

Royal Ballet School

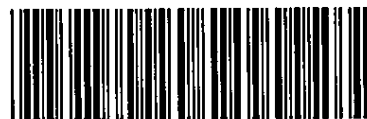
(A Company Limited by Guarantee)

FINANCIAL STATEMENTS

for the year ended

31 August 2008

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COMPANIES HOUSE

Charity Registration No. 214364
Company Registration No. 547018

Royal Ballet School

REFERENCE AND ADMINISTRATIVE DETAILS

DIRECTORS

Mr David Norman (Chairman)
Mr Jonathan Chenevix-Trench
Mr Nicolas Chisholm
Mrs Ricki Gail Conway
Mr Richard Cunis
Mr Anthony Hall
Ms Janet Lambert
Sir David Lees
Professor Margaret Maden
Dame Monica Mason DBE
Mr Patrick Maxwell, ACA
Mr Kevin O Hare
Mr Charles Parker
Miss Madeleine Plaut
Dame Antoinette Sibley DBE
Mr Edmund Wallis
Mrs Candida Hurst-Brown

SECRETARY

Mr Rikesh Shah

REGISTERED OFFICE

46 Floral Street
Covent Garden
London WC2E 9DA

AUDITOR

Baker Tilly UK Audit LLP
Registered Auditor
Chartered Accountants
1st Floor
46 Clarendon Road
Watford
Hertfordshire WD17 1JJ

BANKERS

Lloyds TSB Bank plc
City of London
39 Threadneedle Street
London EC2R 8AU

Barclays Bank plc
Education Team
Level 28
Churchill Place
London E14 5HP

SOLICITORS

Forsters
31 Hill Street
London W1J 5LS

Royal Ballet School

REPORT OF THE GOVERNORS

The Governors submit their report and the financial statements of the Royal Ballet School for the year ended 31 August 2008.

STRUCTURE AND GOVERNANCE

The School is a Charitable Company Limited by Guarantee (Company Number 547018) incorporated in 1955 and is a Registered Charity, number 214364. Information on a connected charity is given in Note 21 to the financial statements.

The Company was established under a Memorandum of Association which established the objects and powers of the Charitable Company and is governed under its Articles of Association.

The School is governed by a Board of Governors whose members are also Directors of the Company and Charity Trustees. The Board is responsible for formulating the strategy and policies for the School and meets formally three times annually as well as holding other meetings as required to perform its duties.

The directors of the Company during the year were the Members of the Board of Governors who were:

Mr David Norman (Chairman)	
Mr Jonathan Chenevix-Trench	
Mr Nicolas Chisholm	
Miss Felicity Clark	(resigned 19 June 2008)
Mrs Ricki Gail Conway	
Mr Richard Cunis	
Ms Janet Lambert	
Sir David Lees	(appointed 14 May 2008)
Mr Thomas Lynch, FCA	(resigned 31 January 2008)
Professor Margaret Maden	
Dame Monica Mason, DBE	
Mr Patrick Maxwell, ACA	
Mr Kevin O Hare	
Mr Charles Parker	
Miss Madeleine Plaut	
Mr Edmund Wallis	
Mr Anthony Hall	(appointed 31 January 2008)
Dame Antoinette Sibley, DBE	(appointed 31 January 2008)

Mrs Candida Hurst-Brown was appointed as a Governor with effect from 22 October 2008. Lady Sainsbury, CBE is Governor Emerita of the School.

The Company Secretary was Mr Nigel Copeland until his retirement on 31 August 2008. Mr Rikesh Shah was appointed Company Secretary with effect from 1 September 2008.

The Board has established the following standing committees which routinely meet before each regular meeting of the Governors:

- Dance Policy Committee
- Academic & Pastoral Committee
- Finance Committee
- Development & Funding Committee
- Building Development Committee
- Nominations Committee
- Remuneration Committee

These sub-committees between them have responsibility to the Board for all the major areas of its accountability.

Royal Ballet School

REPORT OF THE GOVERNORS

The policy of the School is to secure the services of Governors from a wide variety of backgrounds whose skills and experience meet the needs of the School. The Nominations Committee meets regularly and reviews the composition of the Board, taking into account the need for succession planning as existing Governors retire.

All Governors are inducted into the operations of the School through briefings with the Chairman, Director and members of the Senior Management Team. The training needs of Governors are reviewed from time to time and support provided as necessary. In addition, staff make regular presentations to the Governing body on key issues of current and ongoing importance.

The day-to-day operations of the School are managed by the Senior Management Team led by the Director. The Director in control of the day-to-day running of the school is Gailene Stock, who is not a Member of the Board of Governors or a company director. During the year the Senior Management Team comprised the following staff:

Director	Ms Gailene Stock
Assistant Director	Mr Jay Jolley
Finance Director	Mr Nigel Copeland
Chief Administrative Officer	Mr Rikesh Shah
Academic and Pastoral Principal	Mr Martin Fosten
Head of Lower School	Ms Phillippa Hogg
Ballet Principal Lower School	Ms Diane van Schoor
Principal – Outreach Programme	Ms Kathryn Wade
Head of Development	Ms Sarah Eliot-Cohen
Head of Finance	Ms Pippa Adamson

The School has taken out indemnity insurance for the trustees at a cost of £5,145 (2007: £5,500).

OBJECTS AND PRINCIPAL ACTIVITIES

The School's aims are to:

- Train and educate full time students towards a career as classical ballet dancers.
- Supply The Royal Ballet and Birmingham Royal Ballet with the majority of their dancers.
- Recruit these students in the United Kingdom and throughout the world using its Outreach Programme.
- Maintain its standing as a world class centre of excellence.
- Contribute to the raising of national and international classical ballet teaching standards.
- Nurture the young people within its care and to fulfil its responsibilities to students and their parents.

The School is located on two main sites where full-time pupils and students are trained and educated. The Lower School is based at White Lodge in Richmond Park and is a boarding school for 11 to 16 year olds. The Upper School in Covent Garden trains students aged 16 to 18. In addition some Upper School students are accommodated at a property in Barons Court in West London.

The School's primary objectives are to ensure the highest standards of balletic training and education of its students. These are measured by the rate of employment by international dance companies of the graduate students and the academic results achieved by students taking public examinations.

The School's Outreach programme seeks, amongst other things, to provide dance training to children from the UK who are not full-time students with the School with a particular view to assisting the most talented students to gain a full-time place in the future. Children aged 8 to 12 attend Junior and Mid-Associate classes weekly or monthly at various centres throughout the UK. Pupils aged 13 to 15 attend Senior Associate classes fortnightly in London and Birmingham. The School also runs Junior and Senior International Summer Schools for two weeks in July/August.

The Partnership & Access Programme was established to share the School's expertise and facilities with other schools and organisations across the UK as well as to provide greater opportunities for members of the public to access its facilities and observe the School's activities.

Royal Ballet School

REPORT OF THE GOVERNORS

In addition to on-going monitoring and development of the School's core activities as outlined above, other specific objectives during the year and for the immediate future include the following:

- Completion of the redevelopment of the White Lodge site alongside fundraising to finance this major project.
- Further growth and development of the Partnership & Access Programme including the opening of a new Ballet Museum at White Lodge.
- The acquisition of additional residential accommodation for Upper School students.

ACHIEVEMENTS AND PERFORMANCE

In September 2007, the School had 125 full-time pupils at the Lower School, 82 full-time pupils on the Upper School Dancers' Course. These figures were comparable to the previous year and the School seeks to maintain student numbers around current levels for the foreseeable future.

By 31 October 2008, all of the 26 Dancers' Course graduates had obtained contracts with international dance companies. This was the second consecutive year that the School achieved a 100% employment rate for its graduate class.

The School's full-time students achieved a 96% pass rate (Grades A* to C) in GCSE examinations, a 100% pass rate in BTEC examinations, a 92% pass rate in AS levels and a 78% pass rate at A2 level. These were extremely pleasing results given the wide range of academic abilities within the School that arises from an admissions policy based on balletic potential rather than academic achievement.

The Outreach programme continued to attract high levels of applications for a place and in September 2007 there were 549 students on the Associates Course. A further 388 students attended the Junior and Senior International Summer Schools in 2008. Some 70% of the students joining the junior year at the Lower School had previously been trained on the Associates programme. In addition, 8 of the participants on the 2008 Summer School were offered full-time places in the School.

The Partnership and Access Programme continued to grow during the year and the School is working with three secondary schools in London as well as having commenced a 3-year partnership with Bispham High School in Blackpool and four other schools in that area. At primary level, the partnership with Dagenham Park Community School and 4 feeder primaries in East London, continued with one new class added, and a new partnership was established in Swindon with Swindon Dance, Churchfields School and 4 local primary schools. In the Autumn Term approximately 600 children received 6 weeks of Creative Ballet Workshops. The evolution of the Programme during the past 3 years was most clearly evident at the showcase performance in June 2008 staged at the Linbury Studio Theatre in the Royal Opera House, involving more than 150 performers from 11 schools across the UK.

Good progress was made on the White Lodge redevelopment project with the most complex phase of work completed during the year. The final phase commenced in March 2008 and has progressed in line with the schedule for completion in Spring 2009. Work on the Ballet Museum also progressed on schedule and is due to open in early 2009. There was satisfactory progress during the year in the search for new accommodation and it is hoped that additional premises will be available for use by the School by September 2009.

FINANCIAL REVIEW

The key to the School's financial stability is the agreement it has with the Department for Children, Schools and Families (DCSF). The core of the School's income comes from the DCSF in the form of means tested grant aid to parents under the Music and Dance Scheme – places on the scheme are restricted to students from the European Economic Area. Other United Kingdom students at the Upper School receive funding from their parents, Local Authorities or from the School's own resources. Other students, especially at the Upper School, are funded by their parents and by grants that the School receives from a number of trusts and foundations. A breakdown of the School's funding is shown in Note 1 on page 15.

Royal Ballet School

REPORT OF THE GOVERNORS

Total income was considerably lower than in the previous year because of a particularly high level of donations received in 2006/07 for the White Lodge redevelopment. Operating income in respect of on-going activities was broadly in line with the previous year. Operating expenditure increased marginally compared to 2006/07.

A surplus of £1,093,000 arose on the Appeal Fund in respect of donations received for the White Lodge redevelopment which, with funds brought forward, was used to finance the capital expenditure during the year. Surpluses also arose on the Floral Street Appeal Fund (£151,000) and on the Bursary and Prize Fund (£8,000). The total surplus, before transfers, on restricted funds was £1,252,000.

Surpluses on operating activities were offset by the depreciation charge for the year. The net movement in funds for the year across all activities was £954,000 representing the surplus on restricted funds before transfers (£1,252,000), the deficit on unrestricted funds before transfers (£406,000) and the actuarial gain on the defined benefit pension scheme (£108,000).

White Lodge Redevelopment Project

In November 2005 the School surrendered its existing lease and entered into an agreement to lease the land and buildings at White Lodge for a further 100 years. At the same time it commenced a major redevelopment of the premises, contracting with Haymills (Contractors) Ltd to build new student accommodation, a new Dining Hall, two new dance studios as well as to refurbish the existing buildings. The entire project, which will be completed on schedule in Spring 2009, is budgeted to cost £22 million.

In November 2005 the School also entered into a Loan Facility Agreement with Barclays Bank plc. This provides loan finance for the White Lodge redevelopment of up to £10 million until 31 December 2009. Thereafter up to £7 million will be available, subject to a repayment schedule, until November 2030. By December 2008, some 86% of the total cost of the project had been funded through donations and pledges from a wide range of donors including the DCSF, various charitable trusts and foundations and a number of individuals. It is intended to raise the remaining funds during the next 2 years, with any short-term cash flow requirements being funded from the bank loan facility.

Reserves Policy

Since the School is funded annually by the DCSF based on break-even budgets and given the nature of the School's funding, the School's reserves policy is not to build up significant free reserves but to maintain sufficient working capital to allow the School to fund its day to day operations. An adequate level of reserves is considered to be in the range of £250,000 to £500,000.

The School's unrestricted undesignated funds were £572,000 at the year end although this reduces to £443,000 if the pension fund surplus of £129,000 (which cannot be realised in the short-term) is excluded. This level of reserves is considered to be adequate given the current policy.

Restricted and Designated Funds

Notes 15 to 17 to the financial statements set out an analysis of the School's restricted and designated funds and their attributable assets. These assets are sufficient to meet the charity's obligations on a fund by fund basis. The School's tangible assets are all held for use in the School. An explanation of the various funds is set out in the Accounting Policies note on page 14.

RISK MANAGEMENT

The Governors are responsible for the management of the risks faced by the School. Detailed consideration of risk has been formally delegated by Governors to the Finance Committee assisted by the Director, Finance Director and other members of the School's Senior Management Team.

A detailed Risk Register has been produced by the Senior Management Team and this is reviewed and updated each term. The Finance Committee reviews the major risks identified annually. Key controls used by the Governors to identify and assess risks during the year include:

- Appointment of appropriate consultants to advise with regard to risk management within the School

Royal Ballet School

REPORT OF THE GOVERNORS

- The initiation of a formal programme of risk assessments and steps taken to mitigate those risks identified
- Comprehensive strategic planning, budgeting and management accounting
- Established organisational structure and lines of reporting
- Formal authorisation and approval levels

The major risks identified include the following:

- Excessive demands on students in relation to their balletic training, academic education and performing responsibilities.
- Loss of funding or inability of parents to meet their contributions to fees.
- Inability to attract the most talented students because of limited funding available for scholarships.

Various strategies are in place to manage these risks and to ensure that they do not adversely affect the School's operations or the welfare of its students.

Through the above risk management processes, the Governors anticipate that major risks will be identified and as far as practicable adequately mitigated. It is recognised that systems can only provide reasonable, but not absolute, assurance that major risks have been adequately managed.

PLANS FOR FUTURE PERIODS

The School's management produced a business plan in 2007 which was duly approved by the Governors. This plan runs until August 2010 and the School's primary current objectives are to continue to develop its excellent level of balletic and academic performance for full-time and part-time students.

The Partnership and Access Programme is planned to expand further with the development of partnerships with another two schools in London as well as the commencement of a new programme in Suffolk. The School, together with the Royal Opera House, will also launch a course in Ballet Education in September 2008. This is designed to provide professional dancers and teachers with the skills to deliver ballet education activities in the state school and community sectors.

Completion of the redevelopment of the White Lodge premises on time in accordance with the plans and budget continues to be a high priority alongside the fundraising appeal to ensure that this project is fully funded. The School is also hoping to complete its search for additional residential premises to accommodate more of the Upper School's students with effect from September 2009.

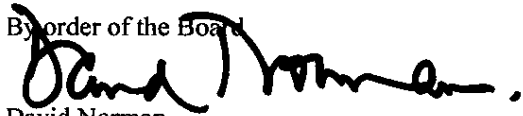
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.


AUDITOR

A resolution to reappoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditor will be put to the members at the annual general meeting.

By order of the Board


David Norman
Chairman of Governors

29 January 2009



Royal Ballet School

STATEMENT OF GOVERNORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The Governors (as directors and trustees) are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Governors as directors to prepare financial statements for each financial year. Under that law the Governors as directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the net income /expenditure of the company for that period. In preparing those financial statements, the directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROYAL BALLET SCHOOL

We have audited the financial statements on pages 9 to 26.

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The responsibilities of the trustees (who are also the Governors and directors of Royal Ballet School for the purposes of company law) for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Governors' Responsibilities on page 7.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Trustees'/Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Trustees'/Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 August 2008 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.
- the information given in the Trustees'/Directors' Report is consistent with the financial statements.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP

Registered Auditor

Chartered Accountants

1st Floor

46 Clarendon Road

Watford

Hertfordshire

WD17 1JJ

31 March 2009

Royal Ballet School
STATEMENT OF FINANCIAL ACTIVITIES
(incorporating an Income and Expenditure Account)
for the year ended 31 August 2008

	Notes	Unrestricted Funds		Restricted Funds			Total 2008 £000	Total 2007 £000
		General Fund £000	Designated Funds £000	Appeal Fund £000	Bursaries & Prize Funds £000	Other £000		
Incoming resources from generated funds								
Voluntary income:								
Donations		36	-	1,185	220	-	1,441	7,940
Activities for generating funds:								
Investment income	2	53	6	76	-	-	135	74
Incoming resources from charitable activities								
Full time students	1	5,814	-	-	-	-	5,814	5,633
Outreach activities		507	-	-	-	-	507	475
Partnership programme		-	511	-	-	-	511	452
Performances and tours		126	-	-	-	-	126	133
TOTAL INCOMING RESOURCES		6,536	517	1,261	220	-	8,534	14,707
RESOURCES EXPENDED								
Costs of generating funds								
Voluntary income	3	53	-	17	-	-	70	153
		53	-	17	-	-	70	153
Charitable activities:								
Full time students		5,270	506	-	192	-	5,968	6,182
Outreach activities		682	63	-	20	-	765	442
Partnership programme		13	510	-	-	-	523	422
Performances and tours		245	32	-	-	-	277	191
	4	6,210	1,111	-	212	-	7,533	7,237
Governance costs	6	85	-	-	-	-	85	116
TOTAL RESOURCES EXPENDED	7	6,348	1,111	17	212	-	7,688	7,506
NET INCOMING RESOURCES BEFORE TRANSFERS (representing surplus and net income for the year)		188	(594)	1,244	8	-	846	7,201
Gross transfers between funds	9	62	2,890	(2,579)	70	(443)	-	-
NET INCOMING RESOURCES BEFORE OTHER RECOGNISED GAINS AND LOSSES		250	2,296	(1,335)	78	(443)	846	7,201
OTHER RECOGNISED GAINS AND LOSSES								
Actuarial Gains on Defined Benefit Pension Scheme	22	108	-	-	-	-	108	123
NET MOVEMENT IN FUNDS		358	2,296	(1,335)	78	(443)	954	7,324
TOTAL FUNDS BROUGHT FORWARD		214	28,330	1,874	157	443	31,018	23,694
TOTAL FUNDS CARRIED FORWARD	15,16	572	30,626	539	235	-	31,972	31,018

Net incoming resources for the year arise from the charity's continuing operations.

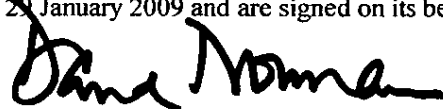
Royal Ballet School

BALANCE SHEET

31 August 2008

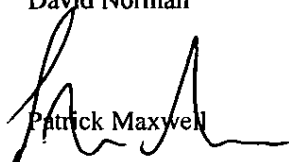
	Notes	2008 £000	2007 £000
FIXED ASSETS			
Tangible assets	10	31,898	29,046
CURRENT ASSETS			
Stocks		-	16
Debtors	11	1,200	1,277
Cash at bank and in hand		2,887	5,410
		<u>4,087</u>	<u>6,703</u>
CREDITORS: Amounts falling due within one year			
School fees in advance	12	(2,235)	(2,038)
Trade and other creditors	13	(1,659)	(1,561)
		<u>193</u>	<u>3,104</u>
NET CURRENT ASSETS			
		<u>32,091</u>	<u>32,150</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS:			
Amounts falling due after more than one year	14	(248)	(1,082)
Defined benefit pension scheme surplus/(liability)	22	129	(50)
		<u>31,972</u>	<u>31,018</u>
NET ASSETS	17		
CAPITAL AND RESERVES			
Unrestricted funds			
- General fund		572	214
- Designated funds		30,626	28,330
		<u>31,198</u>	<u>28,544</u>
Total Unrestricted Funds	15		
Restricted funds			
- Appeal Fund		539	1,874
- Bursaries and Prize Fund		235	157
- Other		-	443
		<u>774</u>	<u>2,474</u>
Total Restricted Funds	16		
Total Funds		<u>31,972</u>	<u>31,018</u>

The financial statements on pages 9 to 26 were approved by the Board of Governors and authorised for issue on 29 January 2009 and are signed on its behalf by:



David Norman

Chairman



Patrick Maxwell

Governor

Royal Ballet School

CASH FLOW STATEMENT

for the year ended 31 August 2008

	<i>Notes</i>	2008 £000	2007 £000
NET CASH FLOW FROM ACTIVITIES	24	962	7,408
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	25	135	74
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	25	(2,824)	(6,035)
FINANCING	25	(796)	(760)
INCREASE/(DECREASE) IN CASH	26	<u>(2,523)</u>	<u>687</u>

Royal Ballet School

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with the Companies Act 1985 and follow recommendations in Accounting and Reporting by Charities: Statement of Recommended Practice – Accounting and reporting by Charities issued in March 2005, and under the historical cost convention and under the going concern concept, on the understanding that the company will continue to receive sufficient financial support to enable it to meet its liabilities as and when they fall due for payment.

TANGIBLE FIXED ASSETS

Leasehold property

The original cost of the White Lodge leasehold property was fully amortised in the period 1955 to 1976, although the lease was not due to expire until 2013. Subsequent major works and additions to the leasehold property are capitalised and amortised over the unexpired period of the lease, or evenly over the expected useful lives of the major works and additions as appropriate, at rates varying between 14% and 25% per annum on cost.

In November 2005 the School surrendered its existing lease and entered into an agreement to lease the land and buildings for a further 100 years. A major redevelopment of the premises is in the course of construction. Phase 1 was completed in October 2006 and Phase 2 was completed in December 2007. Costs are not depreciated until the relevant phase of building work is complete. Relevant costs are depreciated over the term of the lease. The buildings costs will be depreciated over 40 years.

The Floral Street property is depreciated over the term of the lease, except for buildings which are depreciated over 40 years.

Furniture, fixtures and equipment

Depreciation has been calculated by allocating cost, less any estimated residual value, evenly over the expected useful lives of the assets concerned. The expected useful lives are as follows:

Furniture, fixtures and equipment	5 years
Computer equipment	3 years
Motor vehicles	4 years

The School's policy is to capitalise fixed assets with a cost of more than £1,000.

STOCKS

Stocks of costumes and other apparel have been historically valued at the lower of cost and net realisable value and held in the balance sheet. From 1st September 2007, the School charges the cost of such clothing to the Statement of Financial Activities when incurred and no stocks are held in the balance sheet. The impact of this change in accounting policy is to reduce the surplus on Unrestricted Funds in the year by £16,000. Prior year figures have not been amended on the basis that this change in accounting policy does not have a material impact on the Financial Statements.

TURNOVER

Turnover consists of school fees and expenses due and receivable, grants receivable from the Department for Children, Schools and Families, income arising from the letting of the school premises and facilities, and sponsorship of the School's performances. This income is then taken to the Statement of Financial Activities when it becomes due to the school.

Royal Ballet School

ACCOUNTING POLICIES

PENSION COSTS

The School participates in defined benefit schemes and defined contribution schemes.

Under the defined benefit schemes, the School makes contributions to the Teachers Pension Scheme and The Royal Ballet School Pension and Life Assurance Plan. Pension costs are assessed in accordance with actuarial advice and based on the most recent actuarial valuation of the schemes. The Royal Ballet School Pension and Life Assurance Plan was closed to new entrants during 2002. The Teachers Pension Scheme is a multi employer scheme for which the School is unable to determine its share of the assets and liabilities, contributions are charged to the Statement of Financial Activities as if the scheme were a defined contribution scheme.

Under the defined contribution schemes, the School contributes to group personal pension plans providing benefits for some employees. Pension costs are based on current salaries. Contributions are charged to the Statement of Financial Activities in the year in which they are due to the scheme.

ROYAL BALLET SCHOOL DEFINED BENEFIT PENSION SCHEME

The amount charged to the Statement of Financial Activities in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The expected return on scheme assets are included in investment income and the interest cost and interest on scheme liabilities are included within other finance costs in support costs.

Actuarial gains and losses arising from new valuations and from updating valuations to the balance sheet date are recognised in the Statement of Financial Activities.

The assets of the scheme are held separately from the School in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at the balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised in the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the Scheme Trustees have agreed a refund from the scheme at the balance sheet date. A pension liability is recognised to the extent that the School has a legal obligation to settle the liability.

LEASED ASSETS AND OBLIGATIONS

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding except for the White Lodge lease where the interest payable has been capitalised (see note 10).

All other leases are "operating leases" and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

EXPENDITURE

Resources expended are recognised in the period in which they are incurred and are allocated to the particular activity where the cost relates directly to that activity. The cost of overall direction and administration of the School's activities, comprising the salary and overhead costs of central functions, are treated as Support Costs as shown in note 4. The allocation of Support Costs between activities has been reviewed during the year and these costs have been allocated in line with the estimated use of resources by each activity.

Governance costs comprise those costs incurred in compliance with regulation and good practice and include costs relating to the statutory audit and legal fees.

Certain comparative expenditure figures have been amended to ensure consistency between the current and prior year figures in these financial statements.

Royal Ballet School

ACCOUNTING POLICIES

LIABILITIES

Liabilities are recognised at the point that there exists an obligation to make payment or transfer assets and the value of that obligation can be measured with a reasonable degree of accuracy.

FOREIGN CURRENCIES

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the Statement of Financial Activities.

FUNDS

Unrestricted Funds

Unrestricted funds are available for use at the discretion of the Governors in furtherance of the general objectives of the charity. Certain unrestricted funds are designated for other purposes. The various elements of Unrestricted Funds are as follows:

Designated Property Fund

This Fund represents the total amount (at cost less depreciation) invested in property assets for use by the School as well as unrestricted cash balances available to fund the acquisition of new residential accommodation in the future.

Designated Asset Replacement Fund

This fund represents amounts designated and set aside by Governors to enable the School to replace assets such as plant and equipment, fixtures and fittings, and computer equipment when these require replacement.

Designated Partnership and Access Fund

This fund represents funds designated by the Governors to further the aims and objectives of the School's Partnership and Access programme.

General Pensions Reserve

This fund represents balances in relation to the School's obligations in respect of the Royal Ballet School Pension & Life Assurance Plan which is a final salary scheme that is now closed to new members.

Retained Income

This represents the balance of unrestricted funds which have not been designated.

Restricted Funds

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The various specific restricted funds are as follows:

Appeal Fund

The balance on this fund represents gifts and donations generated by fundraising appeals to acquire a new 100 year lease at White Lodge and to redevelop the land and buildings at White Lodge.

Bursaries and Prize Fund

This fund represents donations received by the School, which are subject to the specific wishes of the donor. Movements in the fund during the year comprise gifts received and the funding of bursaries and prizes for pupils attending the school.

Royal Ballet School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2008

1	FEES RECEIVABLE			2008 £000	2007 £000	
	Fees receivable in respect of full time students were funded as follows:					
	Grants from DCSF			4,488	4,530	
	Connected charity (Royal Ballet School Endowment Fund)			162	206	
	Donations			224	145	
	Parents			940	752	
				<u>5,814</u>	<u>5,633</u>	
2	INVESTMENT INCOME			Total 2008 £000	Total 2007 £000	
	Interest receivable			135	74	
3	COST OF GENERATING FUNDS			Total 2008 £000	Total 2007 £000	
	Development department			70	153	
4	ANALYSIS OF RESOURCES EXPENDED ON CHARITABLE ACTIVITIES	Direct charitable activities £000	Support costs £000	Total 2008 £000	Total 2007 £000	
	Full time students	3,392	2,576	5,968	6,182	
	Outreach activities	443	322	765	442	
	Partnership programme	362	161	523	422	
	Performances and tours	116	161	277	191	
		<u>4,313</u>	<u>3,220</u>	<u>7,533</u>	<u>7,237</u>	
5	ANALYSIS OF SUPPORT COSTS	Full time students £000	Outreach activities £000	Partnership Programme £000	Performances and tours £000	Total 2008 £000
	Premises	482	61	30	30	603
	Staff costs	758	95	47	47	947
	Depreciation	780	97	48	48	973
	Other	556	69	36	36	697
		<u>2,576</u>	<u>322</u>	<u>161</u>	<u>161</u>	<u>3,220</u>
	Total 2007	1,537	38	95	88	1,758

Support Costs have been allocated in line with the estimated use of resources by each activity. The categorisation and allocation of Support Costs has been reviewed in the year and these changes explain the differences between the current and prior year figures in the note above.

Royal Ballet School

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2008

6	ANALYSIS OF GOVERNANCE COSTS	2008 £000	2007 £000
	Legal and professional	85	116
7	EXPENDITURE	2008 £000	2007 £000
	The operating surplus is after charging:		
	Audit fee	25	12
	Auditors' fees in respect of non audit services	23	221
	Interest payable	-	3
	Operating lease rentals - plant and machinery	11	26
	Depreciation on non finance assets	1,066	1,161
	Depreciation on assets under finance	35	-
8	EMPLOYEES	2008	2007 (restated)
8a	The average weekly number of full-time equivalent persons (excluding directors) employed by the company during the year was:	No.	No.
	Teaching & Teaching Support	53	49
	Pastoral	13	13
	Outreach Activities	11	9
	Partnership Programme	5	5
	Management & Administration	16	15
	Development	2	2
		100	93
8b	Staff costs:	£000	£000
	Wages and salaries	3,120	2,904
	Social security costs	295	267
	Other pension costs	343	330
		3,758	3,501

Royal Ballet School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2008

	2008 No.	2007 No.
8c The number of employees whose emoluments exceeded £60,000 were:		
£60,001 - £70,000	2	2
£70,001 - £80,000	1	1
£80,001 - £90,000	-	1
£90,001 - £100,000	1	-

The Governors (as company directors) received £Nil remuneration during the year (2007: £Nil).

8d Employee cost by activity:	£000	£000
Full time students	2,927	2,902
Outreach activities	434	244
Partnership programme	293	234
Performances and tours	56	57
Other costs	48	64
	<u>3,758</u>	<u>3,501</u>

9 TRANSFERS

	Unrestricted General Fund £000	Unrestricted Designated Funds £000	Restricted Funds £000
Transfers of fixed assets between funds	445	1,104	(1,549)
Transfer to designated Partnership and Access fund in respect of overheads	(130)	130	-
Re-categorise donations for bursaries as restricted	(70)	-	70
Create designated Partnership and Access fund	(183)	183	-
Interest on inter-fund borrowings	-	157	(157)
Transfer Floral Street Fund to Designated Property Fund	-	1,316	(1,316)
	<u>62</u>	<u>2,890</u>	<u>(2,952)</u>

The re-categorisation of fixed assets transfers all property assets to the Unrestricted Designated Property Fund whilst Fixtures, Fittings and Equipment are allocated to the Unrestricted General Fund. The majority of this transfer relates to the costs of White Lodge redevelopment which were funded by restricted donations from the Restricted Appeal Fund and then transferred to the Unrestricted Designated Property Fund upon completion since the restriction on the donation is considered to be discharged at this point.

The overhead transfer for the Partnership and Access fund relates to overheads allocated to this fund in the Statement of Financial Activities, but payable by the Unrestricted General Fund.

Various donations received in previous years have been re-categorised as restricted and transferred from the Unrestricted General Fund to the Restricted Bursary and Prize Fund.

Following the decision to create the Designated Partnership and Access Fund (see note 15), the value of this fund at 1 September 2007 has been transferred from the Unrestricted General Fund.

Interest has been charged to the White Lodge Appeal Fund on inter-fund balances to reflect the interest income that would otherwise have been earned on these cash balances.

The residual cash balances in the Restricted Floral Street Appeal Fund relate to the proceeds from the sale of unrestricted property assets by the School. Accordingly these balances can be treated as unrestricted and have been transferred to the Unrestricted Designated Property Fund since the Governors' intention is to use these funds to finance the refurbishment and rental of residential accommodation for students of the Upper School.

Royal Ballet School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2008

10 TANGIBLE FIXED ASSETS

	Property - Long Leasehold				Furniture, fixtures and equipment			
	White Lodge Completed asset	White Lodge Assets in the course of construction	Floral Street	White Lodge	Floral Street	Motor vehicle	Total	
	£000	£000	£000	£000	£000	£000	£000	
Cost or valuation								
1 September 2007	12,377	9,026	14,718	938	789	40	37,888	
Additions	100	3,775	-	29	49	-	3,953	
Transfers	10,644	(11,034)	-	390	-	-	-	
31 August 2008	23,121	1,767	14,718	1,357	838	40	41,841	
Depreciation								
1 September 2007	5,363	-	2,039	791	609	40	8,842	
Charged in the year	409	-	413	175	104	-	1,101	
31 August 2008	5,772	-	2,452	966	713	40	9,943	
Net book value								
31 August 2008	17,349	1,767	12,266	391	125	-	31,898	
31 August 2007	7,014	9,026	12,679	147	180	-	29,046	

The White Lodge development has assets with a net book value of £3,479,000 held under finance in respect of the lease acquisition with a cash price of £3,300,000 at November 2005. Finance charges of £44,000 (2007: £80,000) have been capitalised. Depreciation on assets under finance lease/hire purchase of £35,000 has been charged in the year.

Royal Ballet School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2008

11	DEBTORS	2008 £000	2007 £000
	School fees		
	- parents	558	584
	- DCSF	335	244
	Connected charity (see note 21)	160	136
	Other debtors	42	134
	Prepayments and accrued income	105	179
		<u>1,200</u>	<u>1,277</u>
12	SCHOOL FEES IN ADVANCE	2008 £000	2007 £000
	Parents	909	583
	DCSF	1,326	1,455
		<u>2,235</u>	<u>2,038</u>
13	CREDITORS:	2008 £000	2007 £000
	Amounts falling due within one year:		
	Obligations under finance leases and hire purchase contracts	834	796
	Trade creditors	122	228
	Taxation and social security	1	-
	Other creditors	3	32
	Accruals	699	505
		<u>1,659</u>	<u>1,561</u>
14	CREDITORS:	2008 £000	2007 £000
	Amounts falling due in more than one year:		
	Obligations under finance leases and hire purchase contracts	-	834
	Other creditors	248	248
		<u>248</u>	<u>1,082</u>
	Amounts repayable by instalments falling due:		
	In more than one but not more than two years	-	834
		<u>-</u>	<u>834</u>

Other creditors comprise a loan from the Royal Ballet School Endowment Fund. This loan is unsecured and no interest is charged. The School has received confirmation from the Endowment Fund that it will not seek repayment of this loan within the next year.

Obligations under finance leases and hire purchase contracts relates to amounts outstanding on the purchase of the White Lodge lease.

A charge is held by Barclays bank over the White Lodge lease.

Royal Ballet School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2008

15	UNRESTRICTED FUNDS	Balance at 1 September 2007 £000	Incoming resources £000	Resources expended £000	Gains £000	Transfers £000	Balance at 31 August 2008 £000
	<u>Designated</u>						
	Property fund	28,130	-	(601)	-	2,657	30,186
	Asset replacement fund	200	6	-	-	-	206
	Partnership and Access fund	-	511	(510)	-	233	234
		<u>28,330</u>	<u>517</u>	<u>(1,111)</u>	<u>-</u>	<u>2,890</u>	<u>30,626</u>
	<u>General</u>						
	Pensions reserve fund	(50)	-	(111)	108	182	129
	Retained Income	264	6,536	(6,237)	-	(120)	443
		<u>214</u>	<u>6,536</u>	<u>(6,348)</u>	<u>108</u>	<u>62</u>	<u>572</u>
	 Total	 <u>28,544</u>	 <u>7,053</u>	 <u>(7,459)</u>	 <u>108</u>	 <u>2,952</u>	 <u>31,198</u>

The Partnership and Access fund has been created by the Governors in the year to represent the income, expenditure and net assets relating to the School's Partnership and Access Programme which represents a distinct strand of the School's activities with its own specifically identified funding from the DCSF.

16	RESTRICTED FUNDS	Balance at 1 September 2007 £000	Incoming resources £000	Resources expended £000	Transfers £000	Balance at 31 August 2008 £000
	Bursaries and prize fund	157	220	(212)	70	235
	Appeal – Floral Street	1,165	151	-	(1,316)	-
	Appeal – White Lodge	709	1,110	(17)	(1,263)	539
	Margot Fonteyn Studio	443	-	-	(443)	-
		<u>2,474</u>	<u>1,481</u>	<u>(229)</u>	<u>(2,952)</u>	<u>774</u>

The Margot Fonteyn Studio fund represented the net book value of the Margot Fonteyn Studio the construction of which had been financed by restricted donations in the past. The Governors consider that on completion of the construction, the restrictions associated with the donations were fulfilled and that the property asset should now be treated as unrestricted. Accordingly, the value of this fund has been transferred to the Unrestricted Designated Property Fund in the year.

Royal Ballet School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2008

17	ALLOCATION OF ASSETS	Unrestricted General Fund £000	Unrestricted Designated Funds £000	Restricted Appeal Funds £000	Restricted Bursaries and Prize Funds £000	Total £000
	Fixed assets	517	28,768	2,613	-	31,898
	Debtors	1,200	-	-	-	1,200
	Cash at Bank	2,112	236	539	-	2,887
	Creditors: due within one year	(3,060)	(834)	-	-	(3,894)
	Creditors: due after one year	(248)	-	-	-	(248)
	Defined benefit pension scheme surplus	129	-	-	-	129
	Inter-fund balances	(78)	2,456	(2,613)	235	-
		<u>572</u>	<u>30,626</u>	<u>539</u>	<u>235</u>	<u>31,972</u>

18 LIABILITY OF MEMBERS

The Company does not have a share capital and is limited by guarantee. In the event of the Company being wound up, the maximum amount which each member is liable to contribute is £1. There were 16 Members at the Balance Sheet date.

19	CAPITAL COMMITMENTS	2008 £000	2007 £000
	Capital expenditure contracted for but not provided in the financial statements	1,061	3,200
		<u>1,061</u>	<u>3,200</u>
20	COMMITMENTS UNDER OPERATING LEASES	2008 £000	2007 £000
	At 31 August the Company had commitments under non-cancellable operating leases as follows:		
	Plant and machinery		
	Expiring between 1 and 2 years	12	27
	Expiring between 2 and 5 years	-	6
		<u>12</u>	<u>33</u>

21 RELATED PARTY TRANSACTIONS

Royal Ballet School Endowment Fund (registered charity number 285766) has as its purpose the provision of scholarships and facilities for the students at the Royal Ballet School.

On 31 March 1988, the Royal Ballet School Endowment Fund made a loan to Royal Ballet School of £248,285 (2007: £248,285), which is interest free and is repayable only when the School has sufficient surplus funds.

During the year the School received grants of £161,956 (2007: £205,953) from the Endowment Fund to cover school fees and other costs. At the end of the year the Royal Ballet School Endowment Fund owed the Royal Ballet School £160,373 (2007: £135,522) (see note 11).

Royal Ballet School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2008

The School has paid Norlan Resources Limited £5,385 (2007: £8,964) in respect of expenses incurred on behalf of the School by Mr David Norman, a director of the School, and £25,153 (2007: £16,710) for administration services provided to the School. Norlan Resources Limited is controlled by Mr David Norman.

The School also pays for a maintenance support contract for IT equipment used by Mr David Norman. The cost of this is incorporated within a School-wide support contract. The element related to equipment used by Mr Norman is estimated to be less than £500.

22 PENSION COMMITMENTS

The company operates two defined benefit pension schemes, The Royal Ballet School Pension & Life Assurance Plan and the Teachers' Pension Scheme.

The Royal Ballet School Pension & Life Assurance Plan

This pension scheme provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company, being invested with Clerical Medical and General Life Assurance Society in their Pension Contract.

Contributions to the scheme are charged to the Statement of Financial Activities in accordance with the current service cost of those employees who are members of the scheme. The contributions are determined by an independent qualified actuary, employed by Clerical Medical, on the basis of annual updates to the triennial valuations using the attained age funding method.

The valuation showed that the market value of the scheme's assets was £2,883,000 and that the actuarial value of these represented 105% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

The pension cost for the year ending 31 August 2008 is £111,000 (2007: £118,000).

The contributions paid in the year were 5% (2007: 5%) for the members and employer contributions were 35.6% (2007: 35.6%).

The trustees of the scheme have closed it to new members. Alternative schemes are available to new employees of the School on an individual basis. Contributions to such schemes in the year totalled £147,000.

The scheme is a defined benefit type scheme. The most recent full actuarial valuation for accounting purposes was at 1 September 2007. The financial assumptions used by the actuary to calculate the scheme liabilities were:

	At 31 August 2008 %	At 31 August 2007 %	At 31 August 2006 %	At 31 August 2005 %	At 31 August 2004 %
Price increases	3.9	3.4	2.9	2.8	2.8
Salary increases	4.0	3.4	2.9	4.3	4.3
Pension increases	3.7	3.4	2.9	2.8	2.8
Statutory revaluation in deferment	3.9	3.4	2.9	2.8	2.8
Discount rate	6.4	5.7	5.0	4.9	5.5
Life expectancy for 60 year old male – years	87	86	84.5	83	n/a

Royal Ballet School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2008

22 PENSION COMMITMENTS (continued)

The assets in the scheme and the expected rate of return were:

	Long term rate of return expected at 31 August 2008 %	Value at 31 August 2008 £000	Long term rate of return expected at 31 August 2007 %	Value at 31 August 2007 £000	Long term rate of return expected at 31 August 2006 %	Value at 31 August 2006 £000
Group pension contract	6.4%	2,950	5.7%	3,071	5.2%	2,771
Other	4.6%	(67)	4.8%	(112)	4.4%	(19)
Total market value of assets		2,883		2,959		2,752
Present value of scheme liabilities		(2,754)		(3,009)		(2,995)
Net pension surplus/(liability)		129		(50)		(243)

The above pension surplus is recognised in the accounts, and the school's net assets and funds are as follows:

	2008 £000	2007 £000
Net assets excluding pension surplus/(liability)	31,663	31,068
Pension surplus/(liability)	129	(50)
Net assets including pension surplus/(liability)	31,792	31,018

Analysis of the amount charged to the Statement of Financial Activities:

	2008 £000	2007 £000
Current service cost	111	118
Past service cost	-	-
Gains or losses on settlements or curtailments	-	-
Total operating charge	111	118
Analysis of pension finance income/(cost):		
Expected return on pension scheme assets	194	140
Interest on pension scheme liabilities	(194)	(147)
Pension finance income/(cost)	-	(7)

Royal Ballet School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2008

	2008	2007
	£000	£000
Actual return less expected return on pension scheme assets	(388)	210
Experience gains and losses arising on the scheme liabilities	6	(142)
Changes in assumptions underlying the present value of the scheme liabilities	490	55
Actuarial gain recognised in Statement of Financial Activities	<u>108</u>	<u>123</u>
Movements in surplus/(deficit) during the year		
	2008	2007
	£000	£000
Deficit in scheme at beginning of the year	(50)	(243)
Movement in year:		
Current service cost	(111)	(118)
Contributions	182	195
Other finance cost	-	(7)
Actuarial gain	108	123
Surplus / (Deficit) in scheme at end of the year	<u>129</u>	<u>(50)</u>

As the scheme is closed to new members, the current service cost will rise significantly as the members approach retirement. The asset distribution of this fund at 30 June 2008 was as follows:

	%
Fixed Interest Securities	26.0
United Kingdom Equities	34.1
Overseas Equities	9.3
Property	18.3
Cash	5.7
Index Linked	2.5
Other	4.1
	<u>100.0</u>

The assets and liabilities of the scheme during the past 5 years were as follows:

	At 31 August 2008	At 31 August 2007	At 31 August 2006	At 31 August 2005	At 31 August 2004
	£000	£000	£000	£000	£000
Assets	2,883	2,959	2,752	2,781	2,492
Liabilities	(2,754)	(3,009)	(2,995)	(3,404)	(3,029)
Net pension surplus/(liability)	<u>129</u>	<u>(50)</u>	<u>(245)</u>	<u>(623)</u>	<u>(537)</u>

Royal Ballet School

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 August 2008

Teachers' Pension Scheme ("TPS")

The School is also a member of the TPS, an unfunded defined benefit scheme. Contributions on a 'pay-as-you-go' basis are credited to the exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purpose of determining contribution rates. Under the definitions set out in Financial Reporting Standard 17 (Retirement Benefits), the TPS is a multi-employer pension scheme. The School is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the School has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

The pensions cost is assessed every four years in accordance with the advice from the Government Actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2004
Actuarial Method	Prospective benefits

BENEFITS

Investment returns per annum	6.5%
Pension increases per annum	5.0%
Salary scale increases per annum	6.5%
Market value of assets at date of last valuation	£162,650 million

Proportion of members' accrued benefits covered by the actuarial value of the assets, 98.88%.

Following the implementation of Teachers' Pensions (Employers' Supplementary Contributions) Regulations 2000 the government actuary carried out a further review on the level of employers' contributions. For the period from 1 September 2007 to 31 August 2008, the employer contributions were 14.1%; the employee rate was for this period 6.4%.

The Company's contribution to the scheme during the year was £85,102 (2007: £81,497).

23 TAXATION

The Company is a registered charity. To the extent that the company's income is applied to charitable purposes it is entitled to exemption from United Kingdom taxation under the Income and Corporation Taxes Act 1988.

24	RECONCILIATION OF OPERATING SURPLUS TO NET CASH INFLOW FROM ACTIVITIES	2008 £000	2007 £000
	Net incoming resources	846	7,201
	Depreciation	1,101	1,161
	Defined benefit scheme net actuarial cost	(71)	(70)
	Interest received	(135)	(74)
	(Increase)/decrease in stocks	16	(3)
	(Increase)/decrease in debtors	77	(721)
	Increase/(decrease) in creditors	(872)	(86)
		<u>962</u>	<u>7,408</u>

Royal Ballet School

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 August 2008

25	GROSS CASH FLOWS		2008 £000	2007 £000
	Returns on investments and servicing of finance:			
	Interest received on bank deposits		135	74
	Interest element of finance lease payments		-	-
			<u>135</u>	<u>74</u>
	Capital expenditure:			
	Payment to acquire tangible fixed assets		<u>(2,824)</u>	<u>(6,035)</u>
	Financing			
	Capital element of finance lease rental payments		<u>(796)</u>	<u>(760)</u>
26	ANALYSIS OF CHANGES IN CASH AND DEBT	<i>1 September</i> 2007 £000	<i>Cash Flow</i> £000	<i>31 August</i> 2008 £000
	Cash in hand and at bank	5,410	(2,523)	2,887
	Finance leases	(1,630)	796	(834)
		<u>3,780</u>	<u>(1,727)</u>	<u>2,053</u>