
Unapplied Total Returns	<u>1,957</u>	<u>362</u>
	<u>6,957</u>	<u>1,362</u>

24	MOVEMENT ON GENERAL RESERVES		
		Institute	Group
		£'000	£'000
	At 1 August 2009	5,524	5,552
	Surplus retained for the year	646	642
	Transfers to accumulated income within endowments	(167)	(167)
	At 31 July 2010	<u>6,003</u>	<u>6,027</u>
24a	MOVEMENT ON RESTRICTED RESERVES		
	Institute and Group		Year ended
			31 July 2010
			£'000
	At 1 August 2009		41
	CIAF surplus retained for the year		<u>53</u>
	At 31 July 2010		<u>94</u>
24b	MOVEMENT ON REVALUATION RESERVES		
	Institute and Group		Year ended
			31 July 2010
			£'000
	At 1 August 2009		60
	Total Returns on fixed asset investments		660
	Income received transferred to income & expenditure account		<u>(354)</u>
	At 31 July 2010		<u>566</u>
25	RECONCILIATION OF OPERATING SURPLUS/ (DEFICIT) TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES		
		Year ended	Year ended
		31 July 2010	31 July 2009
		£'000	£'000
	Surplus/ (Deficit) on continuing operations	695	(851)
	Depreciation	444	439
	Amortisation of negative goodwill	(64)	(64)
	(Increase)/ Decrease in stocks	(17)	50
	(Increase) in debtors	(960)	(740)
	Increase in creditors	601	13
	Increase in provisions	198	207
	Interest receivable	(1,360)	(548)
	Interest payable	4	20
	Deferred capital grants released	(166)	(162)
	Net outflow from operating activities	<u>(625)</u>	<u>(1,636)</u>
26	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
		2010	2009
		£'000	£'000
	Income from endowments	1,003	386
	Other interest received	357	162
	Interest paid	(4)	(20)
	Net cash inflow from returns on investments and servicing of finance	<u>1,356</u>	<u>528</u>
27	CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
		2010	2009
		£'000	£'000
	Purchase of tangible fixed assets	(313)	(400)
	Capital grants received	400	344
	Endowment income received	(167)	372
	Income received from fixed asset investments	(262)	299
	Net cash (outflow)/ inflow from capital expenditure and financial investment	<u>(342)</u>	<u>615</u>
28	MANAGEMENT OF LIQUID RESOURCES		
		2010	2009
		£'000	£'000
	Movement in Endowment Assets	-	-
29	FINANCING		
		2010	2009
		£'000	£'000
	New loans	8	16
	Repayment of loans	(510)	(150)
		<u>(502)</u>	<u>(134)</u>

30 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2009	Cash flows	At 31 July 2010
	£'000	£'000	£'000
Cash at bank and in hand	1,346	(113)	1,233
Endowment asset investments (note 15)	(174)	1,446	1,272
Fixed Asset investments (note 14)	(68)	556	488
Debt due within one year	(502)	472	(30)
Debt due after more than one year	(121)	30	(91)
Correction to balances brought forward at 1 August 2007	16	-	16
Total	497	2,391	2,688

31 PENSION AND SIMILAR OBLIGATIONS

University Superannuation Scheme (USS)

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

The latest triennial actuarial valuation of the scheme was at 31 March 2008. This was the first valuation for USS under the new scheme-specific funding regime introduced by the Pension Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2010 are also included in this note.

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

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.4% per annum (which includes an additional assumed investment return over gilts of 2% per annum), salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.3% per annum.

At the valuation date, the value of the assets of the scheme was £28,842.6 million and the value of the scheme's technical provisions was £28,135.3 million indicating a surplus of £707.3 million. The assets were therefore sufficient to cover 103% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 71%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 107% funded; on a buy-out basis (ie assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 6.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2008 was 104%.

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions except that the valuation rate of interest assumed asset outperformance over gilts of 1.7% per annum (compared to 2% per annum for the technical provisions) giving a discount rate of 6.1% per annum; also the allowance for promotional salary increases was not as high. There is currently uncertainty in the sector regarding pay growth. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme, a cautionary reserve has been included, in addition, on account of the variability mentioned above. The scheme-wide contribution rate required for future service benefits alone at the date of the valuation was 16% of pensionable salaries and the trustee company, on the advice of the actuary, increased the institution contribution rate to 16% of pensionable salaries from 1 October 2009.

Since 31 March 2008 global investment markets have continued to fluctuate and at 31 March 2010 the actuary has estimated that the funding level under the new scheme specific funding regime had fallen from 103% to 91% (a deficit of £3,065 million). This estimate is based on the funding level at 31 March 2008, adjusted to reflect the fund's actual investment performance over the two years and changes in market conditions (market conditions affect both the valuation rate of interest and also the inflation assumption which in turn impacts on the salary and pension increase assumptions).

On the FRS17 basis, using an AA bond discount rate of 5.6% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2010 was 80%. An estimate of the funding level measured on a buy-out basis at that date was approximately 57%.

Surpluses or deficits which arise at future valuations may impact on the institution's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements.

31 PENSION AND SIMILAR OBLIGATIONS (continued)

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

The next formal triennial actuarial valuation is due as at 31 March 2011. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

At 31 March 2010, USS had over 135,000 active members and The Courtauld had 64 active members participating in the scheme.

The total pension cost for the institution was £458,000 (2009: £410,000). The contribution rate payable by the institution was 16% of pensionable salaries.

Superannuation Scheme of the University of London (SAUL)

The Institute participates in a centralised defined benefit scheme for all qualified employees with the assets held in separate Trustee-administered funds. The Courtauld Institute of Art has now adopted FRS17 for accounting for pension costs. It is not possible to identify the The Courtauld's share of the underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amounts actually paid (ie cash amounts) in accordance with paragraphs 8 – 12 of FRS17.

SAUL is subject to triennial valuations by professionally qualified and independent actuaries. The last available valuation was carried out as at 31 March 2008 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The following assumptions were used to assess the past service funding position and future service liabilities:

Valuation method:	Projected unit	
	Past Service	Future Service
Investment return on liabilities:	6.9% p.a.	7.0% p.a.
- before retirement	4.8% p.a.	5.0% p.a.
- after retirement		
Salary growth*	4.85% p.a.	4.85% p.a.
Pension increases	3.35% p.a.	3.35% p.a.

*excluding an allowance for promotional increases

The actuarial valuation applies to SAUL as a whole and does not identify surpluses or deficits applicable to individual employees. As a whole, the market value of SAUL's assets was £1,266 million representing 100% of the liability for benefits after allowing for expected future increases in salaries.

Based on the strength of the Employer covenant and the Trustee's long-term investment strategy, the Trustee and the Employers agreed to maintain Employer and Member contributions at 13% of Salaries and 6% of Salaries respectively following the valuation.

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS17 revealed SAUL to be in surplus at the last formal valuation date (31 March 2008).

The next formal actuarial valuation is due at 31 March 2011 when the above rates will be reviewed.

32 FINANCIAL COMMITMENTS

At 31 July 2010 the Group and the Institute had annual commitments under non-cancellable operating leases as follows:

	2010	2009
	£'000	£'000
Land and buildings		
Expiring in over five years	440	223

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. Following an initial rent free period, annual rent will become payable in January 2011.

33 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 £602,000 to the University of London, of which the Institute is an Independent College, (2008-9 £228,000). Of this amount, £482,000 was in connection with the loan referred to in notes 18 and 19 (2008-9 £134,000). The balance of £120,000 was for other support services (2008-9 £94,000).

During the year the Institute acted as Custodian for the works of art displayed and stored in the Courtauld Gallery but owned by the Samuel Courtauld Trust and others. Nicholas Ferguson and Sir Angus Stirling are also directors of the Samuel Courtauld Trust.

During the year the Institute received donations from Nicholas Ferguson of £347,000 (2008-9 £182,000) and from Martin Halusa of £97,000 (2008-9 £35,000). Both Mr Ferguson and Mr Halusa are Directors of the Institute.

No payment was made to any director for expenses relating to their role (2008-09: ENil).

34 CONTROLLING PARTY

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