

Royal Welsh College of Music and Drama Limited

Coleg Brenhinol Cerdd a Drama Cymru Cyfyngedig

Annual Report and

Financial Statements for the year ended

31 July 2015

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Annual Report and Financial Statements for the year ended 31 July 2015

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Chair's report for the year ending 31 July 2015

In July 2013 the Board approved a five year strategy to underpin the College's development from 2012/13 to 2016/17. This strategy focuses on establishing the College as a conservatoire of international renown in a highly competitive marketplace. It is designed to enable the College to:

- compete successfully at the forefront of its UK and international peer group
- achieve its full potential as a world class cultural institution
- make a distinctive contribution to the cultural and economic life of Wales
- enhance the 'Wales brand' on an international stage
- retain and maximise the benefits of its Royal designation
- continue to deliver its unique mission within a reconfigured Welsh Higher Education (HE) landscape.

The five year strategy is predicated on further enhancing the student experience to ensure that the College's students can successfully enter and succeed in the employment market as distinctive, highly-skilled and creative young professionals.

The College continues on this strategy with considerable assets – committed and talented staff; productive partnerships with leading industry organisations; world class performance facilities; successful alumni who carry our name and reputation across the industry; an ambitious and creative community with a keen sense of its identity as the Royal Welsh College.

The funding environment is extremely challenging following a material reduction in the expensive subject premium funding for 2015/16 imposed by the Higher Education Funding Council for Wales (HEFCW). In September 2015 the Welsh Government announced an 'independent review of conservatoire and related performing arts provision in higher education in Wales' which will provide an opportunity to build a greater understanding amongst key stakeholders of the role and benefits of conservatoire level training - to its students, the creative industries and the wider economy of Wales. The College will engage positively with the review to present the case for conservatoire funds.

The College made significant progress in delivering on the aims of its Five Year Strategy. Highlights include:

- The Guardian League Tables ranked the College as first in the Drama and Dance subject Category and 21st in the Music subject category. The College also achieved the highest UK score in the Music Subject Category (98%) for first destination employment – i.e. the percentage of leavers entering graduate employment or further study six months after graduation.
- In one of his first outputs as International Chair, Maestro Carlo Rizzi conducted all the College musicians in a performance of Benjamin Britten's *War Requiem* on Remembrance Sunday, with another International Chair, Simon Keenlyside, and College teacher, Adrian Thompson in the solo roles.

Chair's report for the year ending 31 July 2015 (continued)

- The College delivered its second season of new theatre writing, commissioning and staging four new plays performed by the Richard Burton Company in Cardiff and London, providing an additional major London platform for final year drama students.
- Alasdair McDowell's play *Pomona* (commissioned and premiered by the College in 2014), enjoyed successful runs at the Orange Tree Richmond, the Royal Exchange Manchester and the Royal National Theatre.
- Visiting artists delivered some outstanding performances: the Gould Trio led a weekend exploration of Schumann's chamber output; Sir Thomas Allen gave a memorable performance of Schubert's *Winterreise* to a capacity audience; Nicolai Demidenko provided the highlight of the Steinway International Piano series and, half-way through the 3-year cycle, Llŷr Williams's Beethoven Sonata series has become a compelling music journey.
- The College delivered 530 events within its public performance programme and attracted over 55,000 attendances.
- Some 45 College musicians in total performed at the BBC Proms Festival; a College chamber ensemble recorded the Proms Profile of music by composer B Tommy Andersen transmitted on BBC Radio 3; 40 singers performed Verdi's Requiem with the London Symphony Orchestra under the baton of Sir Simon Rattle with a repeat performance at the Lausanne Festival.
- The Drama Association of Wales Library was transferred to College ownership and brings a significant collection of plays and play sets which are not readily available in other libraries. It also includes a large collection of over 950 Welsh plays, including original plays in the Welsh language and translations of English and other language plays by major playwrights. Michael Sheen, International Chair of Drama at RWCMD said: 'This drama collection is of hugely significant cultural value. It's imperative that it's saved for the nation. It seems fitting that it's been rescued by the Royal Welsh College, and found its rightful home at the National Conservatoire of Wales'.
- Graduating students achieved employment in leading industry organisations including the RSC, the National Theatre, National Theatre Wales, Glyndebourne Festival Opera, Opera North, Birmingham Symphony Hall, BBC Television and Radio Drama amongst others; a significant number of students progressed into post graduate study.
- The College worked in partnership with the Singapore Teachers' Academy for the Arts, as part of a Singapore government initiative to train teachers in Singapore to deliver arts subjects as a core part of the school curriculum. This was part of a work-stream supported by the Welsh Government to develop the College's role and international profile as a centre of excellence for training in the cultural industries
- The College again achieved success in the **BBC Carleton Hobbs Radio Drama** competition with a winner and runner up.
- The College hosted a major event on 7 March to mark the **centenary of the Welsh Guards** in which our students delivered a moving portrayal of the Welsh Guards's history in a 70 minute production to a capacity audience.
- Our musicians also performed at the **St. David's Day Gala Dinner** at the Guildhall in London to an influential audience. Bryn Terfel attended in his capacity as Vice President of the College. The host, Hywel Ceri Jones, and keynote speaker, Boris Johnson, both spoke warmly of the quality of the College's musicians.
- The **Observer newspaper** (1st March 2015) carried a full page article about the rise of Welsh actors and in particular, those coming through RWCMD. Twelve of the twenty or so Welsh actors cited are RWCMD graduates.
- College students once again provided an evening of entertainment for our Patron, His Royal Highness The Prince of Wales and guests at his Welsh home.

Chair's report for the year ending 31 July 2015 (continued)

The funding for annual scholarships continues to increase: the College has identified a network of individuals with an interest in the performing arts and with tangible links to Wales, a number of whom have the capacity and interest to help the College to develop its Scholarship funds.

The performance programme continues to grow. In addition to its core purpose of providing a major training vehicle for students across all disciplines, the public performance programme makes a major contribution to cultural provision in South Wales. During the year, the College took advantage of every opportunity to raise the profile of the Dora Stoutzker Hall and the Richard Burton Theatre to arts audiences in South Wales and also, through broadcasting and UK media, to audiences and opinion formers across the UK. Extensive audience research conducted by Audiences Wales over a three year period, demonstrates that the College is now one of the major providers of arts performance in Wales and, in some genres, is the leading provider.

The College has continued to see strong student recruitment as well as evidencing an increase in the quality of its intake of students. The number of incoming students in the 2015/16 cohort is above target and includes a significant number of students marked at audition and interview in the higher quality bands.

A number of major IT initiatives have enabled the College to provide each student with an individual electronic timetable as well as access to on-line room bookings for students and staff as part of a major focus on improving organisation in response to student feedback. Additional improvements introduced in 2015/16 will enable the electronic submission of work and provision of feedback. These initiatives, as well as the introduction in 2014/15 of a reshaped Music timetable, are designed to make a material improvement to the student experience with more advanced planning and scheduling. The College will continue to work closely with the Students' Union Executive, the Principal's Development Group and make use of all feedback mechanisms to monitor and evaluate these adjustments.

The Pre College department continues to link the College's activity to benefit young people of school age. Our outreach programme, much of it delivered by students under supervision, reaches 10,000 participants a year and is a key part of the College's activity to widen access to its resources. The weekly access programmes have a healthy take-up and the advanced tuition delivered through the Junior Conservatoire and Young Actors' Studio deliver a unique service in Wales, tailored to the needs of young people with exceptional talent and potential. The completion of the first full year of Young Actors' programmes in Pembrokeshire cemented our ambition to extend the junior programmes to young people right across Wales. It was a major disappointment that the College was unable to access bursary funding to support a national roll-out of its provision for talented young artists. This will continue to have a high priority in the coming year.

The end of the academic year coincided with the exciting news that a bid submitted jointly by the College and harpists, Catrin Finch (Artist in Residence) and Caryl Thomas (Head of Harp), was successful and that Cardiff will host the World Harp Congress in 2020.

Chair's report for the year ending 31 July 2015 (continued)

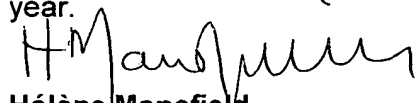
Overall the College continued to make progress on each of the four key aims and objectives of the Five Year Strategy:

- To significantly advance the position and profile of the Royal Welsh College of Music and Drama within its peer group and the wider industry, in the UK and internationally
- To deliver a vibrant performance programme at the heart of the RWCMD training experience
- To establish the College as a premier arts destination and deliver a first class customer experience
- To fully inhabit the College's role as the National Conservatoire of Wales

The review of progress of the College's strategy leads us to conclude that there is potential for the College to achieve another material step-change in its activity going forwards, with a view to further extending its reach, impact and public value – to Wales and internationally. The wider role we envisage would enable us to:

- extend the current Conservatoire operation to reach and benefit more young people
- enhance the quality and range of what we can offer our students
- create a wider network of stakeholders and foster a better understanding amongst current stakeholders about the economic, cultural and social value to Wales of a 'National Conservatoire'
- further enhance the brand and profile of the Royal Welsh College.

I would like to thank the Principal and all College staff for their contribution to a successful year.


Hélène Mansfield
Chair

Public Benefit Statement

The Royal Welsh College of Music and Drama is a registered charity. The registered address is University of South Wales, Treforest, Pontypridd, CF37 1DL and the registered number is 1139282. The members of the Board are the trustees of the Charity and as such have due regard to the Charity Commission's guidance on public benefit and its supplementary guidance on the advancement of education for the public benefit.

Charitable Objectives

The College promotes the advancement of education and learning for the public benefit, specifically the training of performers and others in music, drama and theatre, through the provision of advanced courses of instruction, leading to the award of degrees or other appropriate qualifications. It also provides, maintains and improves performance facilities for the benefit of the local community.

Through the provision of high quality training, the College seeks to produce graduates who are articulate and innovative in their art forms, and to provide the music and theatre industries with a highly skilled workforce, able to represent Wales on the world stage. The College makes a significant contribution to the cultural and artistic life of Wales and beyond.

Fulfilment of Charitable Objectives

Beneficiaries

The College has a higher education student population of 812 of whom 85% are Home/EU and 15% from Overseas who are the primary beneficiaries by receiving high-quality training in a range of performing arts disciplines. However, beneficiaries extend to Pre-College students (from the age of four upwards) as well as employers and businesses in the creative industries sector which employ a high proportion of the College's graduates. The general public can attend over 500 public performances a year as well as other educational and cultural activities in the College, such as exhibitions, masterclasses and talks.

Admissions policy

The College seeks to recruit the most able and talented students, as well as those who exhibit exceptional potential. Within its undergraduate programmes, demand for places exceeds supply and selection is normally conducted by audition (Music and Acting), interview or portfolio submission (Stage Management, Arts Management and Theatre Design).

Public Benefit Statement (continued)

Bursaries/scholarships To support students who experience financial hardship, the College makes available financial support through bursaries and philanthropic donations received from external sources.

A high percentage of students enrolled on the College's junior music and young actor programmes are in receipt of bursary support to enable them to access the College's tuition, regardless of financial need. The College sources this bursary support from a combination of public funds, Trusts, Foundations and philanthropic donors.

The College operates a limited number of scholarships as a means of attracting the most gifted students and in order to achieve balanced cohorts of students to enable training in recognised core ensembles. Scholarships are offered on the basis of both excellence and need (i.e. the financial need of the applicant).

The College is grateful to many Charitable Trusts and Foundations for their generosity in supporting the College's activities and for providing scholarship and bursary funds. These include the Andrew Lloyd Webber Foundation, the Ashley Family Foundation, the Colwinston Charitable Trust, the Community Foundation in Wales, EMI Music Sound Foundation, the Esmee Fairbairn Foundation, the Foyle Foundation, the Garfield Weston Foundation, the Jane Hodge Foundation, the J Paul Getty Jnr Charitable Trust, the Leverhulme Trust, the Linbury Trust, the Mackintosh Foundation, the Richard Carne Trust, the Wolfson Foundation, the Simon Gibson Charitable Trust, the Spielman Charitable Trust and the Worshipful Company of Musicians. For those trusts that support scholarships, each exercises its own method of allocating its funds; some operate via a system of nomination to the relevant Trust, others by direct award from the College.

The College is also grateful to a number of business organisations that sponsor activity and to the growing number of individuals who are supporting the students through our patron scheme, *Connect*.

Widening Participation The College's main vehicle for widening participation and access is through its junior programmes of training and an extensive community engagement programme including Junior Music Conservatoire, Community Lesson Scheme and the Young Actors' Studio in Cardiff and Pembrokeshire.

The College also delivers an extensive programme of outreach activity across Wales comprising concerts and workshops in a wide range of school and community settings as well as a series of 'in-reach' activities delivered at the College.

Public Benefit Statement (continued)

Community Engagement

The College promotes an extensive public performance programme amounting to over 500 events in 2014/15 with a total audience of over 55,000 to a diverse arts programme that ranged from comedy to cabaret, experimental theatre to film and a wide range of music genres.

Across the year, the College delivered a range of free events aimed at the wider Cardiff community including the weekly *Jazztime* foyer performances, tours of the building, exhibitions of theatre design and a Children's Arts Festival featuring music performances & workshops delivered by students and professional theatre productions & literary events.

The College continued to promote productions and performances tailored for schools and families – these included seasonal events such as our Fireworks Concert, Ghostbusters Halloween Concert, Twelfth Night and a specially-commissioned children's work, The Last Clarinet.

The Arts Council of Wales has continued funding our national touring JazzTime programme and the annual jazz festival at the College, commenting that the College has “transformed itself not only physically but also philosophically”.

Directors' report (incorporating Strategic report) for the year ended 31 July 2015

The directors present their report and the audited financial statements of the Company for the year ended 31 July 2015. The financial statements have been prepared to comply with the Companies Act 2006 and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education 2007 and in accordance with applicable accounting standards.

Strategic report**Principal activities**

The College's principal activity during the year under review was conservatoire education and professional training.

Business review

Student recruitment continues to be generally strong reflecting the demand for the College's brand of quality Conservatoire training. The strong demand for places enables the College to increase the quality of incoming students leading to an increase in the overall reputation of the College. This is reflected in league tables with the Drama training ranked 1st in the UK in the Guardian University League Tables for 2016 while the Music course was ranked 21st out of 77 across the HE sector, ahead of Trinity Laban, the Royal Conservatoire of Scotland and the Royal Northern College of Music.

In 2014/15, the College's student body was characterised by the following:

- 96% retention rate
- 86% of graduating students achieved first-class or upper second class awards
- 77% of students domiciled outside Wales
- 20% of students domiciled outside the UK (EU and overseas)

Directors' report (incorporating Strategic report) for the year ended 31 July 2015 (continued)**Highlights**

Continuing to increase its overseas non EU student numbers to around 15% of the total student population. This remains an area of opportunity and risk in light of the world economy and competition. However, the College is confident that it can continue to attract both the number and quality of overseas students in order to create a culturally diverse student body.

Attracting audience attendances of over 55,000 at performances during the year. The performance programme is fundamental to the student learning experience by enabling access to world class performers in a range of disciplines as well as providing an important income stream and audience for our students' work.

Other income generating activities within the College all met or exceeded their financial targets during the year.

HEFCW has reduced premium funding in 2014/15 and 2015/16. The continuation of the remaining premium element of HEFCW funding is essential in future years to enable the College to continue to deliver specialist Conservatoire and Drama School training as characterised by the leading institutions in the College's UK and international peer group. The Welsh Government's recently announced review of conservatoire and related performing arts provision in higher education in Wales provides the Board and College officers with the opportunity to make the case to ensure specialist conservatoire training is sustainable in Wales

The College continues to set the maximum permitted fee of £9,000 for undergraduate students.

At the end of the year, Haydn Warman, John Cranmer, Chris Moorsom and Sir Paul Silk completed their terms of office as Directors and Trustees. The Board is grateful to them for their service during their terms of office.

The Board extends its thanks to Chris Freegard who fulfilled the role of Interim Chair during 2014/15 and resigned in September 2015.

Directors' report (incorporating Strategic report) for the year ended 31 July 2015 (continued)**Financial risk management****Commitment to Best Practice in Governance**

The College is committed to exhibiting best practice in all areas of financial risk management and corporate governance, fully adhering to the principles set out in the Governance Code of Practice and General Principles, issued by the Committee of University Chairmen (CUC) to accompany their Guide for Members of Higher Education Governing Bodies, in November 2009.

The College's Board of Directors is responsible for the system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Risk Management

The College maintains a risk register which considers business, operational, compliance and financial risks. The register is regularly reviewed by senior management, and the Company's risk management process is consolidated into the University's whose internal control guidance adheres to the combined code as amended by the British Universities Finance Directors Group.

Board of Directors and its sub committees

The Board of Directors met nine times (including four special meetings) during the reporting year. In terms of audit arrangements, whilst a separate College Audit Committee has not been established, all audit reports and reviews and other information relating to the Company are formally received by the University of South Wales's Audit Committee which meets four times per year and acts as the College Board's Audit Committee. The 2014/15 annual report of the internal auditors was considered by both the University's Audit Committee and the College's Board of Directors, who also approved the internal audit plan for 2015/16.

Directors' report (incorporating Strategic report) for the year ended 31 July 2015 (continued)

Financial Results

Surplus reduced but still 2% of income	K£219 including Financial Reporting Standard (FRS) 17 (2014 - K£770) due to reductions in HEFCW income being partially offset by increases in fees and reductions in expenditure.
Year-end cash position increased	K£4,555 (2014 - K£4,072) – increased by K£483 or 12% and is a sign of improved liquidity.
Improved current ratio	1.8 (2014 – 1.6) – current ratio increased to 1.8 which is a measure of the ability of an organisation to pay its debts over the next 12 months
Income reduced by 9%	K£11,769 (2014 - K£12,964) – due to a reduction in HEFCW funding partially offset by increased fee income.
Expenditure reduced by 5%	K£11,542 (2014 - K£12,189) – due to a reduction in non-pay costs and depreciation and a holding of staff costs below the 2014 figure
Net assets reduced	K£14,014 (2014 - K£14,392) – due to an increase in pension liability offset by the surplus for the year

Principal risks and uncertainties

HEFCW Conservatoire Premium Funding	<p>The total amount of money available to HEFCW is subject to a significant degree of uncertainty. However, the assumption of the College is that there will be money available for the higher rate expensive subjects, which includes Conservatoire training, and this will continue to be paid for all Home/EU students.</p> <p>The Welsh Government has announced an independent review of conservatoire and related performing arts provision in higher education in Wales.</p>
Recruitment of students	<p>The College is increasing its current level of undergraduate and postgraduate student numbers and overseas students while ensuring the quality of students remains high. The College has developed detailed actions together with a system of enhanced partnerships with other institutions to achieve these increases. There is a risk that the level of debt accumulated by undergraduate students at the end of their studies will adversely influence their decision to undertake postgraduate studies.</p>

Directors' report (incorporating Strategic report) for the year ended 31 July 2015 (continued)**Fundraising**

The College has started a campaign to build a significant endowment in order to yield appropriate levels of scholarships to attract the highest quality students in order to protect and enhance the College's reputation. The College also has other initiatives which are to be funded largely by revenue fundraising, designed to enhance the student experience and employment prospects.

Income generation

It is pleasing to report on the continued successful delivery of income generation targets with ticket income and hirings revenue yielding positive results during the year. This includes ambitious, but achievable growth targets for commercial income.

Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 July 2015 (2014 – nil).

Statement of Corporate Governance and Internal Control

The College is committed to exhibiting best practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010. Its purpose is to help the reader of the annual report and financial statements understand how the principles have been applied. In the opinion of the governors, the College complies with all the provisions of the Code, in so far as they apply to the Higher Education Sector, and it has complied throughout the year ended 31 July 2015 and up to the date of signing the annual report and financial statements.

The College reviews, at least annually, the effectiveness of the internal control system.

Directors and their interests

The existing directors and those who held office during the year and up to the date of signing the annual report and financial statements, are given below:

H Boulding
J Cranmer (until 31.07.15)
G W Edwards
C J Freegard (until 30.09.15)
P Harris
J Lydon
H M L R Mansfield
C J Moorsom (until 31.07.15)
Dame J Ritterman
Sir E P Silk (until 31.07.15)
M D Taylor
H Warman (until 31.07.15)
H R Williams

Directors' report (incorporating Strategic report) for the year ended 31 July 2015 (continued)**Employees**

Applications for employment by disabled persons are always fully considered, taking into account the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has been undertaken, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests. Communication with all employees is undertaken through termly staff meetings, and e-mails as required.

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' report (incorporating the Strategic report) and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Company financial statements in accordance with the Companies Act 2006, the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, the Accounts Direction issued by the Higher Education Funding Council for Wales and other relevant Accounting Standards (United Kingdom General Accounting Practice). In addition, within the terms and conditions of the Financial Memorandum agreed between the Company and the University (Financial Memorandum), the directors are required to prepare the annual report and financial statements for each accounting period which give a true and fair view of the state of affairs of the Company and of the surplus or deficit for that period. In preparing these financial statements, the directors are required to:

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

The directors took reasonable steps to meet their responsibilities in respect of:

- ensuring that funds from HEFCW were used only for the purpose for which they were given and in accordance with the Financial Memorandum and any other conditions which the Funding Council may from time to time prescribe;
- ensuring that there were appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguarding the assets of the Company and to prevent and detect fraud and other irregularities;
- securing the economical, efficient and effective management of the Company's resources and expenditure.

Directors' report (incorporating Strategic report) for the year ended 31 July 2015 (continued)

Directors' indemnities

The Company purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

This was also in force at the date of approval of the annual report and financial statements.

Provision of information to auditors

In the case of each director in office at the date the directors' report is approved, the following applies:

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he/she has taken all the steps that he/she ought to have taken as a director in order to make himself/ herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at a future meeting of the Board.

By order of the board

W D Callaway
Company secretary



18 January 2016

- (a) The maintenance and integrity of the Royal Welsh College of Music and Drama Limited's website is the responsibility of the governing body. The work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Governing Body of Royal Welsh College of Music and Drama Limited (The 'Institution')

Report on the financial statements

Our opinion

In our opinion the Royal Welsh College of Music and Drama's financial statements (the financial statements):

- give a true and fair view of the state of the institution's affairs as at 31 July 2015, and of the institution's income and expenditure, recognised gains and losses and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the requirements of 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.

What we have audited

The financial statements comprise:

- the Income and Expenditure Account for the year ended 31 July 2015;
- the Statement of Total Recognised Gains and Losses for the year then ended;
- the Balance Sheet as at 31 July 2015; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is the Statement of Recommended Practice for Further and Higher Education, incorporating United Kingdom Generally Accepted Accounting Practice.

In applying the financial reporting framework, the Governing Body has made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, it has made assumptions and considered future events.

Opinion on other matters prescribed by the Companies Act 2006

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

Independent Auditors' Report to the Governing Body of Royal Welsh College of Music and Drama Limited (The 'Institution') (continued)

Opinions on other matters prescribed in the HEFCW 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 institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation and any other terms and conditions attached to them; and
- funds provided by HEFCW have been applied in accordance with the financial memorandum and any other terms and conditions attached to them

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the institution, or returns adequate for our audit have not been received from branches not visited by us; or
- the institution's financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Internal control

Under the HEFCW Audit Code of Practice issued under the Further and Higher Education Act 1992 we are required to report to you if, in our opinion, the statement of internal control is inconsistent with our knowledge of the institution. We have no exceptions to report arising from this responsibility.

Our responsibilities and those of the Governing Body

As explained more fully in the Statement of Director's Responsibilities, the Governing body (who are also the directors of the institution for the purposes of company law) 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.

Independent Auditors' Report to the Governing Body of Royal Welsh College of Music and Drama Limited (The 'Institution') (continued)

This report, including the opinions, has been prepared for and only for the institution's Governing body as a body in accordance with section 124B of the Education Reform Act 1988 as amended by section 71 of the Further and Higher Education Act 1992, and Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of the financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 parent institution'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.

We primarily focus our work in these areas by assessing the Governing Body's judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report 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.



Kevin Williams (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff

29 January 2016

Income and Expenditure account for the year ended 31 July 2015

	Note	2015 £'000	2014 £'000
Income			
Funding body grants	4	3,489	5,443
Tuition fees and education contracts	5	6,490	5,432
Other income	6	1,715	2,038
Endowment and Investment Income	7	75	51
Total income		11,769	12,964
Expenditure			
Staff costs	8	6,773	6,788
Other operating expenses	11	3,631	3,958
Depreciation	12,16	773	1,062
Interest and other finance costs	13	365	381
Total expenditure		11,542	12,189
Surplus on continuing operations after depreciation of assets		227	775
Surplus for the year transferred to accumulated income in endowment funds		(8)	(5)
Surplus for the year retained within general reserves		219	770

All amounts relate to the continuing operations of the Company. There is no material difference between the surplus for the years retained within general reserves stated above and their historical cost equivalent.

Statement of total recognised gains and losses for the year ended 31 July 2015

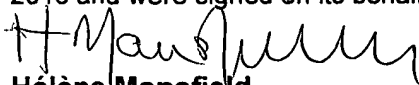
	Note	2015 £'000	2014 £'000
Surplus on continuing operations after depreciation of assets		227	775
Actuarial (loss) on pension scheme	26	(580)	(220)
New endowments		150	-
Increase/(decrease) in value of endowment asset investments	17	34	(3)
Total recognised (losses)/gains for the year		(169)	552
Reconciliation of Reserves			
Opening reserves and endowments	25	4,047	3,495
Total recognised (losses)/gains for the year		(169)	552
Closing reserves and endowments		3,878	4,047

Company Registration No. 6013744

Balance sheet as at 31 July 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Tangible assets	16	25,050	25,459
Endowment assets	17	1,240	1,048
Current assets			
Debtors	18	220	340
Cash at bank and in hand		4,555	4,072
		4,775	4,412
Creditors amounts falling due within one year	19	(2,733)	(2,742)
Net current assets		2,042	1,670
Total assets less current liabilities		28,332	28,177
Creditors amounts falling due after more than one year	20	(10,414)	(10,541)
Provisions for liabilities	21	(154)	(154)
Net assets excluding pension liability		17,764	17,482
Net Pension liability	26	(3,750)	(3,090)
Net assets including pension liability		14,014	14,392
Represented by:			
Deferred capital grants	22	10,135	10,344
Called up share capital	24	1	1
Endowment funds			
Permanent	23	1,240	1,048
Reserves			
Other reserves	25	1,735	1,735
Income and expenditure account excluding pension reserve		4,653	4,354
Pension reserve	25	(3,750)	(3,090)
Income and expenditure account including pension reserve	25	903	1,264
Total reserves	25	2,638	2,999
Total Shareholder's Funds		14,014	14,392

The financial statements on pages 20 to 38 were approved by the Board of Directors on 18 January 2016 and were signed on its behalf by:


Hélène Mansfield
 Chair

Notes to the financial statements for the year ended 31 July 2015

1 Accounting policies

Basis of Preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention, modified to include the revaluation of endowment assets, in accordance with the Companies Act 2006 as adapted to the Statement of Recommended Practice (SORP) for Further and Higher Education 2007, and in accordance with applicable UK accounting standards. The principal accounting policies are set out below and have been applied consistently throughout the year.

Funding

In 2014/15 and 2015/16, the Higher Education Funding Council for Wales reduced the premium funding allocated to the College to fund conservatoire level provision. The initial reduction for the year ended 31 July 2015 has been partially mitigated through income generation and costs savings and the College generated a modest surplus for the year (page 20). The Welsh Government has recently announced a review of conservatoire and performing arts provision in Wales although the outcome of this review is unknown.

The Directors have assessed the appropriateness of the going concern basis for the purpose of the financial statements for the year ended 31 July 2015. The Boards of both the College and the University have agreed a set of principles under which the cost structure of the College within the Group would be revised, if necessary, whilst protecting conservatoire provision. The application of these principles is being worked on and the Directors are confident that agreement can be achieved so that the College can continue to meet its obligations as they fall due for the foreseeable future.

Recognition of income

Recurrent grants are recognised in the year for which they are receivable. Income from specific grants is recognised to the extent that expenditure incurred during the year is funded by such income. Income received in excess of expenditure is held as deferred income.

Income from tuition fees is recognised in the period for which it is receivable and includes all fees chargeable to students or their sponsors.

Endowment and investment income is credited to the income and expenditure account on a receivable basis. Income from restricted endowments, not expended in accordance with the restrictions of the endowment, is transferred from the income and expenditure account to restricted endowments.

Increases or decreases in value arising on the revaluation or disposal of endowment assets i.e. the appreciation or depreciation of endowment assets, is added to or subtracted from the funds concerned and accounted for through the balance sheet by debiting or crediting the endowment asset, crediting or debiting the endowment fund and is reported in the statement of recognised gains and losses.

Other income is accounted for at the point of sale.

All income relating to future years is credited to the balance sheet and included as deferred income.

Pension schemes

Retirement benefits for employees of the Company are provided by the Teachers Pensions Scheme Agency (TPS) and the Rhondda Cynon Taf Pension Fund (RCTPF), a Local Government Pension Scheme (LGPS). RCTPF is a defined benefit scheme which is externally funded and contracted out of the State Earnings Related Pension Scheme.

It is not possible to identify each institution's share of the underlying assets and liabilities in relation to the TPS and hence, contributions to the scheme are accounted for as if this was a defined

Notes to the financial statements for the year ended 31 July 2015 (continued)**1 Accounting policies (continued)**

contribution scheme, the cost recognised within the profit and loss account being equal to the contributions payable to the scheme for the period.

The assets of the LGPS are measured using closing market values. LGPS 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 to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

Early Retirement Provision

The Company maintains a provision to meet pension costs arising from the additional years of service granted to certain staff taking early retirement. The pensions paid are charged against the provision and interest accrued is added to the provision.

Provisions are established and the associated costs are charged to the income and expenditure account when the College has a legal or constructive obligation. The provision relates to enhanced teachers' unfunded pension arrangements established by the College. These are termination benefits made on a discretionary basis upon early retirement, in respect of the Teachers Pension Scheme.

Tangible Fixed Assets

Tangible fixed assets are initially recorded at purchase cost, including non recoverable VAT, incidental costs of acquisition, less accumulated depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value of each asset, evenly over its expected useful life, as stated below. Depreciation is charged for a full year within the year of acquisition.

Land and buildings

Land and buildings inherited from Royal Welsh College of Music and Drama Higher Education Corporation are stated in the balance sheet at their net book value on transfer. Land, whether freehold or leasehold, is not depreciated as it is considered to have an indefinite useful life.

As at 1 August 2014 asset lives have been reassessed and revised depreciation rates applied to the net book value as at that date. The original Raymond Edwards building is being depreciated over 35 years, with the additional facilities being depreciated over 50 years, which is the expected remaining useful economic life. As a result of the re-living, the depreciation charge has reduced by £317,909.

Long leasehold buildings are depreciated over the shorter of the lease term and the expected useful life.

Buildings under construction are capitalised at cost. Interest on loans used to fund capital projects is capitalised until such projects are brought into use. No depreciation is charged, until the year in which buildings under construction are brought into use.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable, in accordance with FRS 11.

Notes to the financial statements for the year ended 31 July 2015 (continued)**1 Accounting policies (continued)****Fixtures, fittings and plant and machinery**

All equipment is capitalised. Capitalised equipment is stated at cost, including non recoverable VAT, and is depreciated over its expected useful life, as follows:

Fixtures and fittings	- 7 years straight line
Plant and machinery	- between 3-10 years straight line

Assets Financed by Capital Grant or Donations

Where fixed assets are acquired with the aid of specific grants and donations, they are capitalised and depreciated as above. The related grants or donations are credited to deferred capital grants, and are released to the profit and loss account over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Operating Leases

Rentals paid under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

Trust fund asset investments

Trust Fund investments are included in the Balance Sheet at mid market value.

Accounting for charitable donations**Unrestricted donations**

Charitable donations are recognised in the financial statements when the charitable donation has been received or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

Endowment funds

Where charitable donations are to be retained for the benefit of the institution as specified by the donors, these are accounted for as endowments. There are three main types:

1. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the institution.
2. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets and the institution can convert the donated sum into income.
3. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

2 Cash flow statement and related party disclosures

The Company is a wholly-owned subsidiary of the University of South Wales, and is included in the consolidated financial statements of the University of South Wales, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised 1996). The Company is also exempt under the terms of

Notes to the financial statements for the year ended 31 July 2015 (continued)**2 Cash flow statement and related party disclosures (continued)**

FRS 8 from disclosing related party transactions with entities that are part of the University of South Wales.

3 Segmental reporting

The Company's activities consist of:

1. The training of performers and others in music, drama, theatre and other performing arts intending to enter or engage in the music, theatrical and performing arts professions
2. The provision of advanced courses of instruction leading to the award of degrees or other appropriate qualifications
3. The provision, maintenance and improvement of performance facilities for the benefit of the local community.

The beneficiaries of the College's work include:

1. Students pursuing higher education qualifications
2. Young people of all abilities pursuing music, drama and theatre activities
3. The general public through community activities.

4 Funding body grants

	2015 £'000	2014 £'000
Recurrent grant	3,354	5,165
Specific grants	-	48
Deferred capital grants released	135	230
	3,489	5,443

5 Tuition fees and Education contracts

	2015 £'000	2014 £'000
Full time students		
Home and EU students	4,307	3,383
International students	797	736
Part-time students	868	852
Short course fees	518	461
	6,490	5,432

Notes to the financial statements for the year ended 31 July 2015 (continued)

6 Other income

	2015	2014
	£'000	£'000
Catering	531	601
Other income	1,110	1,274
Deferred capital grants released (non-HEFCW)	74	163
	1,715	2,038

7 Endowment and Investment Income

	2015	2014
	£'000	£'000
Income from short-term investments	12	10
Income from permanent endowments	53	41
Pension finance income	10	-
	75	51

8 Staff costs

	2015	2014
	£'000	£'000
Wages and salaries	5,685	5,787
Social security costs	372	335
Other pension costs	716	666
	6,773	6,788

The monthly average number of full time equivalent (FTE) employees (including senior post-holders) during the year was as follows:

	2015	2014
	Number	Number
Academic staff	92	93
Other staff	76	75
	168	168

Notes to the financial statements for the year ended 31 July 2015 (continued)

9 Remuneration of directors and higher paid employees

(a) Directors

	2015	2014
	£'000	£'000
Directors' emoluments		
Salaries	198	194
Pensions	16	15
Benefits	3	3
	217	212

In addition, one director receives remuneration in their capacity as President of the Students' Union.

Retirement benefits are accruing to two former employees under a defined benefit scheme.

(b) Higher paid employees

	2015	2014
	£'000	£'000
Highest paid director (Principal)		
Emoluments	131	130
Pensions	16	15
	147	145

10 Trustees expenses and related party transactions

Travel and accommodation costs amounting to £1,123 were reimbursed to 3 trustees (2014 - £296 reimbursed to 2 trustees).

No trustee or other person related to the Charity had any personal interest in any contract or transaction entered into by the Charity during the year.

Notes to the financial statements for the year ended 31 July 2015 (continued)

11 Other operating expenses

	2015	2014
	£'000	£'000
Catering	535	625
Consumables	151	158
Books and periodicals	35	42
Computer and other equipment	88	78
Staff travelling	73	80
Staff recruitment and development	4	3
Insurance	32	32
Marketing	162	164
House services	220	211
Light, heat, water and power	203	200
Concerts and shows	239	240
Irrecoverable VAT	186	199
Audit fees: statutory audit	9	9
other audit services	2	2
Other professional fees	15	116
Repairs and maintenance	118	127
Long term maintenance	162	130
Operating lease rentals – pianos	66	64
Students Union Grant	32	33
Scholarships	351	310
Special initiatives funded expenditure	278	489
Other expenses	670	646
	3,631	3,958

12 Analysis of expenditure by activity

	Staff costs	Depreciation	Other operating expenses	Interest Payable and other finance costs	2015 Total	2014 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Academic departments	4,179	126	1,034	-	5,339	5,236
Academic services	420	87	175	-	682	669
Catering	-	-	535	-	535	625
Premises	320	552	812	365	2,049	2,351
Administration	1,419	8	722	-	2,149	2,339
Commercial activities	290	-	158	-	448	414
Other expenses	145	-	195	-	340	555
	6,773	773	3,631	365	11,542	12,189

Notes to the financial statements for the year ended 31 July 2015 (continued)**12 Analysis of expenditure by activity (continued)**

The depreciation charge has been funded by:

	2015	2014
	£'000	£'000
Deferred capital grants (note 22)	209	393
General reserve	564	669
	773	1,062

13 Interest payable and other finance costs

	2015	2014
	£'000	£'000
Interest payable on bank loans	365	371
Pension finance costs (note 26)	-	10
	365	381

14 Taxation on the profit for the year

The College is a charity registered with the Charity Commission number 1139282 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478 to 488 of the Corporation Taxes Act 2010 (CTA 2010) (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA) 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 College receives no similar exemption in respect of Value Added Tax.

15 Dividends

No dividends were paid or proposed during the year (2014: nil).

Notes to the financial statements for the year ended 31 July 2015 (continued)

16 Tangible assets

	Land and buildings	Fixtures and Fittings	Plant and Machinery	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 August 2014	28,490	530	2,504	31,524
Additions	-	239	223	462
Adjustments	(98)	-	-	(98)
At 31 July 2015	28,392	769	2,727	31,888
Accumulated depreciation				
At 1 August 2014	3,524	432	2,109	6,065
Charge for the year	504	48	221	773
At 31 July 2015	4,028	480	2,330	6,838
Net book value				
At 31 July 2015	24,364	289	397	25,050
At 31 July 2014	24,966	98	395	25,459

	2015 £'000	2014 £'000
The net book value of land and buildings comprise:		
Freehold	23,213	23,794
Long leaseholds	1,151	1,172
	24,364	24,966

Notes to the financial statements for the year ended 31 July 2015 (continued)**17 Endowment Assets**

	2015	2014
	£'000	£'000
Balance at 1 August	1,048	1,046
New endowments received	150	-
Increase/(decrease) in market value of investments	34	(3)
Surplus for the year	8	5
Balance at 31 July	1,240	1,048

	2015	2014
	£'000	£'000
Represented by:		
Unit Trusts and Equities	1,130	974
Cash at bank held for endowment funds	110	74
	1,240	1,048

18 Debtors

	2015	2014
	£'000	£'000
Trade debtors	53	85
Amounts owed by group undertakings	-	5
Other debtors	131	198
Prepayments and accrued income	36	52
	220	340

19 Creditors - amounts falling due within one year

	2015	2014
	£'000	£'000
Bank loan	127	121
Trade creditors	21	119
Amounts owed to group undertakings	48	13
Other creditors	744	649
Taxation and social security	143	132
Accruals and deferred income	1,650	1,708
	2,733	2,742

Notes to the financial statements for the year ended 31 July 2015 (continued)**20 Creditors - amounts falling due after more than one year**

	2015 £'000	2014 £'000
Analysis of secured bank loans:		
Secured on land and buildings		
Between one and five years	579	550
In five years or more	6,085	6,241
Analysis of unsecured loans:		
Between one and five years	875	333
In five years or more	2,875	3,417
	10,414	10,541

Included within the total balance above is the following
due in more than two years

	Interest	Repayment	Term	2015 £'000	2014 £'000
Barclays Bank plc					
All tranches	5.335%	Quarterly	33 years (to 2041)	6,664	6,791

21 Provisions for liabilities and charges

	2015 £'000	2014 £'000
At 1 August	154	169
Released in year	-	(15)
At 31 July	154	154

Notes to the financial statements for the year ended 31 July 2015 (continued)

22 Deferred Capital Grants

	HEFCW £'000	Other £'000	Total £'000
At 1 August 2014	6,123	4,221	10,344
Released	(135)	(74)	(209)
At 31 July 2015	5,988	4,147	10,135

23 Endowment Funds

	2015			2014
	Unrestricted Permanent £'000	Restricted Permanent £'000	Total Permanent £'000	Total £'000
Balances at 1 August				
Capital	581	292	873	876
Accumulated income	152	23	175	170
	733	315	1,048	1,046
New endowments	150	-	150	-
Investment income	40	13	53	41
Expenditure	(32)	(13)	(45)	(36)
	8	-	8	5
Increase/(decrease) in market value of investments	24	10	34	(3)
At 31 July	915	325	1,240	1,048
Representing:				
Capital	755	302	1,057	873
Accumulated income	160	23	183	175
	915	325	1,240	1,048

24 Called up share capital

	2015 £'000	2014 £'000
Authorised		
1,000 ordinary shares of £1 each (2014:1000)	1	1
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each (2014:1000)	1	1

Notes to the financial statements for the year ended 31 July 2015 (continued)**25 Reserves**

	Other Reserves	Income and Expenditure Account	Pension Reserve	Total
	£'000	£'000	£'000	£'000
At 1 August 2014	1,735	4,354	(3,090)	2,999
Surplus for the year	-	219	-	219
Transfer between reserves	-	80	(80)	-
Actuarial loss on pension scheme	-	-	(580)	(580)
At 31 July 2015	1,735	4,653	(3,750)	2,638

Other reserves arose on incorporation and represent the assets and liabilities transferred from Royal Welsh College of Music and Drama Higher Education Corporation.

26 Pension commitments

The Company participates in two pension schemes, the Rhondda Cynon Taf Pension Fund (RCTPF) for non-academic staff, and the Teachers' Pension Scheme (TPS) for academic staff.

Teachers' Pension Scheme

TPS is a statutory contributory final salary scheme administered by the Teachers' Pensions on behalf of the Department of Education. Under the TPS, which is an unfunded scheme, employees and employers contributions are credited to the Exchequer under the arrangements governed by the Superannuation Act 1992. Every 5 years the Government Actuary's Department (GAD), using normal actuarial principles, conducts an actuarial review of the TPA.

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 2012

Salary scale increases per annum 1.8% per annum

Value of notional assets at date of last valuation £176.6 million (estimated future contributions together with notional investments held at 31 March 2012).

Following implementation of Teachers' Pensions (Employers Supplementary Contributions) Regulations 2000, the government actuary carried out a further review on the level of employer contributions. The contribution rate during the year was 14.1%.

Contributions to the TPS amounted to £329,000 in the year (2014- £296,000) with £30,000 due at the year-end (2014:£30,000).

Notes to the financial statements for the year ended 31 July 2015 (continued)**26 Pension commitments (continued)**

Under the definitions set out in Financial Reporting Standard 17 (FRS 17) Retirement Benefits, the TPS is a multi-employer pension scheme. The Company is unable to identify its share of the underlying assets and liabilities of the scheme.

Accordingly, the Company has taken advantage of the exemption in FRS17 and has accounted for its contributions to the scheme as if it were a defined- contribution scheme. The Company has set out above the information available on the deficit in the scheme and the implications in terms of the anticipated contribution rates.

Rhondda Cynon Taf Pension Scheme

The scheme is a defined benefit pension scheme, providing retirement benefits on the basis of members' final salary.

The scheme is valued every three years, the latest being undertaken by independent consulting actuaries, Aon Hewitt Ltd, as at 31 March 2013.

Liabilities have been estimated by the independent qualified actuary on an actuarial basis using the projected unit credit method. The principal assumptions used by the actuary in updating the latest valuation of the Fund for FRS17 purposes were:

	2015	2014
	%	%
Rate of increase in salaries	3.2	3.2
Rate of increase to pensions in payment	2.2	2.2
Rate of increase to deferred pensions	2.2	2.2
Rate of revaluation of pension accounts	2.2	2.2
Discount rate	3.6	4.1
RPI Inflation	3.2	3.2
CPI Inflation	2.2	2.2
Expected rates of return on the scheme assets were:		
Equities	6.3	7.5
Government bonds	2.5	3.2
Corporate bonds	3.5	3.7
Property	5.3	6.8
Cash	0.8	1.1
Other	6.2	7.5
Expected rate of return	5.3	6.4

The College employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund as at 31 July 2015.

Notes to the financial statements for the year ended 31 July 2015 (continued)**26 Pension commitments (continued)**

The current mortality assumptions are based on the recent actual mortality experience of members within the Fund and include sufficient allowance for future improvements in mortality rates. Assumed life expectations on retirement today and at age 65 are:

	2015	2014
Retiring Today:		
Males	23.0	22.9
Females	25.9	25.8
Retiring in 20 years:		
Males	25.2	25.1
Females	28.3	28.2

The assets in the scheme are valued at fair value and comprise:

	2015 £000	2014 £000
Equities	5,158	4,461
Property	441	372
Government bonds	661	492
Corporate bonds	840	738
Cash	320	247
Total market value of assets	7,420	6,310
Present value of scheme liabilities	(11,170)	(9,400)
Net pension deficit	(3,750)	(3,090)

	2015 £000	2014 £000
Analysis of the amount charged to operating profit		
Current service cost	(390)	(370)
	(390)	(370)

Analysis of the amount charged to interest payable and similar charges

	2015 £000	2014 £000
Expected return on pension scheme assets	400	390
Interest on pension scheme liabilities	(390)	(400)
Net credit/(charge)	10	(10)

Analysis of amount recognised in statement of total recognised gains and losses

	2015 £000	2014 £000
Actual return less expected return on pension scheme assets	400	(240)
Experience gains and losses arising on scheme liabilities	(980)	20
Actuarial (loss) recognised in the STRGL	(580)	(220)

Notes to the financial statements for the year ended 31 July 2015 (continued)

26 Pension commitments (continued)

Movement in deficit during the year	2015	2014
	£000	£000
1 August	(3,090)	(2,790)
Current service cost	(390)	(370)
Contributions	300	300
Other finance charge	10	(10)
Actuarial (loss)/gain	(580)	(220)
31 July	(3,750)	(3,090)

Analysis of the movement in the present value of scheme liabilities	2015	2014
	£000	£000
Opening present value of liabilities	9,400	8,590
Current service cost	390	370
Interest cost	390	400
Contributions by participants	140	130
Actuarial loss/(gain) on liabilities	980	(20)
Net benefits paid (out)	(130)	(70)
Closing present value of liabilities	11,170	9,400

Analysis of the movement in the market value of scheme assets	2015	2014
	£000	£000
Opening fair value of assets	6,310	5,800
Expected return on assets	400	390
Actuarial gain /(loss) on assets	400	(240)
Contributions by the Employer	300	300
Contributions by the participants	140	130
Net benefits paid (out)	(130)	(70)
Closing fair value of assets	7,420	6,310

The amounts recognised for the current and previous four years are:

	2015	2014	2013	2012	2011
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation	(11,170)	(9,400)	(8,590)	(7,220)	(6,300)
Plan assets	7,420	6,310	5,800	4,370	3,900
Net Pension Deficit	(3,750)	(3,090)	(2,790)	(2,850)	(2,400)

History of experience gains and losses

	2015	2014	2013	2012	2011
	£'000	£'000	£'000	£'000	£'000
Difference between the expected and actual return on scheme assets	400	(240)	600	(110)	140
Experience gains and losses on scheme liabilities	(980)	20	(480)	(260)	660
Total amount recognised in the statement of total recognised gains or losses	(580)	(220)	120	(370)	800

Notes to the financial statements for the year ended 31 July 2015 (continued)

26 Pension commitments (continued)

The estimate for contributions for the defined benefit scheme for the year 2015 is £310,000. In addition, Strain of Fund contributions may be required.

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses is £1,040,000 loss (2014 - £460,000 loss).

The actual return on scheme assets in the year was £800,000 (2014– £150,000).

Accrued pension contributions at 31 July 2015 are £87,306 (2014 - £87,010).

27 Lease obligations

At 31 July, the College had annual commitments under non-cancellable operating leases for assets other than land and buildings, expiring as follows:

Lease expiring after more than 5 years:

	2015	2014
	£'000	£'000
Other operating leases	97	80

28 Related Parties

During the year the College made a block grant payment of £32,367 (2014 - £33,028) to the Royal Welsh College of Music and Drama's Students' Union. There are no other material related party transactions.

All transactions involving organisations in which a member of the Board may have an interest, are conducted in accordance with the College's financial regulations and normal procurement procedures. The University of South Wales maintains a Register of Interests for members of the Board.

29 Ultimate Parent Undertaking

The ultimate parent undertaking and controlling party is the University of South Wales, a Higher Education Corporation established under the Education Reform Act 1988. The results of the company have been incorporated in the University of South Wales' consolidated financial statements, which forms the largest and smallest group for which the Company's financial statements are consolidated, copies of which can be obtained from the following address:

University of South Wales
Pontypridd
Rhondda Cynon Taf
CF37 1DL