

ANNUAL REPORT

AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014



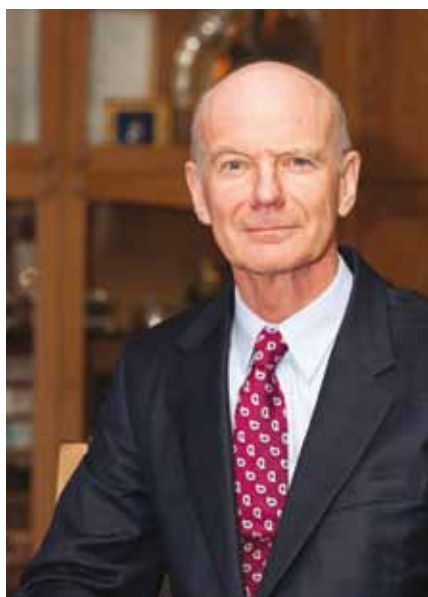
WORK HAS ALREADY
COMMENCED ON THE
CONSTRUCTION OF A
NEW DRAWINGS GALLERY
WHICH WILL OPEN IN
JANUARY 2015 AND
PROVIDE A DEDICATED
SPACE TO SHOWCASE
THE COLLECTION UNDER
SPECIALIST CONDITIONS



CONTENTS

Chairman's Foreword	2
Director's Introduction	4
Directors and Officers	6
Strategic Report	8
Operating and Financial Review	10
Governance Statement	18
Independent Auditors' Report to the Board of Directors	22
Consolidated Income and Expenditure Account	24
Statement of Consolidated Total Recognised Gains and Losses	25
Balance Sheet	26
Consolidated Cash Flow Statement	27
Statement of Principal Accounting Policies	29
Notes to the Financial Statements	33

CHAIRMAN'S FOREWORD



A handwritten signature in dark ink, reading 'James Hughes-Hallett' in a cursive style.

James Hughes-Hallett
Chairman of the Governing Board,
The Courtauld Institute of Art

This has been a year of many successes for The Courtauld. The fact that so much has been achieved in an exceptionally challenging environment for both higher education and the arts is testament to the dedication of our students and staff. In particular I want to congratulate colleagues on our outstanding rating as per the 2014 National Student Survey (see the Director's Introduction for further information).

In July the Governing Board endorsed the priorities outlined in our Strategic Plan for the balance of the decade, and we are already implementing key initiatives such as our Asian studies strategy. The key strategic priority, though, is the 'Masterplan Project' (see page nine for further details). In August, 2014 Stirling Prize Winning architects Witherford Watson Mann were appointed to work on the Project which will address the redevelopment of our home in Somerset House and will transform the way we work to allow us to grow, to offer new facilities for our teaching and research activities and to attract new audiences through improved accessibility to our wonderful Collection, both digitally and as a visitor to the Gallery. As part of the Masterplan Project work has already commenced on the construction of a new dedicated Drawings Gallery; this will open in January 2015.

During the year to 31 July 2014 we raised £1.2m in new endowment funds, and generated total returns on investment of £450k. After draw-down, the combined portfolio has remained steady at £36.5m. This has been a challenging year financially for The Courtauld largely due to estate-related costs stemming from settlement of past rental for the North Block, and fit-out and rental of additional and badly needed space in the New Wing of Somerset House.

We have exciting plans in train for the future and I am very confident that The Courtauld will continue to make an enormously positive impact both as the world's leading institution for the study of art history and conservation and as one of London's most beautiful and distinguished museums.



DIRECTOR'S INTRODUCTION



Professor Deborah Swallow
Märit Rausing Director

There have been many successes this year for The Courtauld. We have done much to reach out in discussion with other disciplines, to extend our geographical remit, significantly to increase our range of activity, our Gallery programmes and exhibitions, the documentation of our collections and the numbers and range of people who participate in our many activities, whether as students, scholars or members of the public. This Report outlines the ways we have maintained our standards of excellence in teaching, scholarship, research and curatorship in the fields of art history and conservation.

We were delighted to receive a score of 100% for overall satisfaction in the 2014 National Student Survey (NSS). The NSS is a high profile annual census of nearly half a million students across the UK. It produces influential higher education public information, giving final year students a powerful voice to help shape the future of their institution. Students praised The Courtauld's teaching staff for: quality of teaching (100%); staff being good at explaining things (100%); staff being enthusiastic (99%) and 100% found the course to be intellectually stimulating. The Courtauld was the only university in the UK to achieve an overall rating of 100%. We also achieved success in the university league tables with the 2015 *Sunday Times Good University Guide* ranking The Courtauld number one for the study of Art History.

Student life overall was very active. Our students delivered the eleventh East Wing Biennial, *Interact*, competed in BBC2's *University Challenge* and organised The Courtauld's first ever TEDx conference, entitled *Colouring Life*. TED (Technology, Entertainment, Design) is a global set of conferences that address a wide range of topics within the research and practice of science and culture, often through storytelling. The conference was a resounding success. Videos of the speakers on YouTube have had over 14,000 views and the website has been visited in 75 countries across six continents. Another conference is planned for 2014/15.

Simultaneously, research activity continued unabated. Courtauld academics published books and articles on a wide range of subjects in our fields and continued to develop research projects. Further information on publications appears later in the Report but I would like to single out Professor Christine Stevenson's book *The City and The King. Architecture and Politics in Restoration London* (Yale University Press), which was shortlisted for both the Longman-History Today Book of the Year and the 2014 William M B Berger Prize for British Art History. Professor Joanna Cannon's book *Religious Poverty, Visual Riches: Art in the Dominican Churches of Central Italy in the Thirteenth and Fourteenth Centuries* has been shortlisted for the 2014 Apollo Book of the Year Award.

Our national partnerships flourish. We were delighted too that the Consortium for Humanities and Arts in the South East (CHASE), in which The Courtauld takes a very active role, achieved an award of £17.5m from the Arts and Humanities Research Council (AHRC) to fund PhD students from its constituent universities. Professor Susie Nash, Head of Research Degrees Programme, who represents The Courtauld for the scheme, has worked closely with CHASE partners to implement the first cycle of the new AHRC programme for funding PhD students.

WE WERE THE ONLY UNIVERSITY TO ACHIEVE AN OVERALL RATING OF 100% FOR STUDENT SATISFACTION IN THE 2014 NATIONAL STUDENT SURVEY. WE ALSO ACHIEVED SUCCESS IN THE UNIVERSITY LEAGUE TABLES THIS YEAR WITH THE 2015 SUNDAY TIMES GOOD UNIVERSITY GUIDE RANKING US NUMBER ONE FOR THE STUDY OF ART HISTORY.



100%

Internationally our activity also increased. The Department of Conservation of Wall Paintings' project at Ahichhatrapur Fort, Nagaur, Rajasthan – a site which is increasingly accepted as the model for good conservation in India – reached another milestone with the successful completion of the conservation of paintings in the the upper room in the Hadi Rani Mahal. Simultaneously a new training programme led by Courtauld teachers, with nine students (mostly from India, but also from Nepal and Georgia), got off to great start. This project and the recently opened conservation laboratory have been generously funded by the Leon Levy Foundation. Two of the students attending the course (one Indian, one Nepalese) have places on the Buddhist Art, History and Conservation MA, demonstrating that the Nagaur programme should prove a great feeder in the future both for that programme and the longer (three years) Conservation of Wall Paintings MA. A further grant from Akzo Nobel will also allow the team to undertake a serious survey of the very fine paintings at another site – Bundi – in Rajasthan over the next three years. These are important developments both for The Courtauld and for conservation education in Asia.

'EXHIBIT 'A'. *Russian art: Exhibitions, collections and archives*,' was the second international joint conference of the Cambridge Courtauld Russian Art Centre (CCRAC) and the Department History of Art (Faculty of History), Moscow Lomonosov State University. The conference was held at The Courtauld with a delegation of 14 Russian scholars and is an example of one of the several academic partnerships in which The Courtauld is engaged.

The Courtauld Gallery continues to receive excellent reviews for its exhibitions and displays, complementing the permanent collection. *The Young Dürer: Drawing the Figure* brought together important international loans in a focused account of the draughtsmanship of the young Albrecht Dürer, and extended the Gallery's reputation for drawings projects of the highest calibre. Organised in collaboration with the Kunsthalle Hamburg, the complementary special display offered an account of a seminal moment in the development of Dürer scholarship. *Antiquity Unleashed: Aby Warburg, Dürer and Mantegna* was developed as part of the Gallery's strategy to diversify its programmes beyond the two annual exhibitions and coincided propitiously with the 80th anniversary of the arrival of the Warburg library in London in 1933 – a project which Samuel Courtauld had actively supported. The display added a further dimension to visitors' experience of the subject and provided the context for a number of important scholarly events, including a symposium with the Warburg Institute.

Court & Craft: A Masterpiece from Northern Iraq focused on the remarkable inlaid metal bag, now thought to have been made in Mosul circa 1300. This was the first exhibition organised by the Gallery to consider art from the Islamic world and reflected the growth of The Courtauld's teaching and research programmes beyond the Western art traditions. The exhibition looked in detail at this masterpiece, contextualising it with outstanding and carefully selected loans from international collections. It was curated by independent scholar Rachel Ward (supported by The Courtauld's Alexandra Gerstein), making this a rare example of a project not led or fully co-curated by The Courtauld's own staff.

The ongoing work of our new Strategic Plan to 2019, and in particular the implementation of the Masterplan Project (see page 9), is coming at a critical moment. The challenges we face provide us with a very real opportunity to recognise our strengths as effective national and international leaders of and champions for our disciplines.



DIRECTORS AND OFFICERS

GOVERNING BOARD

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

Ex officio

Professor Deborah Swallow ^{1,2,3,4,5,6,9,10,11,12}
(*Märit Rausing Director, The Courtauld Institute of Art*)

Dr James Cuno ^{1,2,8}
(*The President, The J Paul Getty Trust*)

Andrew Adcock ^{1,2,4}
(*The Samuel Courtauld Trust*)

Róisín O'Connor ^{1,4,12}
(*President, The Students' Union*)
(until 31 August 2014)

Hetty Uttley ^{1,4,12}
(*President, The Students' Union*)
(from 1 August 2014)

Appointed Members

Professor Geoffrey Crossick ^{1,4,8}

Dr Martin Halusa ^{6,9}

Mr James Hughes-Hallett ^{1,2,4,6,8,9,10,11}
(Chairman)

Ms Daniella Luxembourg ⁶

Dr Nicholas Penny ^{4,8}

Mr Charles Sinclair ^{3,7} (until 9 July 2014)

Ms Anna Somers Cocks ^{6,12}

Sir Angus Stirling ^{3,9}

Members of the Academic Staff elected from their own number

Professor Susie Nash ¹

Dr Tom Nickson (from 1 November 2013)

Professor Julian Stallabrass ^{1,2}
(until 31 October 2013)

Professor Joanna Woodall ³

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

Janine Catalano (until 31 October 2014)

Dr Barnaby Wright ⁴ (until 31 October 2014)

Senior Management Team

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

Professor Deborah Swallow,
Märit Rausing Director
Mrs Emma Davidson,
Director of Development
Mr Michael Sherry,
Head of Marketing and Communications
Professor David Solkin,
Dean and Deputy Director
Mr Robert Thorpe,
Director of Operations
Dr Ernst Vegelin,
Head of The Courtauld Gallery

AUDITORS

KPMG LLP

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



STRATEGIC REPORT

A new requirement of the Companies Act this year is that the Annual Report and Financial Statements include a Strategic Report giving a fair review of the company's business and a description of the principal risks and uncertainties facing The Courtauld.

There are two parts to The Courtauld's core business – the University side and the Gallery side. A college of the University of London, the university side of our business focuses on teaching, curating and research in the areas of art history and the conservation of wall and easel paintings, commercial short courses and student accommodation. The Gallery cares for one of the world's most famous collections of paintings, drawings, sculpture, and decorative arts, ranging from the Renaissance to the 21st century. The Gallery provides valuable support for teaching and research to students and academic staff throughout the UK Higher Education sector. Underpinning both sides of The Courtauld's core business are a range of facilities and services in support of key activities.

As the Chairman and Director note at the start of this Report, this has been a year of many successes for The Courtauld; in the National Student Survey, in the university league tables and in coverage of our exhibitions and displays in the media. A key focus in 2013/14 has been the 2014 Research Excellence Framework (REF), the Government's new system for assessing the quality of research in UK higher education institutions. We have consistently scored highly in the Government's previous system, the Research Assessment Exercises (RAE). In the last RAE we scored first in the 'power ranking' and second in the quality ranking for the History of Art sub-panel. At institutional level, The Courtauld achieved second position in quality ranking in the Index of all universities and colleges. The results of the 2014 Research Excellence Framework will be published in December 2014 and we have every confidence that it will achieve a similarly strong outcome.

Another key focus this year has been to develop a new Strategic Plan for The Courtauld to 2019. The new Plan, which will be presented to Governing Board in 2015, has the following key strategic objectives:

- Play a leading role in developing art history and conservation in dialogue with other fields of enquiry
- Develop our public offer at the highest level of quality which thereby enhances our national and international reputation and builds and extends audiences
- Give all students an experience that is consistently regarded as excellent
- Ensure our collections are well cared-for and our estates and facilities are fit for our needs
- Take advantage of new technologies to support our Mission
- Secure the sustainability of The Courtauld

While

- optimising the skills and talents of our staff and promoting a collaborative culture

A number of key actions are already being implemented to support the delivery of these objectives, including the Masterplan Project (further details below).

We derive our income from a range of sources including from the Higher Education Funding Council for England (HEFCE), from research grants and contracts, tuition fees payable by our students, Gallery admissions income to the permanent collection and temporary exhibitions and displays, fees for short course and student accommodation and commercial income from accommodation fees, the Gallery Café, Gallery shop and corporate hire. Our single largest source of funds is from philanthropic income. Our endowment fund plays a key role in supporting our on-going financial sustainability and we are therefore mindful of the need to balance releases from the fund to offset revenue and capital expenditure with the need to grow the fund to support The Courtauld in the longer term. As a result, we operate a policy of restricting releases to no more than the amount required to break-even in its management accounts so as to protect the long-term value of the fund.

The consolidated results for the group this year show a surplus of £38,000 compared to a surplus of £104,000 last year. The operating deficit for the group was £764,000 compared to an operating surplus of £430,000 last year. Included within the results is a restricted deficit of £9,000 which is the result of timing difference on the use of restricted funds. Also included in the results is a back-dated rent payment of £152,000 which is the result of an arbitration agreement and goes back to June 2012. The remainder of the movement on the operating outturn is the result of the relative performance of The Courtauld's endowment investments during the year, and the SORP treatment of releases from those funds.



The nature of our operating structure, in which, as noted above, we draw on income from our endowment only to the point where we break-even in our management accounts means that many of the KPIs used by HEFCE to assess performance are not particularly relevant to The Courtauld. However it is worth noting the following measures in respect of the current financial year:

- Discretionary reserves as at 31 July 2014 stood at £12.315m, or 91.7% of total income;
- Total external borrowing as at 31 July 2014 represent just 7.4% of total income; and
- Staff costs for the year represented 50.5% of total income.

We believe that these measures, which compare favourably with sector averages in each case, demonstrate the soundness of our financial model, and provide a platform on which to build as we continue to develop the Masterplan Project (see below) to reform our premises and develop our business plan for the years to come. During the course of 2014/15 we intend to develop a further range of non-financial KPIs to further assist in measuring our performance. It is likely that these will include, amongst others, measures around student recruitment, student satisfaction, and staff and student retention.

Principal Risks and Uncertainties

The framework for identifying and assessing risks, and monitoring the management of those risks is set out in detail in the Governance Statement under the heading Risk Management and Internal Controls (see page 20). At its most recent review in July 2014, the Governing Board identified the following as the key risks affecting the future prospects of The Courtauld:

- Failure to achieve and maintain financial sustainability;
- Failure to meet fundraising targets; and
- Failure to recruit sufficient students of the appropriate academic standards.

While all three risks have a financial impact on The Courtauld, there is also a clear understanding on the part of the Senior Management Team, the Governing Board and the sub-committees with day-to-day responsibility for monitoring the management of these risks of the potential serious risk to The Courtauld's reputation if any of the risks come to be realised. Indeed, the question of Reputational Risk is common to all sub-committees of the Governing Board, regardless of the potential likelihood or impact of the other risks assigned to them. These risks were at the forefront of Management's minds in setting the objectives for the new Strategic Plan for 2019. The goal of reducing the likelihood and minimising the impact of these risks is also one of the guiding reasons behind the Masterplan Project to redevelop the space we occupy within Somerset House, as detailed below.

The Masterplan Project

The Masterplan Project is a comprehensive programme of organisational and physical change for The Courtauld and marks the beginning of a new era for the Institute and its relationship with new and existing audiences. The project sets out our plans to redevelop our home within Somerset House and reconstruct our business model to secure a sustainable future for The Courtauld.

In July our Governing Board gave their full support for the implementation of the Masterplan Project. In August award winning architects Witherford Watson Mann (WWM) were appointed following a comprehensive tender process. Structural engineers, service engineers and quantity surveyors have also been appointed. WWM are also the architects that developed the plans for the new Drawings Gallery (see earlier in this Report for further information) which is on schedule to open in January 2015. To date we have secured several indicative pledges of support amounting to several millions of pounds and, in response to feedback received from Heritage Lottery Fund (HLF) trustees, we will be submitting a application for financial support to the HLF in November 2014.

Robert Thorpe
Company Secretary

OPERATING AND FINANCIAL REVIEW

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



Research

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



The work of the Research Forum continued to thrive this year. There was a large appetite for participation in its programme of work with engagement at all levels of The Courtauld and great momentum for continuing success. One example of this was the 'Peripheral Visions' lecture series which focused on the study of contemporary art within the field of art history reflecting on the fact that such study has principally made limited use of the methodologies of social sciences and law, although recently there has been an increasing level of interest in cross-disciplinary and inter-disciplinary dialogues. The series brought together researchers who presented methods for studying art from alternative perspectives such as cultural policy, law, and sociology, and asked how they could be used within the discipline of art history. These methodological examinations aimed to activate dialogues between art historians and international specialists in social sciences and in law.

Speakers from around the world included: Dr Olav Velthuis (Department of Sociology and Anthropology, University of Amsterdam) on *The Myth of a Global Art Market* and a panel debate with speakers Dr Marquard Smith (Royal College of Art), Dr Rebecca Arnold (The Courtauld Institute of Art), Dr Victoria D. Alexander (University of Surrey), and Dr Anthony Gardner (The Ruskin School of Art, University of Oxford) on *Social Sciences and Art History: Methodological Connections?*

The Courtauld's new Art and Vision Science seminar series was launched in April with a seminar by Nicola Triscott (Director of The Arts Catalyst), and Madi Boyd (installation and video artist) on *Scientific Connections*. The seminar used Madi Boyd's immersive artwork *The Point of Perception* (2009-2013), created in collaboration with leading neuroscientists, as a case study to focus on an extraordinary cultural moment, in which artists and scientists are developing collaborative responses to scientific questions and human dilemmas.

As the Director highlighted in her Introduction, Courtauld academics published books and articles on a wide range of subjects securing funding for major research projects. Some examples include:

- *Antipolitics in Central European Art 1956-1989*, by Dr Klara Kemp-Welch
- 'The Destruction of Cheap Cross, London (1643)', by Professor Christine Stevenson in *Architecture and Armed Conflict: The Politics of Destruction*, edited by J.M. Mancini and Keith Bresnahan
- *British Art in the Cultural Field 1939-1969*, edited by Lisa Tickner and D. Peters Corbett
- *Utopian Reality: Reconstructing Culture in Revolutionary Russia and Beyond*, edited by Dr Maria Mileeva with contributions from many Courtauld authors.

Learning and Teaching

Learning and teaching has always been at the heart of The Courtauld. The Institute attracts students from across the world and from diverse backgrounds. We aim to offer our students an excellent and unique experience that draws on the research intensive nature of The Courtauld.

Examination results continued to reflect the high quality of our student body and external examiners were full of praise for the teaching on all programmes. This year:

- 51 students were awarded the BA History of Art of whom 21 achieved First Class Honours
- 22 students awarded the CGDHA (Pass), of whom 14 are eligible to go on to the MA
- 157 students awarded the MA History of Art, of whom 78 achieved Distinctions.
- 12 Students awarded the MA Curating the Art Museum of whom 5 achieved Distinctions
- 5 students were awarded the PG Diploma in Easels (Pass)
- 16 students awarded the PhD with the following titles and supervisors

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

Dr Guido Rebecchini, appointed to a lectureship in Italian Renaissance art. Dr Rebecchini read History of Art at the Università degli Studi di Roma 'La Sapienza', before going to the Università degli Studi di Siena, where he took a MA on the 'Tradizione dell'Antico nel Medioevo e nel Rinascimento'. In 2000, he obtained his PhD at the Warburg Institute and has subsequently taught at the Università di Siena from 2001 until 2009 and at the New York University and Syracuse University study-abroad centres in Florence in the years 2010-2012

Dr Sussan Babaie, to a lectureship in Iranian and Islamic Art. Dr Babaie joined The Courtauld to take up the newly established post which is supported by the Andrew W. Mellon Foundation. Born in Iran, Dr Babaie attended the University of Tehran's Faculty of Fine Arts until the revolution of 1979 when she moved to the USA to study for a Master's degree in Italian Renaissance and American Arts, followed by a PhD at the Institute of Fine Arts, NYU, where she focused on the arts of Islam. She has many years of experience teaching in America, at Smith College and the University of Michigan, and as a Visiting Professor at the Institut für Kunstgeschichte, Ludwig Maximilian University, in Munich. Her research and teaching concern questions of imperialism and artistic patronage in Persianate West, Central and South Asia where high culture derived from the literary corpus of the Persian language. Most recently, her research has been supported by grants from the United States National Endowment for the Humanities, the Fulbright (for research in Egypt and Syria) and the Getty Research Institute in Los Angeles.

Dr Klara Kemp-Welch was appointed Lecturer in 20th Century Modernism. She was educated at University College London (BA French and Art History), the School of Slavonic Studies, London (MA Russian and East European Literature and Culture) and completed her doctorate on East-Central European Conceptualism at University College London in 2008, supervised by Professor Briony Fer. She lectured at University College London, the University of the Arts London (Camberwell), and the University of York, before joining The Courtauld in 2009 as a Leverhulme Early Career Fellow. While working on her current research project, *Networking the Bloc*. International Relations and Experimental Art in Eastern Europe, she has benefited from an AHRC Early Career Fellowship and an Igor Zabel Working Grant.

Dr Robin Schuldenfrei, appointed to a lectureship in 20th century Modernism supported by the AKO Foundation. Dr Schuldenfrei joins The Courtauld with a research and teaching focus on the history and theory of European and American modern architecture and design. She received her doctorate from Harvard University's Graduate School of Design and previously held positions at the Humboldt-Universität zu Berlin and the University of Illinois at Chicago.

Honorary Doctorates and Honorary Fellows

At the Presentation Ceremony in July, American artist Martha Rosler was awarded degree of Doctor of Letters *Honoris Causa* and Honorary Fellowships were awarded to Christopher McLaren and Neil Rudenstine.

The Samuel Courtauld Trust

The Samuel Courtauld Trust is an independent charity that owns the collection on display in The Courtauld Gallery. December saw the publication of *Medieval and Later Ivories in The Courtauld Gallery: Complete Catalogue*. This hardcover volume is a detailed account of the Trust's fine collection of ivories. The publication comprises an introductory essay and scholarly catalogue entries by John Lowden and a further essay on Thomas Gambier Parry by Alexandra Gerstein. The published ivories catalogue forms part of The Courtauld's online Gothic Ivories Project – a comprehensive illustrated online database of all surviving medieval ivories.

2013/14 total student numbers

BA History of Art	159
Courtauld Graduate Diploma	27
PG Diploma in Conservation of Easel Painting	15
MA in Conservation of Wall Painting	8
MA History of Art	170
MA Curating the Art Museum	24
MA Buddhist Art	7
MPhil and Research	135
Total	545



The Courtauld Gallery

Exhibitions and displays this year were:

Court and Craft: a Masterpiece from Northern Iraq

Curated by Alexandra Gerstein and independent scholar Rachel Ward, this exhibition explored one of the most rare and beautiful objects in the collection of the Courtauld Gallery: a precious metalwork bag, made in Northern Iraq around 1300. Decorated with a courtly scene showing an enthroned couple at a banquet as well as musicians, hunters and revellers, it ranks as one of the finest pieces of Islamic inlaid metalwork in existence. A rhyming couplet, probably composed specifically for the bag, and intricate geometric patterns complete the decoration. No other object of this kind survives. The exhibition explored the origins, function and imagery of this masterpiece, as well as the cultural context in which it was made. It was accompanied by a number of events, including a conference coordinated by Dr Sussan Babaie in May.



A Dialogue with Nature: Romantic landscapes from Britain and Germany

Curated by Rachel Sloan, *A Dialogue with Nature* explored aspects of Romantic landscape drawing in Britain and Germany from its origins in the 1760s to its final flowering in the 1840s. The exhibition brought together 26 major drawings, water-colours and oil sketches by artists including J.M.W. Turner, Samuel Palmer, Carl Philipp Fohr, and Caspar David Friedrich. The exhibition was a collaboration between The Courtauld Gallery and The Morgan Library and Museum in New York and drew upon the complementary strengths of both collections.

This year's Summer Showcase focused on prints; and the autumn lead exhibition was *Bruegel to Freud: Prints from The Courtauld Gallery* also curated by Rachel Sloan. The exhibition was an introduction to the largest but least well-known part of The Courtauld Gallery's outstanding collection – our collection of prints. This selection of some thirty examples spans more than 500 years and encompasses a variety of printmaking techniques.

Every year, students on the MA programme Curating the Art Museum curate an exhibition at The Courtauld Gallery, working together on all aspects of exhibition-making – research, budget planning, interpretation and promotion. This year, the exhibition was *Impress: Print Making Expanded in Contemporary Art* which responded to the Gallery's Summer Showcase, *Bruegel to Freud: Prints from The Courtauld Gallery*. The exhibition explored how traditional printmaking techniques have been reimagined and reworked in contemporary art. It invited visitors to consider: what makes a print a print? Common conceptions of prints and printmaking were expanded, from two-dimensional to three-dimensional, from mass-produced to unique, from paper to mixed media.

Richard Serra: Drawings for The Courtauld presented twelve of Serra's most recent drawings, created especially for installation at The Courtauld Gallery.



Immunity from seizure activity 1 August 2013 to 31 July 2014

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

We have been granted protection for the following exhibition loans:

The Young Durer: Drawing the Figure 17 October 2013 to 12 January 2014

Immunity was requested for 15 drawings and prints, all of which had a fully dated history of ownership from the beginning of the year 1933 to the end of the year 1945.

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

Therefore in keeping with our Due Diligence Policy we requested immunity from seizure for 15 works and the details of each work were published on the Gallery's website in accordance with the legislation.

No enquiries or claims were received about these works.

A Dialogue with Nature: Romantic Landscapes from Britain and Germany 30 January – 27 April 2014

Immunity was requested for 13 drawings, 10 of which did not have a fully dated history of ownership from the beginning of the year 1933 to the end of the year 1945.

Details of these 10 works were sent to the Art Loss Register for an additional check. We received certificates for all of the works which indicated that there was 'no match' against the Art Loss Register.

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

Therefore in keeping with our Due Diligence Policy we requested immunity from seizure for 13 works and the details of each work were published on the Gallery's website in accordance with the legislation.

No enquiries or claims were received about these works.

Court and Craft: A Masterpiece from Northern Iraq
20 February to 18 May 2014

Immunity was requested for 10 objects, six of which did not have a fully dated history of ownership from the beginning of the year 1933 to the end of the year 1945.

Details of these six works were sent to the Art Loss Register for an additional check. We received certificates for all of the works which indicated that there was 'no match' against the Art Loss Register.

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

Therefore in keeping with our Due Diligence Policy we requested immunity from seizure for 10 works and the details of each work were published on the Gallery's website in accordance with the legislation.

No enquiries or claims were received about these works.

Commercial Activities

Samuel Courtauld Trust Enterprises Limited (SCTE) operates a retail shop linked to The Courtauld Gallery. During 2013/14 the operating profit was £89,000 on turnover of £750,000. SCTE is a wholly owned subsidiary of The Courtauld and its results have been included in the consolidated financial statements for the year.

Fundraising

Despite the tough economic conditions in which The Courtauld, in common with other higher education institutions, has operated during the past year, annual fundraising continues to make an important contribution to the institution's financial health. The Annual Fund had another very strong year in 2013/14. The total amount raised was £109,891 from 496 donors, beating last year's total, which is a strong statement of support for The Courtauld.

Major gifts received this year included £300,000 from the Monument Trust in support of the exhibition programme.

Public Benefit

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

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

In setting our objectives and planning activities, Governors have given careful consideration to the Charity Commission's general guidance on public benefit and in particular to its supplementary public benefit guidance on advancing education and on fee-charging. For the 2013/14 academic year, a total of 116 scholarships were awarded to 84 students in support of tuition fees and/or maintenance costs. In addition, in our Access Agreement with the Office for Fair Access (OFFA) for 2013/14 The Courtauld committed to spend 42.1% of the additional fee income it receives from undergraduate students above the basic fee on student bursaries and activities to encourage widening access to, and participation in, higher education by students from less advantaged backgrounds.

In order to ensure that no one is discouraged from coming to The Courtauld Gallery as a result of the admission charge The Courtauld offers free or concessionary admission to numerous categories of visitors, including those under the age of 18, students, registered unwaged and members of the National Art Fund. Disabled visitors may bring in a helper without charge. In the year to 31st July 2014, 62,844 (33%) of the 189,544 visitors to the Gallery received free or concessionary admission.

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

The Carbon Reduction Commitment came into force in April 2010. It is designed to stimulate energy efficiency across the economy, including large companies, local councils, universities and other public-sector bodies. Institutions will be obliged to join its carbon – trading scheme, calculating their carbon emissions and then buying carbon credits against future emissions. The Courtauld falls below the 6,000Mw requirement to participate however with a usage of 2,300Mw The Courtauld nevertheless seeks to reduce its energy consumption and carbon emissions.





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

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

Alumni contributions

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

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

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

Alumni successes this year included:

The appointment of Emma Dexter (MPhil 1987) as the new Director, Visual Arts at the British Council; Bill Griswold (PhD 1998) as the new Director of the Cleveland Museum of Art and Jessica Morgan (MA 1992) was named Director of Dia Art Foundation.

Courtauld collaborations and public partnerships

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

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

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



Public Programmes

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

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

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

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

As the leading institution for the discipline in the UK, and as one uniquely able to span and integrate all dimensions of the subject, The Courtauld has developed a specific and distinctive leadership role in addressing the poor record of widening participation in art history, a subject rarely taught in state schools. We bridge the gap between museums and higher education, raising awareness of the subject as a valuable humanities discipline, with innovative and collaborative projects for young people currently excluded from the subject and free resources for teachers.

This year 8,166 school and college students visited the Gallery through our programmes and we worked with 1,607 students through outreach projects. It is also worth noting that all of our short courses and study trips were oversubscribed including:

- Summer School (430 students)
- Showcasing Art History (390 students)
- Introduction to Art History (128 students)
- Study Trips (36 students)
- Exhibition Study Days (200 students)

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

Financial Performance

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

	2014 £'000	2013 £'000
Income	13,433	13,942
Expenditure	14,197	13,512
Surplus/ (Deficit) on continuing operations	(764)	430
Transfer (to)/ from accumulated income within endowments	802	(326)
SURPLUS FOR THE YEAR RETAINED IN RESERVES	38	104

The consolidated results show a surplus of £38,000 compared to a surplus of £104,000 last year. The operating deficit for the group was £764,000 compared to an operating surplus of £430,000 last year. Included within the results is a restricted deficit of £9,000 which is the result of timing difference on the use of restricted funds. Also included in

the results is a back-dated rent payment of £152,000 which is the result of an arbitration agreement and goes back to June 2012. The remainder of the movement on the operating outturn is the result of the relative performance of The Courtauld's endowment investments during the year, and the SORP treatment of releases from those funds.

Group Income

The group's income can be summarised as follows:

	2014 £'000	2013 £'000	Change %
Funding Council grants	2,946	3,130	(6%)
Tuition fees and education contracts	3,729	3,048	22%
Research grants and contracts	1,117	1,230	(9%)
Other income	4,904	4,828	2%
Endowment and investment income	737	1,706	(57%)
TOTAL INCOME	13,433	13,942	(4%)

Total group income for the year was £13,433,000, an decrease of 4% on 2013. Funding Council grants fell by 6% during the year largely driven by changes to funding for undergraduate teaching. Tuition fees increased by 22% as a result of the continuing transition to the new higher fee for Home and EU undergraduate students as well as increased recruitment of EU and Overseas students at post graduate level.

Research income fell by 9%, and other income increased by 2%, largely driven by an increase in donation which more than offset reductions in Gallery income and income from SCT Enterprises. Income from Endowments and Investments reduced by 57%, mainly due to the SORP treatment of releases from those funds, which is dependent on when the investment gains actually arose rather than when the releases were actually made.

Group Expenditure

The group's expenditure can be summarised as follows:

	2014 £'000	2013 £'000	Change %
Staff costs	6,782	6,191	10%
Other operating expenses	6,791	6,645	2%
Depreciation	624	675	(8%)
Interest payable	-	1	
TOTAL EXPENDITURE	14,197	13,512	5%

Total group expenditure for the year was £14,197,000, an increase of 5% on 2013. Staff costs increased by 10% compared to 2013 as a result of the addition of several new posts. Other operating expenditure increased by

2% with most expenditure lines being held at flat cash levels except where increases in line with inflation were written into contracts and could not be avoided.

Net Assets

As at 31 July 2014 the group reported net assets of £38,375,000 compared to net assets of £36,292,000 in 2013. This increase has been driven by the revaluation of The Courtauld's collection of rare books, which has increased in value by £2.2m since the last valuation

exercise in 2002. Net current liabilities as at 31 July 2014 are £3,246,000 due in the main to £3,861,000 of grants and donations received in advance and recorded as deferred income within these financial statements.



Investments

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

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

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

Opening Capital
Unapplied Total Returns
Opening Balance at 1 August 2013
Received in year
Total Returns accrued in the year
Income transferred to I&E
At 31 July 14
Capital
Unapplied Total Returns

Total £'000
26,741
9,805
36,546
1,141
416
(1,536)
27,882
8,685
36,567

A more detailed analysis of the endowment funds, including a review of the most significant individual funds, can be found at note 21 to these financial statements. Between the Balance Sheet date and 30 September 2014, the fund increased in value to £38.143m, an increase of 4.3% on the year-end balance.



Longer Term Prospects

The Courtauld recognises that if it is to maintain its position as world leader in the field of art history it must continue to invest in its estate and facilities in order to maintain and improve its learning, teaching and research environment. In a difficult economic environment, a key objective of The Courtauld is to reduce our reliance on government funding so as to ensure that our future remains in our own hands. Therefore The Courtauld continually seeks to develop and grow existing programmes and activities and identify new complementary activities that will allow the Institute to reach out to new audiences and develop new income streams.

With this in mind, during the course of 2013/14 The Courtauld prepared a new Strategic Plan covering the five year period to July 2019. The plan, which resulted in a new Mission, Vision, Values and set of Objectives for the Institute, that were endorsed by the Governing Board in July 2014.

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

Disclosure of information to auditors

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

Auditors:

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

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

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

Robert Thorpe
Company Secretary



GOVERNANCE STATEMENT



Responsibilities of the Governing Board and Structure of Corporate Governance

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

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

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

Overview

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

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

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

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

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. Where deficiencies or failures have been identified in systems or processes, immediate restorative action is taken to correct the fault regardless of whether or not the risk has been realised. This process has been in place for the year ended 31 July 2014 and up to the date of approval of the financial statements, and accords with HEFCE guidance.

Governing Board and its Committees

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

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

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

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

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

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



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

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

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



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

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

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

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

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

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

Risk Management and Internal Controls

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

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

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

The risk management policy sets out a clear framework for:

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

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

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

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

The detailed process is as follows:

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

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





Statement of Responsibilities of the Governing Body in respect of the Strategic Report and the financial statements

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

The Governing Body are responsible for preparing the Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Governing Body to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Governing Body 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 Courtauld and of the surplus or deficit of the Institute for that period. In preparing these financial statements, the governors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Institute will continue in business.

The Governing Body is responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Institute's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Institute and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Institute and to prevent and detect fraud and other irregularities.

The Governing Body is responsible for the maintenance and integrity of the corporate and financial information included on The Courtauld's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with the Companies Act 2006 the Board, as directors of The Courtauld Institute of Art, are responsible for the administration and management of the Institute and are required to present audited financial statements for each financial year. In addition, the terms and conditions of a Financial Memorandum between the Higher Education Funding Council for England and the Board of The Courtauld, through its designated officer, require The Courtauld

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

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNING BODY OF THE COURTAULD INSTITUTE OF ART

(Company Registration Number: **04464432**)

We have audited the Group and Institute financial statements of The Courtauld Institute of Art (the "financial statements") for the year ended 31 July 2014 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 Governing Body, in accordance with the Statutes of The Institute and section 124B of the Education Reform Act 1988 and to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Governing Body those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Institute and the Governing Body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Governing Body and auditor

As explained more fully in the Statement of Responsibilities of the Governing Body set out on page 18, the Governing Body are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and Institute's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governing Body; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Strategic Report and Operating and Financial Review to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the Group and the Institute as at 31 July 2014 and of the Group's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed in the HEFCE Audit Code of Practice issued under the Further and Higher Education Act 1992

In our opinion, in all material respects:

- funds from whatever source administered by the Institute for specific purposes have been applied to those purposes; and
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Operating and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.


Matters on which we are required to report by exception

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

- the Governance Statement is inconsistent with our knowledge of the Group and the Institute.

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

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



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

Chartered Accountants
15 Canada Square
Canary Wharf
London, E14 5GL

27 November 2014

The Courtauld
**FIRST
FOR
IMPRESS
ION¹STS**



INTER

ACT

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

	Note	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
INCOME			
Funding Council grants	1	2,946	3,130
Tuition fees and education contracts	2	3,729	3,048
Research grants and contracts	3	1,117	1,230
Other income	4	4,904	4,828
Endowment and investment income	5	737	1,706
TOTAL INCOME		13,433	13,942
EXPENDITURE			
Staff costs	6	6,782	6,191
Other operating expenses	8	6,791	6,645
Depreciation	10	624	675
Interest payable	9	-	1
TOTAL EXPENDITURE		14,197	13,512
(DEFICIT)/ SURPLUS ON CONTINUING OPERATIONS		(764)	430
Transfer from/ (to) accumulated income within endowments	22	802	(326)
SURPLUS FOR THE YEAR RETAINED IN RESERVES		38	104

The income and expenditure account is in respect of continuing operations

The notes on pages 33 to 45 form part of the financial statements

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Note	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
(Deficit)/ Surplus on continuing operations after depreciation on fixed assets		(764)	430
Total Returns on fixed asset investments	12	130	1,466
Total Returns on fixed asset investments released in the year	12	(449)	(359)
Total Returns on endowment asset investments	13	285	3,195
Total Returns on endowments released in the year	13	(285)	(1,308)
New endowments	21	1,054	1,873
Revaluation of Fixed Assets	10	2,229	-
TOTAL RECOGNISED GAINS		2,200	5,297
Reconciliation			
Opening reserves and endowments		35,005	29,708
Total recognised gains		2,200	5,297
Closing reserves and endowments		37,205	35,005

The notes on pages 33 to 45 form part of the financial statements

BALANCE SHEET AS AT 31 JULY 2014

	Note	Consolidated 2014 £'000	2013 £'000	Institute 2014 £'000	2013 £'000
FIXED ASSETS					
Tangible assets	10	5,853	3,468	5,830	3,435
Investments	12	11,192	11,423	11,192	11,423
		17,045	14,891	17,022	14,858
Endowment Assets		25,375	25,123	25,375	25,123
CURRENT ASSETS					
Stocks	14	126	89	1	2
Debtors	15	893	772	1,040	929
Cash at bank and in hand		1,295	931	1,237	838
TOTAL CURRENT ASSETS		2,314	1,792	2,278	1,769
Creditors: amounts falling due within one year	16	(5,559)	(4,335)	(5,503)	(4,288)
NET CURRENT LIABILITIES		(3,245)	(2,543)	(3,225)	(2,519)
TOTAL ASSETS LESS CURRENT LIABILITIES		39,175	37,471	39,172	37,462
Creditors: amounts falling due after more than one year	17	(800)	(2)	(800)	(2)
Provisions for liabilities	19	-	(1,177)	-	(1,177)
NET ASSETS		38,375	36,292	38,372	36,283
DEFERRED CAPITAL GRANTS	20	1,170	1,287	1,170	1,287
ENDOWMENTS					
Permanent Restricted	21	8,700	7,895	8,700	7,895
Permanent Unrestricted	21	12,053	12,358	12,053	12,358
Expendable Restricted	21	4,622	4,870	4,622	4,870
TOTAL ENDOWMENTS		25,375	25,123	25,375	25,123
RESERVES					
General reserve	22	7,613	7,566	7,610	7,557
Restricted reserves	23	68	77	68	77
Revaluation reserve	24	4,149	2,239	4,149	2,239
TOTAL		38,375	36,292	38,372	36,283

The financial statements of the Courtauld Institute of Art, registered number 04464432, were approved by the governing body on 26 November 2014 and were signed on its behalf by



James Hughes-Hallett
Chairman of the Governing Board



Professor Deborah Anne Swallow
Märit Rausing Director

The notes on pages 33 to 45 form part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2014

	Note	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Cash flow from operating activities	25	(1,445)	(856)
Returns on investments and servicing of finance	26	737	1,705
Capital expenditure and financial investment	27	102	(971)
Financing	28	970	(30)
Increase/ (Decrease) in cash in the year	29	364	(152)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

Increase/ (Decrease) in cash in the year		364	(152)
(increase)/ Decrease in debt	28	(970)	30
Cash inflow from endowment asset investments	29	987	2
Cash inflow from fixed asset investments	29	368	19
Movement in net funds in year		749	(101)
Net funds at 1 August	29	2,358	2,459
Net funds at 31 July		3,107	2,358

The notes on pages 33 to 45 form part of the financial statements



STATEMENT OF PRINCIPAL 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 Courtauld and its subsidiary undertakings for the financial year ended 31 July 2014. Details of the Institute's subsidiary undertakings are provided in note 11 to the financial statements. The financial statements have been consolidated under the acquisition method of accounting.

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

Surplus attributable to The Courtauld Institute of Art

The surplus for the financial year dealt within the financial statements of the parent Institute, Courtauld Institute of Art, was £45,000 (2012/13: surplus of £111,000). Included within the results for 2012/13 was a restricted deficit of £9,000 attributable to CIAF (2012/13: £247,000, see above and note 23). As permitted by Section 408 of the Companies Act 2006, no separate income and expenditure account is presented in respect of the parent Institute.

Going concern

The company's business activities and plans for the future are set out in the Strategic Report on page 8. The directors have considered these plans and the budget for the year ahead in their assessment of adopting the going concern basis for the preparation of these financial statements. In making this assessment the directors have produced future forecasts which show that the company will be able to manage its working capital and existing resources to enable it to meet its liabilities as they fall due. The directors acknowledge that the impact of the current economic environment is uncertain, and are managing this uncertainty and its impact on the forecasts on a regular basis.

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

Revenue recognition

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

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

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

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

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

Endowments

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

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

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

Foreign currency translation

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



Pension schemes

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

The Courtauld also participates in the Superannuation Arrangements of the University of London ("SAUL"), which is a centralised defined benefit scheme and is contracted-out of the Second State Pension. SAUL is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in SAUL, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation. A formal valuation of SAUL is carried out every three years by professionally qualified and independent actuaries using the Projected Unit method. Informal reviews of SAUL's position are carried out between formal valuations. As above, it is not possible to identify the institution's share of the assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17, accounts for the scheme as if it were a defined contribution scheme. SCT Enterprises Limited contributes to two defined contribution schemes on behalf of its employees. In accordance with FRS17, contributions to these schemes are included as expenditure in the period in which they are payable.

Negative goodwill

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

Tangible fixed assets

a) Land and buildings

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



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

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

b) Equipment

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

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

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



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

c) Rare books and artefacts

Rare books and artefacts valued at £3,082,000 are capitalised at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable. All such assets are fully accessible by users of The Courtauld's book library and a detailed catalogue of the collection was completed during the year under review, along with a full valuation. The increase in value since the previous valuation in 2002 has been recorded as a revaluation reserve within these accounts. Future valuations will then take place every ten years. Heritage assets are not depreciated since their long economic life and high residual value mean that any depreciation would not be material.

Leased assets

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

Investments

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

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

Stocks

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

Taxation

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



NOTES TO THE FINANCIAL STATEMENTS

1. FUNDING COUNCIL GRANTS

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Recurrent grant from HEFCE	2,717	2,854
Deferred Capital Grants released	214	252
Other specific grants from HEFCE	15	24
	<u>2,946</u>	<u>3,130</u>

2. TUITION FEES AND EDUCATION CONTRACTS

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
UK Higher Education students	1,626	1,340
European Union (EU) (excluding UK) students	327	239
Non-EU students	1,668	1,358
Total fees paid by or on behalf of individual students	<u>3,621</u>	<u>2,937</u>
Other education income	108	111
	<u>3,729</u>	<u>3,048</u>

3. RESEARCH GRANTS AND CONTRACTS

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Research councils	159	6
UK based charities	181	238
EU Charity	166	88
Other grants and contracts	611	898
	<u>1,117</u>	<u>1,230</u>

4. OTHER INCOME

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Donations	2,244	1,967
Deferred Capital Grants released	71	56
The Courtauld Gallery- admissions and events	650	800
SCT Enterprises Ltd (The Gallery Shop)	720	909
Residences and accommodation	630	619
Other income	589	477
	<u>4,904</u>	<u>4,828</u>

Included within the figure for Gallery & Admissions income in 2013/14 is the sum of £76k received as the result of an insurance settlement. (see Note 34 for further details)

5. ENDOWMENT AND INVESTMENT INCOME

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Income from endowments released to I&E account (note 21)	285	1,308
Other investment income	452	398
	<u>737</u>	<u>1,706</u>

6. STAFF COSTS

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

	Year ended 31 July 2014 No	Year ended 31 July 2013 No
Teaching departments	36	31
Teaching support services	2	2
Gallery & Libraries	19	18
Administration and central services	51	51
Premises	5	5
Other	13	14
	<hr/> 126	<hr/> 121
	£'000	£'000

Staff costs for the above persons:

Wages and salaries	5,619	5,135
Social security costs	491	453
Pension costs	672	603
	<hr/> 6,782	<hr/> 6,191

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 2014 No	Year ended 31 July 2013 No
£170,000- £180,000	<hr/> 1	<hr/> 1

7. SENIOR POSTHOLDERS' EMOLUMENTS

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

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
Salary	179	178
Pension contributions	29	28
	<hr/> 208	<hr/> 206

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

8. ANALYSIS OF EXPENDITURE BY ACTIVITY

	Staff costs	Other operating expenses	Depreciation	Year ended 31 July 2014	Year ended 31 July 2013
	£'000	£'000	£'000	Total £'000	Total £'000
Teaching departments	2,997	1,840	-	4,837	4,240
Academic information services	492	218	-	710	710
Gallery	667	883	-	1,550	1,573
Administration and central services	2,037	1,632	609	4,278	3,427
Premises costs	-	1,670	-	1,670	1,922
Planned maintenance	-	272	-	272	420
Unused maintenance provision	-	(219)	-	(219)	-
Other income generating activities – Institute	294	109	-	403	482
Other income generating activities – subsidiaries	295	386	15	696	738
	6,782	6,791	624	14,197	13,512

Other operating expenses include:

	Year ended 31 July 2014	Year ended 31 July 2013
	Total £'000	Total £'000
Amortisation of negative goodwill	-	1
Auditors' remuneration	80	82
Hire of other assets	11	12
Operating Leases	817	606
Interest payable (note 9)	-	1

Included within Auditor's remuneration above are the following amounts receivable by the external auditor:

- Statutory audit fees £47,330 (includes all subsidiary entities)
- Non-audit services (pensions advisory services) £32,525

9. INTEREST PAYABLE

	Year ended 31 July 2014	Year ended 31 July 2013
	£'000	£'000
On bank loans and other loans:		
Repayable within 5 years by instalments	-	1
	-	1

10. TANGIBLE FIXED ASSETS

Institute	Leasehold land and buildings £'000	Rare books and artefacts £'000	Computer equipment £'000	General equipment £'000	Total £'000
Cost					
At 1 August 2013	3,857	853	941	1,732	7,383
Additions	559	-	135	81	775
Revaluations	-	2,229	-	-	2,229
At 31 July 2014	4,416	3,082	1,076	1,813	10,387
Depreciation					
At 1 August 2013	2,042	-	764	1,142	3,948
Charge for year	340	-	107	162	609
At 31 July 2014	2,382	-	871	1,304	4,557
Net book value					
At 31 July 2014	2,034	3,082	205	509	5,830
At 31 July 2013	1,815	853	177	590	3,435
Inherited	-	3,082	-	-	3,082
Financed by capital grant	1,201	-	-	55	1,256
Other	833	-	205	454	1,492
	2,034	3,082	205	509	5,830
Group					
	Leasehold land and buildings £'000	Rare books and artefacts £'000	Computer equipment £'000	General equipment £'000	Total £'000
Cost					
At 1 August 2013	3,857	853	951	1,878	7,539
Additions	559	-	138	83	780
Revaluations	-	2,229	-	-	2,229
At 31 July 2014	4,416	3,082	1,089	1,961	10,548
Depreciation					
At 1 August 2013	2,042	-	772	1,257	4,071
Charge for year	340	-	108	176	624
At 31 July 2014	2,382	-	880	1,433	4,695
Net book value					
At 31 July 2014	2,034	3,082	209	528	5,853
At 31 July 2013	1,815	853	179	621	3,468
Inherited	-	3,082	-	-	3,082
Financed by capital grant	1,201	-	-	55	1,256
Other	833	-	209	473	1,515
	2,034	3,082	209	528	5,853

11. SUBSIDIARY UNDERTAKINGS

The Courtauld has the following subsidiary undertaking:

Name	Ownership	Year end
SCT Enterprises Limited	100%	27 July 2014

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.

12. FIXED ASSET INVESTMENTS

	2014 £'000	2013 £'000
Balance brought forward at 1 August	11,423	10,005
Total Returns accrued in the year	130	1,466
Income received transferred to income & expenditure account	(449)	(359)
Transfers from cash	88	311
Balance at 31 July	11,192	11,423
Represented by:		
Unit Trusts and Investment Trusts	10,331	10,930
Cash balances	861	493
	11,192	11,423

13. ENDOWMENT ASSETS

Institute and Group	2014 £'000	2013 £'000
Balance brought forward at 1 August		
Capital	19,089	16,890
Unapplied Total Returns	6,034	4,147
	25,123	21,037
Additions (note 21)	1,078	1,898
Movement on CIA Fund restricted reserve (note 21)	(24)	(25)
Total Returns on endowment asset investments	285	3,195
Income received transferred to income & expenditure account	(285)	(1,308)
Transfer of accumulated income from general reserves	(802)	326
Balance at 31 July	25,375	25,123
Represented by:		
Unit Trusts and Investment Trusts	23,327	24,038
Cash balances	1,953	966
Amounts owing from benefactors & others	95	119
	25,375	25,123

For the purpose of managing the investment portfolio and for all other management and administrative purposes, the endowment asset investments and fixed asset investments continue to be administered jointly in a single fund which was valued at £36.567m at 31 July 2014 (31 July 2013: £36.546m).

14. STOCKS

	Institute 2014 £'000	2013 £'000	Group 2014 £'000	2013 £'000
Finished goods	1	2	126	89

15. DEBTORS

	Institute 2014 £'000	2013 £'000	Group 2014 £'000	2013 £'000
Trade and student debtors	308	113	309	117
Amounts due from subsidiary undertakings	171	181	-	-
Taxation and VAT recoverable	170	100	170	100
Other Accrued Revenue	256	275	272	287
Other debtors	31	136	32	136
Prepayments	104	124	110	132
	1,040	929	893	772

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £'000	Institute 2013 £'000	2014 £'000	Group 2013 £'000
Bank loan	202	30	202	30
Payments received in advance	3,861	3,159	3,861	3,159
Trade creditors	786	605	794	622
Amounts due to subsidiary undertakings	1	2	-	-
Accruals	428	339	454	350
Other taxation and social security	223	120	246	141
Other creditors	2	33	2	33
	5,503	4,288	5,559	4,335

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

Institute and Group	2014 £'000	2013 £'000
Bank loan	800	2
	800	2

18. BORROWINGS

Institute and Group	2014 £'000	2013 £'000
Loans are repayable as follows:		
In one year or less	202	30
Between one and two years	200	2
Between two and five years	600	-
	1,002	32

The Institute agreed a new five year fixed term loan of £1,000,000 on 30 June 2014 to pay for works on the environmental controls within The Courtauld Gallery. Interest is payable at a rate of 1.25% above LIBOR. The remaining balance relates to a loan to update fire equipment and was fully repaid in August 2014.

19. PROVISIONS FOR LIABILITIES

Institute and Group	Dilapidations	
	2014 £'000	2013 £'000
At 1 August	1,177	1,307
Transferred from income and expenditure account	-	175
Utilised in year	(1,117)	(305)
At 31 July	-	1,177

The dilapidations provision relates to costs to be incurred in returning the premises licensed from Somerset House Trust to their original condition. Following a significant round of capital improvements over the last three years, including in 2013/14 when c£1m of relevant expenditure was incurred, the provision can no longer be justified and has been written back to the I&E account.

20. DEFERRED CAPITAL GRANTS

Institute and Group	Balance at 1 August 2013 £'000	Received in year £'000	Released in year £'000	Balance at 31 July 2014 £'000
HEFCE- Leasehold land and buildings	(924)	(21)	210	(735)
HEFCE- General Equipment	(5)	-	4	(1)
Other- Land and buildings	(241)	(147)	47	(341)
Other- General Equipment	(117)	-	24	(93)
	(1,287)	(168)	285	(1,170)

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

21. ENDOWMENTS

	Permanent Restricted £'000	Permanent Unrestricted £'000	Total Permanent £'000	Expendable Restricted £'000	Total 2014 £'000	Total 2013 £'000
At 1 August 2013						
Capital	6,388	7,831	14,219	4,870	19,089	16,890
Unapplied Total Returns	1,507	4,527	6,304	-	6,034	4,147
	7,895	12,358	20,253	4,870	25,123	21,037
Received in the year	1,078	-	1,078	-	1,078	1,898
Total Returns accrued in the year	91	140	231	54	285	3,195
Movement on CIA Fund Restricted Reserves	-	-	-	(24)	(24)	(25)
Total Returns transferred to income & expenditure account (note 5)	(91)	(140)	(231)	(54)	(285)	(1,308)
Transfer of accumulated income from general reserves	(273)	(305)	(578)	(224)	(802)	326
At 31 July 2014						
Capital	7,466	7,831	15,297	4,622	19,919	19,089
Unapplied Total Returns	1,234	4,222	5,456	-	5,456	6,034
	8,700	12,053	20,753	4,622	25,375	25,123
Representing						
Fellowships and scholarships funds	434	225	659	1,696	2,355	3,992
Prizes funds	1,602	-	1,602	-	1,602	13
Chairs and lectureships funds	5,005	-	5,005	1,806	6,811	6,030
Other funds	1,659	11,828	13,487	1,120	14,607	15,088
	8,700	12,053	20,753	4,622	25,357	25,123

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

	Lisbet Rausing £'000	The Garfield Weston Foundation £'000	The Deborah Loeb Brice Foundation £'000	The Robert HN Ho Family Foundation £'000
At 1 August 2013				
Capital	5,000	1,000	1,563	1,563
Unapplied Total Returns	3,388	691	258	147
	8,388	1,691	1,821	1,710
Additions	-	-	244	-
Total Returns accrued in the year	95	19	21	19
Total Returns transferred to income & expenditure account (note 5)	(95)	(19)	(21)	(19)
Unapplied Total Returns transferred to income	(240)	(9)	(61)	(125)
At 31 July 2014				
Capital	5,000	1,000	1,807	1,563
Unapplied Total Returns	3,148	682	197	22
	8,148	1,682	2,004	1,585

22. MOVEMENT ON GENERAL RESERVES

	Institute £'000	Group £'000
At 1 August 2013	7,557	7,566
Deficit retained for the year	(749)	(755)
Transfers from accumulated income within endowments	802	802
At 31 July 2014	7,610	7,613

23. MOVEMENT ON RESTRICTED RESERVES

Institute and Group	Year ended 31 July 2014 £'000
At 1 August 2013	77
CIAF surplus retained for the year	(9)
At 31 July 2014	68

24. MOVEMENT ON REVALUATION RESERVES

Institute and Group	Fixed Asset Investments £'000	Tangible Fixed Assets £'000
At 1 August 2013	2,239	-
Total Returns on fixed asset investments	130	-
Income received transferred to income & expenditure account	(449)	-
Revaluation of rare books collection	-	2,229
At 31 July 2014	1,920	2,229

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

	Year ended 31 July 2014 £'000	Year ended 31 July 2013 £'000
(Deficit)/ Surplus on continuing operations	(764)	430
Depreciation	624	675
(Increase)/ Decrease in stocks	(37)	10
(Increase) in debtors	(121)	(106)
Increase in creditors	1,052	278
Decrease in provisions	(1,117)	(130)
Interest receivable	(737)	(1,706)
Interest payable	-	1
Deferred capital grants released	(285)	(308)
Net outflow from operating activities	(1,445)	(856)

26. RETURNS ON INVESTMENT AND SERVICING OF FINANCE

	2014 £'000	2013 £'000
Income from endowments	285	1,308
Other interest received	452	398
Interest paid	-	(1)
Net cash inflow from returns on investments and servicing of finance	737	1,705

27. CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2014 £'000	2013 £'000
Purchase of tangible fixed assets	(780)	(427)
Capital grants received	168	93
Endowment income received	802	(326)
Transfers from cash to fixed asset investments	(88)	(311)
Net cash outflow from capital expenditure and financial investment	102	(971)

28. FINANCING

	2014 £'000	2013 £'000
New loans	1,000	-
Repayment of existing loans	(30)	(30)
	970	(30)

29. ANALYSIS OF CHANGES IN NET FUNDS

	At 1 August 2013 £'000	Cash flows £'000	At 31 July 2014 £'000
Cash at bank and in hand	931	364	1,295
Endowment asset investments (note 13)	966	987	1,953
Fixed Asset investments (note 12)	493	368	861
Debt due within one year	(30)	(172)	(202)
Debt due after more than one year	(2)	(798)	(800)
Total	2,358	749	3,107

30. PENSIONS AND SIMILAR OBLIGATIONS

University Superannuation Scheme (USS)

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

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

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second valuation for USS under the new scheme-specific funding regime introduced by the Pension Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The actuary also carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2014 are also included in this note.

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

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

Standard mortality tables were used as follows:

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

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

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

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

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

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. In 2011 the actuary estimated that if experience remained in line with the assumptions made, the shortfall at 31 March 2014 would be £2.2billion, equivalent to a funding level of 95%.

However, changes in market conditions between March 2011 and March 2014 have had an impact on the scheme funding. The next formal triennial actuarial valuation will take place as at 31 March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete the trustees cannot provide the final figure however, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the schemes liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 61%.

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. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial actuarial valuation are set out below:

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

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

As at the 2011 valuation date the scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

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

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

New Entrants

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

Normal pension age

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

Flexible retirement

Flexible retirement options were introduced.

Member contributions increased

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

Cost sharing

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

Pension increase cap

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

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 trustee's role is to set risk and return parameters which reflect the strength of the sponsoring employers and the nature of the scheme's liabilities. These parameters, taken together with the anticipated returns form the basis of the trustee's funding strategy. These parameters are informed by advice from its internal investment team, its investment consultant and the scheme actuary, as well as an independent assessment of the support available from the sponsoring employers. The trustee remains confident that it can continue to take a long-term view of scheme funding, backed as it is by a robust Higher Education (HE) sector.

The fund is invested in a wide range of asset classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure, property and timberland). A diversified portfolio helps to spread investment risk across different asset classes and to boost the level of confidence in maintaining sufficient investment returns from the fund as a whole. This investment approach is innovative and responsible, and targeted at achieving returns required to meet the scheme's liabilities. Recently, the trustee has invested directly in infrastructure assets. These investments are typically illiquid, but can achieve attractive inflation-linked returns in ways often not available in the publicly traded markets and which can match the scheme's liabilities to a high degree.

At 31 March 2014, USS had over 162,000 active members and The Courtauld had 59 active members participating in the final salary scheme, with a further 27 participating in the CRB scheme.

The total pension cost for the institution was £575,000 (2013: £508,000). The contribution rate payable by The Courtauld was 16% of pensionable salaries.

Superannuation Scheme of the University of London (SAUL)

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

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

31-Mar-11

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

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

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

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

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

At 31 March 2014, SAUL had over 10,000 active members and The Courtauld had 17 active members participating in the final salary scheme, with a further 9 members in the CARE scheme.

The total pension cost for the institute was £81,000 (2013: £87,000). The contribution rate payable by the institution was 13% of pensionable salaries.

31. FINANCIAL COMMITMENTS

At 31 July 2014 the Group and The Courtauld had annual commitments under non-cancellable operating leases as follows:

	2014 £'000	2013 £'000
Land and buildings		
Expiring in over five years	1,011	606

The Courtauld occupies the North Block of Somerset House under a lease dated 1 December 1987. The annual rent payable under the terms of the lease is subject to review every five years. The most recent review, with an effective date of June 2012, was resolved in July 2014 and the commitment above reflects the revised rent payable for those premises. The current terms include a peppercorn rent on the 'fine rooms' which house the public area of The Courtauld Gallery.

In April 2009, The Courtauld 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.

In May 2014, The Courtauld entered into a 15 year lease (with a one year break clause) for a suite of rooms in the New Wing of Somerset House.

32. RELATED PARTY TRANSACTIONS

During the year, The Courtauld paid £110,000 (2012-13 £98,000) to the University of London, of which the Institute is an independent College, for central university governance, the university Careers Group, Senate House Libraries, the University of London Union, examination services and the private housing group.

During the year The Courtauld acted as Custodian for the works of art displayed and stored in The Courtauld Gallery but owned by the Samuel Courtauld Trust and others. Andrew Adcock, Professor Geoffrey Crossick and James Hughes-Hallett are also Directors of the Samuel Courtauld Trust.

SCT Enterprises Limited ("SCTE") is a wholly owned subsidiary of The Courtauld Institute of Art. During the year, the Institute paid SCTE £132,828 for the provision of admissions and image services (2012-13 £120,439) and SCTE paid the Institute £66,000 in rent for the use of space within The Courtauld (2012-13 £65,000). At the end of the year, SCTE accrued a gift aid payment to The Courtauld equal to its taxable profit of £83,808 (2012-13 £181,004).

During the year The Courtauld received donations from Martin Halusa of £58,400 (2012-13 £1,100), Professor Deborah Swallow of £14,500 (2012-13 £11,250), James Hughes-Hallett of £7,000 (2012-13 £8,100), Daniella Luxembourg of £5,000 (2012-13 £5,000), Sir Angus Stirling of £2,500 (2012-13 £3,500), Dr Jim Cuno £2,418 (2012-13 £1,235), and Andrew Adcock £1,000 (2012-13 £160). All seven are or were Directors of The Courtauld during the year.

No payment was made to any director for expenses relating to their role as a Director (2012-13: £Nil).

33. CONTROLLING PARTY

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

34. CONTINGENT ASSET

In our financial statements for 2012/13 we reported a contingent asset relating to an alleged theft of gallery admissions proceeds. The claim was accepted by our insurers in July 2014, and the sum of £91k has been accrued within these financial statements. The net value after accounting for VAT has been included within the Gallery income figure reported in Note 5 to these accounts.

courtauld.ac.uk

