



ROYAL
BALLET
SCHOOL

SETTING THE STANDARD

THE ROYAL BALLET SCHOOL ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2016

Charity registration number: 214364 | Company registration number: 547018

Principal and registered office: 46 Floral Street, London WC2E 9DA

The Royal Ballet School
Annual report and financial statements
Year ended 31 August 2016

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Annual report of the Governors

Governors, directors and charity trustees

The Governors of The Royal Ballet School (the School) are the School's Charity Trustees under charity law and the Directors of the Charitable Company. The Governors who served in office during the year and subsequently are detailed below:

The Duchess of Wellington OBE (Chairman)
Suneel Bakhshi
Jonathan Chenevix-Trench
Ricki Gail Conway
Jonathan Cope CBE (retired 4 November 2015)
Sarah Dorfman
Clarissa Farr
David Fletcher
Candida Hurst-Brown
Janet Lambert
Margaret Maden (retired 8 June 2016)
Nancy Marks
Menna McGregor
Kevin O'Hare
Madeleine Plaut
Zita Saurel (appointed 4 November 2015)
Stephen Spurr
Kenneth Steele

Company Secretary

Alan Winter to 3 January 2017
Pippa Adamson from 3 January 2017

Principal and registered office

46 Floral Street, London WC2E 9DA

Officers – Senior Leadership Team

Christopher Powney	Artistic Director
Alan Winter	Chief Operating Officer to 3 January 2017
Pippa Adamson	Chief Operating Officer from 3 January 2017
Karen Davies	Academic and Pastoral Principal
Jill Tait-Harris	Assistant Principal (Pastoral and Welfare)
Mark Annear	Head of Outreach and Access
Sarah Eliot-Cohen	Head of Development and Communications
Katherine Gardiner	Head of Finance
Roger Atkinson	Head of Site Operations

Advisers

Auditors:

Crowe Clark Whitehill LLP
St Bride's House, 10 Salisbury Square, LONDON EC4Y 8EH

Bankers:

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

Solicitors:

Veale Wasbrough Vizards, Narrow Quay House, Narrow Quay, Bristol BS1 4QA
Winckworth Sherwood, Minerva House, 5 Montague Close, London SE1 9DF

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Annual report of the Governors

The Governors present their annual report for the year ended 31 August 2016 under the Charities Act 2011, including the Directors' and Strategic Reports under the Companies Act 2006, together with the audited financial statements for the year.

DIRECTORS' REPORT

Constitution, objects and organisational structure

The Royal Ballet School (the School) is a charitable company limited by guarantee (registered number 547018) and not having a share capital, and it is also a registered charity (number 214364). It was established in 1955 under a Memorandum of Association which sets out the objects and powers of the Charitable Company and is governed by its Articles of Association. The School's objects and principal activity is to train and educate full time students for a career as classical ballet dancers.

The School has a wholly owned trading subsidiary TRBS Enterprises Limited which hires out School premises, and gifts its profits to the School. Consolidated accounts have not been prepared as the activities of the subsidiary are immaterial, but the trading results are shown in note 4 of the financial statements and any gifted profits are included in the Statement of Financial Activities.

The Royal Ballet School Endowment Fund is a connected charity whose purpose is to provide funding and facilities for the students at The Royal Ballet School. The connected charity is a separate charity with trustees who are responsible for that charity and their financial statements which are not reported on in these accounts.

The School is the official School of both The Royal Ballet and Birmingham Royal Ballet companies and as a result has close working relationships with both Directors and their staff.

Vision, mission and values of The Royal Ballet School

Our vision

The School's vision is to be the best classical dance ballet school in the world.

Our mission

Our mission is to nurture, train and educate exceptional young dancers for the Royal Ballet companies and other leading UK and international companies and to inspire the future of classical ballet training.

Our values

- **Student focused:** Students are at the heart of everything we do at the School and their training and welfare are the basis of all decisions
- **Innovative and pioneering:** We are a bold, forward-thinking organisation and bring this approach to all areas of our work with the utmost integrity
- **Promoting excellence:** We maintain the highest standards of excellence in classical ballet training
- **Training versatile dancers:** Our highly skilled dancers are able to adapt to a broad range of styles
- **Respectful of our heritage:** We ensure the rich heritage of the School is at the heart of our training
- **Faithful to our core mission:** To provide the two Royal Ballet companies with top calibre dancers. We take a fully collaborative and inclusive approach with both companies
- **One team:** We support each other, creating a warm, nurturing environment for students to maximise their potential
- **Committed to academic education:** We give students the best possible education and in so doing open up their opportunities beyond ballet
- **Nurturing our students:** We are respectful of our dancers as aspiring artists and as individual, intelligent human-beings

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- **Broadening access:** Sharing our expertise in classical ballet training, engaging with the wider community through our Outreach & Access programme

Governance

The School is governed by the Board of Governors whose members are also directors of the Charitable Company and charity trustees. The Board is responsible for overseeing the strategy and policies for the School and meets formally once a term (three times annually) as well as holding other meetings, especially for strategic planning discussions, as required to perform its duties.

The Board of Governors during the financial year and to the date of this report are noted on page 2.

Lady Sainsbury CBE is Governor Emerita of the School.

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

- Artistic and Academic Committee
- Dance Policy Committee (meets as required)
- Development Committee
- Estates Committee
- Finance Committee
- Nominations Committee
- Pastoral and Compliance Committee
- Remuneration Committee (meets as required)

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

Nominations for new board members are made by the Governors and Executive Officers to the Nominations Committee, who then make recommendations to the Board who elect new members. Candidates are selected based on their professional skills, knowledge, competence and experience, and Governors ensure that there is an appropriate balance of relevant skills and expertise across the Board. The Nominations Committee meets regularly and reviews the composition of the Board, taking into account the need for succession planning as existing Governors retire.

Remuneration of staff is set by the Remuneration Committee with the policy objectives of rewarding staff fairly. Remuneration levels are reviewed annually to make sure that salaries are comparative with the market.

Governor Training

All Governors are inducted into the governance and operations of the School through briefings with the Chairman and members of the Executive and Senior Leadership Teams. All Governors are trained to Level 2 in Child Protection and Safeguarding and a minimum of three Governors to Level 3. The training needs of Governors are reviewed from time to time and support provided as necessary. In addition, regular presentations and reports are made to the Governing body on key issues of current and ongoing importance.

Organisational management

The day-to-day operations of the School are managed by the Executive which is made up of the Artistic Director, Chief Operating Officer and the Academic and Pastoral Principal, and also by other members of the Senior Leadership Team. Both teams are led by the Artistic Director, Christopher Powney. The Artistic Director is in control of the day-to-day running of the school but is not a member of the Board of Governors or a company director. The rest of the Senior Leadership Team who support the Artistic Director is listed on page 2.

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Public benefit

The School remains committed to the aim of providing public benefit in accordance with its founding principles. The Governors have given due consideration to the Charity Commission's published guidance on the Public Benefit requirement under the Charities Act 2011.

The School makes a major contribution to the country's global reputation for arts and culture, specialising in the area of classical ballet. A place at the School is open to any young person from the UK who possesses the potential and talent to become a professional classical ballet dancer irrespective of their social or financial background. This also applies to most overseas students from age 16 and occasionally under this age. To this end a combination of public, private and charitable funding is available to give financial support and bursaries to students, and about 90% of our students receive such support.

The Department for Education (DfE) provides means-tested grants through its Music and Dance Scheme for up to 184 students. These students can be from the UK (grants for tuition and boarding fees) or from the European Economic Area (grants for tuition fees only). Most overseas students over 16 receive means-tested support at a similar level to the DfE scheme, funded by donations from individuals, trusts and foundations.

The School's Outreach and Access department provides national Associate programmes which offer young people regular access to classical ballet training classes and workshops, and an International Summer School. All students are selected based on their potential as a classical ballet dancer rather than their ability to pay, and means-tested financial support is available irrespective of age or nationality.

The School also runs a national community access programme called Primary Steps, funded by the DfE. Primary Steps partners with state schools to give children of primary school age access to classical ballet through the School's students and network of teaching expertise. There are five school centres around the country in Blackpool, Bury St Edmonds, Dagenham, Swindon and Mansfield for the programme. Secondary school students can participate in The Advance Project, funded by a trust, which is a collaborative dance and choreographic project connecting the School's Year 10 students and their counterparts in a chosen partnership secondary school. Other access opportunities are available, such as demonstrations for state school students studying GCSE dance or various Insight events for the general public.

The Royal Ballet School Special Collections are being catalogued and digitised to ensure they are widely available as a leading educational resource.

Employment policy

In order to promote an environment in which the School can call upon the widest possible range of knowledge, skill and experience, as well as ensuring compliance with the relevant legislation and codes of practice, The Royal Ballet School is committed to achieving and maintaining a workforce which represents the population within its recruitment area.

The School has an equality policy to ensure fairness and equality of opportunity to all staff regardless of their status in terms of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex or sexual orientation.

The School regularly reviews the operation of its recruitment, promotion, training and development policies to ensure that no applicant for employment or member of staff is disadvantaged by conditions or requirements which cannot be shown to be justifiable.

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Statement as to disclosure of information to the Auditor

So far as each of the Governors is aware, there is no relevant audit information of which the charitable company's auditor is unaware. Each Governor has taken all the steps that he/she ought to have taken as a Governor in order to make himself/herself aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

Statement of accounting and reporting responsibilities

The Governors (who are also directors for the purposes of company law) are responsible for preparing the Governors' annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

Company law requires the Governors to prepare financial statements for each financial year. Under company law the Governors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Governors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Governors are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions, disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006 and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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STRATEGIC REPORT

Objectives and activities

The School is located across two sites where full-time students are trained and educated: White Lodge in Richmond Park is a boarding school for 11 to 16 year olds and Upper School in Covent Garden trains students aged 16 to 19. Upper School students board at Aud Jebsen Hall in Pimlico (1st and 2nd Years) and Jebsen House in Covent Garden (3rd Years).

The School's outreach programme provides dance training to young Associates and runs a two week International Summer School, both of which provide the School's training to a wider audience and also gives the School the opportunity to support the most talented students to gain a full-time training place. Associate weekly classes are run for Junior and Mid Associates for ages 8 to 12 held at centres across England; Senior Associates for ages 13 to 15 held in London and Birmingham; and this year we successfully piloted Advanced Associate classes for 16 to 17 year olds in London. As well as weekly classes, workshops are run throughout the year.

The partnership programme was established to open up the School to young people from state schools across the UK, sharing our expertise and training. This is carried out through the Primary Steps programme and The Advance Project, as described in the Public benefit section on page 5.

The School's primary aim is to ensure the highest standards of classical ballet training and education of all its students, and the students are at the heart of everything we do. The main key performance measures are the rate of employment of graduating students by ballet companies around the world and the students' academic results in public examinations.

The objectives for the year to help achieve the aim were to:

- Expand the creative influences and experiences of our students
- Continue to strengthen the whole school approach
- Underpin our training programme with a new Healthy Dancer programme
- Strengthen and develop ties with The Royal Ballet companies
- Deliver the highest standards of academic provision, adjusting the curriculum as required
- Continue to promote and develop a positive boarding experience for all of our students
- Secure the future of The Royal Ballet School Collections
- Explore new avenues for talent identification
- Expand our teacher training programme and provide world class training for classical ballet teachers
- Remain at the forefront of community engagement through relevant and exciting access programmes
- Secure stable funding from the Music and Dance Scheme and private sector
- Exploit new income generating initiatives
- Review and update our brand and advance communications both externally and internally
- Ensure compliance with all statutory requirements

Achievements and performance

Artistic

The School aims to have 214 pupils over the year with each student being able to demonstrate the desire and level of ability to become a professional classical ballet dancer. At the start of the year in September 2015 the School had 126 full-time pupils at White Lodge and 88 full-time pupils at Upper School, a total of 214, and while there were a small number of changes during the year we achieved this target.

By the year end, 100% of the 26 graduating students had won professional contracts in spite of continuing difficult world economic conditions. This was a record year with seven students going to the Royal Ballet (one

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full-time place and six joining the Aud Jebsen Young Dancers programme) and three to Birmingham Royal Ballet. In total 70% of places were with the top 20 leading ballet companies in the world.

It was a full year of events and performances. Highlights included:-

- hosting exchange students from American Ballet Theatre Studio Company in May 2016
- excellent creativity and skill demonstrated in student choreography competitions and superb Solo Evenings at White Lodge and at Upper School
- a near sell-out series of diverse and well received summer performances at Opera Holland Park which provided greater access to the public for our events although the weather could have been kinder
- a full house at the Royal Opera House matinée enjoyed the performance programme in July 2016 which showcased the students classical and contemporary dance abilities. Once again the traditional finale of the spectacular Grand Défilé brought the house down.

A new blocked timetable was implemented in the year, so that Upper School students start the day with two hours of academic work and then warm up and have artistic classes for the rest of the day. While this has meant an increased cost of academic staff and pressure on classroom space, it is healthier for students.

The Creative Artist programme was developed in the year to expose students to a range of creative influences and experiences to help their broader artistic development. Students heard from a range of achievers including sculptor Anthony Gormley, film director Stephen Daldry, Olympic sailor Ben Ainslie and children's author Michael Morpurgo.

Highlights from Outreach and Access included:

- 490 students participated in the Associates programme of weekly classes, with some chosen for performances by The Royal Ballet, Birmingham Royal Ballet, the Bolshoi Ballet and the Australian Ballet.
- 83% of the students who successfully gained places in Year 7 at White Lodge for 2016/17 were current Associates.
- Primary Steps provided access to creative ballet classes or workshops for 1,820 students from areas of social, economic and cultural diversity. Seven participants were offered places as Junior Associates.
- The Advance project for year 10 School students to work with peers from Dagenham Park Church of England School was so successful that the new work developed, *To the Point*, was performed at Opera Holland Park.
- The Summer School programme continued to be very successful, attended by 462 students from the UK and around the world. Guest teachers included Darcey Bussell, Leanne Benjamin, Sarah Wildor, Ernst Meisner, Didi Veldman and Glenn Wilkinson.
- For teachers, the first cohort successfully graduated from their two year Diploma of Dance Teaching. The Inspire series of seminars enhancing teaching in the private dance-teaching sector continue to be fully subscribed and feedback has been excellent.

Work is underway to expand the teacher training programme, which will continue into the current year. Also options for housing The Royal Ballet School Special Collections are being explored but this project may take some time to come to fruition.

Academic and pastoral

The School believes passionately that students become better creative artists by using their brains as well as their bodies and so we place considerable emphasis on the importance of academic work. Despite the increased demand posed by ongoing changes to the examination system the students once again outperformed expectations and achieved very strong results:

- At GCSE the A* to C pass rate of 98% and the A* to A pass rate of 42% again equals the results achieved by the top performing state comprehensive in the country.
- At A Level the pass rates were in line again with above national averages.
- In the BTEC for dance 100% of the Diploma or Extended Diploma students achieved D* to M grades – the equivalent of A* to B at A Level - with 52% of grades at Distinction* or Distinction.

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To help achieve excellent pastoral care, Upper School student accommodation facilities were greatly improved with the opening of the Aud Jebesen Hall of residence in Pimlico at Easter 2016, following a refurbishment project that started in 2014. The development was not easy but under the calm leadership of Alan Winter, Chief Operating Officer, the School Governors, staff, students, parents and donors worked together well to deliver an exciting new facility. The students are now comfortably housed, fed and watered in fully compliant purpose-designed boarding accommodation, transforming their lives and improving their living standards.

The new Healthy Dancer programme began at Upper School with the recruitment of a new Healthcare Manager and a full-time nurse and a complete review and overhaul of healthcare provision, systems and equipment. In August 2016 a new integrated ballet healthcare suite was built, which works hand in hand with the Royal Opera House Mason Healthcare Suite.

Fundraising performance

The most significant objective for our Development team in the last three years has been the Pimlico capital appeal for the purchase and refurbishment of Aud Jebesen Hall. In 2015/16 donations of £5.6 million were received, which together with £150,000 pledged over the next three years, has completed the appeal with a total raised of £14.5 million. This is a tremendous achievement, and covers all the capital costs of the project.

Other donations of £1,735,000 included £809,000 for sponsorship, bursaries and prizes, and £243,000 from the Lord Mayors' Appeal. Donations have helped to expand our Healthy Dancer programme, to update equipment in the Margot Fonteyn Theatre and to buy Smart screens for academic classrooms and studios.

With donations of nearly £8.5 million, fundraising costs are low at £186,000. The School abides by the appropriate code of conduct for all its fundraising, including consideration of the issues raised in the Etherington Review into Charity Fundraising Practice issued in September 2015, which put an emphasis on donor experience.

Business review

Another outstanding achievement in the face of a prolonged period of funding cuts was being judged exceptional for student outcomes in the ISI inspection conducted in November 2015. Unfortunately, a couple of technical compliance failures during the inspection needed attention but were quickly addressed and the ISI monitoring visit carried out later in 2016 confirmed the School is fully compliant in its management and governance. Unlike most other boarding schools, the nature of our activities, particularly with our extensive national Associate and community outreach programmes, makes meeting the ever more exacting compliance regulations difficult to administer. We aim for excellence, but the administrative burden is heavy.

The School operates on a very lean administrative staff structure following four years of standstill funding from the Government, and yet boarding, safeguarding and health and safety compliance procedures become more and more onerous with each government review. Parents and supporters can be reassured that we continually monitor the position and make no compromises on issues affecting the health and well-being of our students.

Space for expansion at Floral Street remains at a premium but more work was done during the summer break in 2016 to create an additional classroom to support delivery of the new blocked timetable. At White Lodge the reception area was enhanced with new public toilet facilities and meeting rooms, and improving the control of access by separating the public and visitors from the main School. An overhaul of shower and toilet facilities also took place in the senior school boarding houses. The programme of LED lighting conversion continued resulting in significant savings in energy consumption and costs. The 3rd Year accommodation at Jebesen House in Covent Garden also received a much welcome make-over and refurbishment.

As part of their sponsorship of the School, creative agency Imagination generously designed a new visual identity for the School, which reflects both our unique heritage and the School as a modern and forward-looking organisation at the forefront of international classical ballet training, aligning us with The Royal Ballet Company. The School's communications have also taken a step change with an updated website and a more engaging and prolific presence on social media.

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Financial review

The financial results for 2015/16 met all targets and expectations with the School once again achieving its financial objective of income matching expenditure.

Income

Unrestricted income of £9,192,000 was supplemented by restricted income of £7,104,000 which included £5,561,000 raised for Aud Jebsen Hall.

Income from charitable activities increased by 4.5%. For the first time in five years, the Department for Education (DfE) agreed to a small fee increase (2.6%) for 2015/16 which allowed us to increase all student fees, with a similar uplift in grant funding. Summer School fees were increased by 26% following a review of other top world summer school fees.

The School only makes offers of full time training to those who have potential to become excellent dancers, so our ability to fill places depends on the calibre of applicants, and numbers can vary. In the year we achieved our budget to have 214 students. Means-tested support continues for UK and EU students from the UK Government's Music and Dance Scheme and for overseas students at Upper School from bursary funding. In the year 89% of students at the School receive some form of support. Financial support is also raised so the School can offer means-tested funding and travel bursaries to Associates and Summer School students.

Donation income includes grants from the DfE towards running the School and for the Primary Steps programme.

Expenditure

Total expenditure for charitable activities of £10,372,000 was 4.9% higher than the previous year (£9,886,000) reflecting inflationary increases plus increased costs on healthcare and the one off costs of fitting out and moving to the new boarding accommodation.

Funds and reserves policy

The School's reserves at the year end total £46,031,000 (2015: £40,948,000), made up of an £2,420,000 (2015: £2,378,000) unrestricted general fund, £40,300,000 (2015: £35,591,000) unrestricted designated fund and £3,311,000 (2015: £2,979,000) restricted funds.

The unrestricted general fund is held to provide financial stability to the School while making sure that funds are used to achieve the School's aims wherever possible. The general fund allows the School to meet its financial obligations and operate its business, while managing risks and funding future work and development. The level of the general fund at the year end is the equivalent of three months unrestricted operating costs.

Governors have reviewed the reserves policy. Following the previous five years of standstill funding and given the uncertainty around funding from September 2017 and in the longer term, the School considers it necessary to hold reserves of a level equivalent to three to six months operating costs.

The unrestricted designated fund has been put aside by Governors, and represents the funds that are invested in property and other fixed assets for the use of the School and are therefore not available for other purposes. The increase in the year reflects the expenditure on Aud Jebsen Hall.

Restricted funds are the balance of unspent funds received subject to specific conditions imposed by the donors, and are held separately to be spent in future periods.

In summary, our finances remain stable and well managed thanks to the collective team efforts of our Governors, staff, generous supporters and the PTA.

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Principal risks and uncertainties

The Governors are responsible for the management of the risks faced by the School. The Board reviews the risk register and major risks regularly. The major risks identified include the following:

- Loss of or reduced levels of funding from the DfE.
- Loss or reduced funding from the DfE for the Outreach and Access programme.
- Inability to attract the most talented students because of limited funding available for bursaries.
- Managing the Pension Fund deficit
- Impact of reduced grant funding on the maintenance of the School's property portfolio
- Impact of restricted increases for staff remuneration resulting in real term wage decreases.
- Impact of the combination of the cost of living in London and depressed wages on the recruitment of the best qualified and experienced staff.

Governors consider strategy at least once a year, and ensure that business and financial strategies are in place to manage and mitigate these risks wherever possible to ensure that they do not adversely affect the School's operations or the welfare of its students. Having been through a period of cost-cutting, the School is looking to raise funds from new sources to help mitigate the impact of future standstill funding from the DfE. It is recognised that systems can only provide reasonable, but not absolute, assurance that major risks have been adequately managed.

Pension provision

Although the defined benefit pension scheme is now closed for future accrual, it remains a significant risk for the School. The deficit as valued by FRS 102 is included in the balance sheet as a long-term liability and balanced by a negative pension reserve. The triennial valuation continues to be used to calculate any repayments required, and these payments are incorporated into the longer term financial planning of the School so that these commitments can be met as they fall due in the future.

Plans for future periods

Looking ahead, in spite of another year of standstill DfE funding, the budget for 2016/17 has been agreed with a breakeven budget. The benefits of rationalising Upper School student accommodation costs and anticipated increased income from a newly extended Summer School programme will help compensate for a lack of inflationary increase in fees through the Music and Dance Scheme grant. This equates to around £200,000 per annum.

The School has adopted a new three year Business Plan which sees it through to the end of the 2018/19 academic year. In doing so the School has had to assume that it can secure inflation proofed grant support from the DfE. It is understood that the total Music and Dance Scheme budget for 2017/18 budget will be unchanged but no decisions have yet been made on how this will be allocated to the nine schools and other projects it supports.

More years of standstill funding will be extremely challenging if the School is to maintain excellence in its teaching. The School has reshaped the size and structure of the business over the past three years and is now running as cost effectively as it can. If further austerity is called for by the Government, it will be difficult to see how this can be managed. The Board and Senior Leadership Team await the funding announcements with interest and will continue to work with colleagues in the DfE to preserve the excellence achieved by the School.

Expenditure remains stream-lined although we will continue to focus resources to achieve the objectives. For example this includes the continued development of student healthcare and wellbeing with a new Health Care Manager being appointed to coordinate student health and welfare plans across the whole School.

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However, the School's Board of Governors and Senior Leadership Team believe that there are a number of exciting opportunities and initiatives in the pipeline that will cement the School's position as a world class classical dance training institution. The positive three-year business plan has been devised to keep the School at the forefront of classical ballet training. However, much will now depend on persuading the DfE that it needs to invest adequately in the School to maintain our levels of excellence. Those discussions are on-going and it is hoped all will become clearer in the year ahead.

The objectives for 2016/17 are:

- We will achieve at least 85% graduate employment
- We will expand the Healthy Dancer Programme
- We will extend our International Summer School to four weeks
- We will achieve academic results above national averages at GCSE and BTEC
- We will develop a new dance degree course to launch in September 2017
- We will aim to secure stability of funding from the Music and Dance Scheme and private sector
- We will provide access to our Special Collections through an on-line 'History of Ballet Timeline'
- We will maintain excellent standards of pastoral care
- We will be compliant with all relevant regulations
- We will expand community engagement through our Outreach and Access programmes

This Annual Report, prepared under the Charities Act 2011 and the Companies Act 2006, was approved by the Board of Governors on 6 February 2017. This approval includes the approval, in their capacity as company directors, of the Directors' and Strategic Reports contained within the Annual Report. The Annual Report is signed as authorised on behalf of the Board of Governors by:

The Duchess of Wellington OBE
Chairman of Governors

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Independent Auditor's report

Independent Auditor's report to the Members of The Royal Ballet School

We have audited the financial statements of The Royal Ballet School for the year ended 31 August 2016 set out on pages 15 to 34.

The financial reporting framework that has been applied in their preparation is applicable law and FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the 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 company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of governors and auditor

As explained more fully in the Statement of Governors' Responsibilities on page 6, the Governors (who are also the directors of the charitable company for the purpose 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Governors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report of the Governors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with FRS 102, The Reporting Financial Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Annual Report of the Governors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Royal Ballet School

Independent Auditor's report

Matters on which we are required to report by exception

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

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

 Allison

Tina Allison
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
London

Date: 28 March 2017

Royal Ballet School
Balance sheet
As at 31 August 2016

		Unrestricted Funds		Restricted Funds	Total Funds	Total Funds
	Note	General £000	Designated £000	£000	2016 £000	Restated 2015 £000
						Note 25
Income from:						
Charitable activities	1	7,788	-	-	7,788	7,453
Donations	2	1,374	-	7,104	8,478	9,395
Other income	3	30	-	-	30	53
Total income		<u>9,192</u>	<u>-</u>	<u>7,104</u>	<u>16,296</u>	<u>16,901</u>
Expenditure on:						
	5					
Raising funds						
Development and fundraising		186	-	-	186	163
		<u>186</u>	<u>-</u>	<u>-</u>	<u>186</u>	<u>163</u>
Charitable activities						
Teaching		2,531	-	97	2,628	2,512
Pastoral and welfare		1,394	-	54	1,448	1,310
Outreach and partnership		774	-	411	1,185	1,142
Premises		2,707	-	20	2,727	2,540
Support and governance	7,8	1,772	-	24	1,796	1,717
Grants and prizes	9	-	-	588	588	665
		<u>9,178</u>	<u>-</u>	<u>1,194</u>	<u>10,372</u>	<u>9,886</u>
Total expenditure	6	<u>9,364</u>	<u>-</u>	<u>1,194</u>	<u>10,558</u>	<u>10,049</u>
Net income / (expenditure)		<u>(172)</u>	<u>-</u>	<u>5,910</u>	<u>5,738</u>	<u>6,852</u>
Transfers between funds	16,17	869	4,709	(5,578)	-	-
Other recognised losses						
Actuarial losses on defined benefit pension scheme	24g	(655)	-	-	(655)	(260)
Net movement in funds		<u>42</u>	<u>4,709</u>	<u>332</u>	<u>5,083</u>	<u>6,592</u>
Total funds brought forward		<u>2,378</u>	<u>35,591</u>	<u>2,979</u>	<u>40,948</u>	<u>34,356</u>
Total funds carried forward	16,17	<u>2,420</u>	<u>40,300</u>	<u>3,311</u>	<u>46,031</u>	<u>40,948</u>

All transactions are derived from the charity's continuing operations.

All recognised gains and losses are included in the Statement of financial activities.

Royal Ballet School

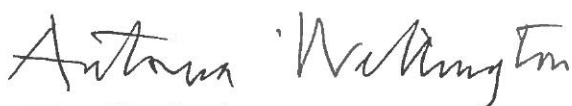
Balance sheet

As at 31 August 2016

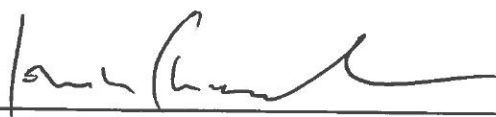
	Note	2016 £000	2015 £000
Fixed assets			
Tangible assets	11	42,627	39,378
Current assets			
Debtors	12	1,331	1,160
Cash at bank and in hand		7,489	5,768
Total current assets		8,820	6,928
Creditors: amounts falling due within one year			
Trade and other creditors	13	(1,174)	(1,569)
Deferred income	14	(2,386)	(2,300)
Net current assets		5,260	3,059
Total assets less current liabilities		47,887	42,437
Creditors: Amounts falling due after one year	15	(401)	(682)
Defined benefit pension scheme liability	24	(1,455)	(807)
Total net assets	18	46,031	40,948
The funds of the charity:			
Unrestricted funds			
General fund		2,420	2,378
Designated funds		40,300	35,591
Total Unrestricted funds	16	42,720	37,969
Restricted funds	17	3,311	2,979
Total charity funds		46,031	40,948

The financial statements on pages 15 to 34 were approved by the Board of Governors and authorised for issue on 6 February 2017 and are signed on its behalf by:

The Duchess of Wellington OBE
Chairman



Jonathan Chenevix-Trench
Governor



Royal Ballet School
Statement of cash flows
For the year ended 31 August 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities:			
Net cash provided by operating activities	A below	6,412	9,629
Cash flows from investing activities:			
Interest receivable		23	25
Interest payable		(30)	(29)
Purchase of tangible fixed assets		(4,153)	(1,874)
Net cash used by investing activities		(4,160)	(1,878)
Cash flows from financing activities			
Repayments of borrowing		(531)	(6,905)
Change in cash in the reporting period		1,721	846
Cash at the beginning of the year		5,768	4,922
Cash at the end of the year	B below	7,489	5,768

Note A Reconciliation of cash flows from operating activities:	2016 £000	2015 £000
Net income, from the statement of financial activities	5,738	6,861
Adjustments for:		
Depreciation charge	904	758
Defined pension scheme net income	(7)	(25)
Interest receivable	(23)	(25)
Interest payable	30	29
(Increase) / decrease in debtors	(171)	96
Increase / (decrease) in creditors	(59)	1,935
Net cash provided by operating activities	6,412	9,629

Note B Analysis of cash	2016 £000	2015 £000
Cash at bank and in hand	7,489	5,768

Royal Ballet School

Accounting policies

For the year ended 31 August 2016

Basis of accounting and going concern

The financial statements have been prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Companies Act 2006 and the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the FRS 102 - effective 1 January 2015. The date of transition to FRS 102 was 1 September 2014 and in preparing the financial statements, the Governors have considered whether the accounting policies required by the standard require the restatement of comparative information. There have been no numerical changes as a result of the transition to FRS 102 so the reserves position is unadjusted from the previously reported position.

The functional currency of the School is considered to be GBP because that is the currency of the primary economic environment in which the School operates.

The accounts are drawn up on the historical cost basis of accounting.

The Governors have a reasonable expectation that the School has adequate resources to continue its activities for the foreseeable future. The financial statements have been prepared under the going concern concept, on the understanding that the School will continue to receive sufficient financial support to enable it to meet its liabilities as and when they fall due for payment.

The School is a Public Benefit Entity registered as a charity in England and Wales and a company limited by guarantee. It was incorporated on 31 March 1955 (company number: 547018) and registered as a charity on 12 November 1962 (charity number: 214364).

Critical accounting judgements and key sources of estimation uncertainty

In the application of the charity's accounting policies, which are described in this section, Governors are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects the current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described in the accounting policies and are summarised below:

Pension liabilities – The charity recognises its liability to its defined benefit pension scheme which involves a number of estimations as disclosed in note 24.

Income

Income consists of school fees and expenses due and receivable, income from performances and auditions, grants receivable from the Department for Education and other bodies, donations, investment income and other income. This income is recorded in the Statement of Financial Activities when it becomes due to the School.

Expenditure

Expenditure is recognised in the period in which the cost is incurred. Costs directly relating to a School activity are allocated to that activity. Support costs comprise salaries and overheads of central functions of management and administration.

Governance costs are those costs incurred in compliance with regulation and good practice and include costs relating to the statutory audit, Governors' meetings and other constitutional and statutory requirements.

Royal Ballet School

Accounting policies

For the year ended 31 August 2016

Operating leases

Rental payments under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable are an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Taxation

Gift aid recovered on voluntary income is included with the donation to which it relates and irrecoverable VAT is included with the item of expenditure to which it relates.

Tangible fixed assets and depreciation

All tangible fixed assets are stated in the balance sheet at cost less depreciation. The depreciation of assets is provided in equal annual instalments over the estimated useful lives of the assets.

Long leasehold property

The original cost of the White Lodge long leasehold property was fully amortised in the period 1955 to 1976, although the lease was not due to expire until 2014. Subsequent major works and additions to the leasehold property were 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. 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 was undertaken in three phases from 2005 and completed in February 2009. Relevant leasehold costs are depreciated over the term of the lease. Building costs are depreciated over 40 years.

The Floral Street leasehold property is depreciated over the term of the 150 year lease, except for building costs which are depreciated over 40 years. Up to 2009 the buildings had been depreciated over 25 years, but the policy was then reviewed and changed. The net book value at 31 August 2008 is now being depreciated over the remainder of the 40 year term. Jebson House property is depreciated over the lease term of 20 years.

Freehold property

The Aud Jebson Hall student accommodation is freehold property and is being depreciated over 50 years from Easter 2016 when it was completed. Finance costs on loans taken out for the purchase of the property have been capitalised during the period when the property was being refurbished.

Furniture, fixtures and equipment

Assets with a cost of more than £1,000 are capitalised and these are depreciated over their expected useful lives as follows:

Furniture, fixtures and equipment	5 -7 years
Computer equipment	3 years
Motor vehicles	4 years

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 currency

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.

Royal Ballet School

Accounting policies

For the year ended 31 August 2016

Pension schemes

Employees of the School are entitled to join the group personal pension scheme and employer contributions are charged to expenditure in the accounting period in which they are payable.

Teachers are entitled to join the Teachers' Pension Scheme which is an unfunded multi-employer defined benefits pension scheme. Contributions are charged to expenditure in the accounting period in which they are payable as if the scheme were a defined contribution scheme, as the School does not have sufficient information to account as a defined benefit scheme.

The School operated a defined benefit scheme, The Royal Ballet School Pension and Life Assurance Plan, which was closed to new entrants during 2002 and for future accrual on 31 August 2012. The assets and liabilities of the Scheme are reported in these financial statements as required by FRS 102. The Statement of financial activities includes the expected return on scheme assets in investment income, the interest cost in other finance costs, and the actuarial gains and losses arising from the annual valuation. The pension liability is recognised in the balance sheet as the School has a legal obligation to settle the liability over the long term.

See note 24 for more detail of the pension schemes.

Fund accounting

Unrestricted funds comprise of the accumulated unrestricted surplus or deficit each year. They are available for use at the discretion of Governors in furtherance of the general charitable objectives. The general pensions reserve represents the deficit in the defined benefit pension scheme (see note 24).

Unrestricted designated funds are amounts that have been put aside at the discretion of the Governors. At the year-end they comprised of a Fixed asset fund and a Building maintenance fund. The Fixed asset fund represents the extent to which donated funds are invested in fixed assets for use by the School and therefore are not available for other purposes. The Building maintenance fund represents funds put aside to maintain buildings, especially White Lodge.

Restricted funds are funds subject to specific restricted conditions imposed by the donors.

Details of unrestricted funds are shown in note 16 and restricted funds in note 17.

Financial instruments

The School has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost using the effective interest method. Financial assets held at amortised cost comprise cash and bank and in hand, together with trade debtors, accrued income and all creditors except social security and other taxes and provisions. Assets and liabilities held in foreign currency are translated to GBP at the balance sheet date at an appropriate year end exchange rate.

Royal Ballet School
Notes to the financial statements
For the year ended 31 August 2016

1 Charitable activities income

	2016 £000	Restated 2015 £000
School fees – note 1a	6,652	6,481
Extras and performance income	225	176
Fees from Associates, Summer School and Teachers' courses	814	724
Auditions and other income	97	72
	<u>7,788</u>	<u>7,453</u>

1a School fees

School fees were funded from :

Grants from the Department for Education	4,171	4,215
Bursaries from The Royal Ballet School Endowment Fund	151	21
Bursaries from restricted donations	538	521
Parents	1,792	1,724
	<u>6,652</u>	<u>6,481</u>

2 Donations

	Unrestricted £000	Restricted £000	Total 2016 £000	Restated 2015 £000
Grants	731	424	1,155	1,240
Donations	616	6,680	7,296	8,133
Friends	27	-	27	22
	<u>1,374</u>	<u>7,104</u>	<u>8,478</u>	<u>9,395</u>

3 Other income

	2016 £000	2015 £000
Investment income – bank interest	23	25
Other income	7	28
	<u>30</u>	<u>53</u>

Royal Ballet School
Notes to the financial statements
For the year ended 31 August 2016

4 Trading subsidiary

The activities of the wholly owned subsidiary TRBS Enterprises Limited are immaterial to those of the Group so consolidated accounts have not been prepared. Due to the presentation of the School's accounts in round thousands, the subsidiary shares of £100 held are not shown as an investment in these financial statements. The company's trading results for the year, extracted from its audited financial statements were:

	2016 £000	2015 £000
Turnover	9	19
Cost of sales	(0)	(7)
Gross profit	9	12
Administration costs: Licence to occupy premises	(1)	(1)
Other costs	(13)	(15)
Operating loss	(5)	(4)
Payment to The Royal Ballet School under Gift Aid	-	-
Tax on profit after ordinary activities	2	-
Loss for the year	(3)	(4)
Net assets	24	27

5 Expenditure analysis

	Staff costs £000	Depreciation £000	Other costs £000	Total 2016 £000	Restated 2015 £000
Raising funds					
Development and fundraising	173	-	13	186	163
Charitable activities					
Teaching	2,167	-	461	2,628	2,512
Pastoral and welfare	429	-	1,019	1,448	1,310
Outreach and partnership	780	-	405	1,185	1,142
Premises	301	864	1,562	2,727	2,540
Support and governance	835	40	921	1,796	1,717
Grants and prizes	-	-	588	588	665
	4,512	904	4,956	10,372	9,886
Total expenditure	4,685	904	4,969	10,558	10,049

Royal Ballet School
Notes to the financial statements
For the year ended 31 August 2016

6 Prior year restatement of income and expenditure

Grants to help supplement school fee income were reported in the previous year with school fees, but with the new Charity SORP format these are now reported in Grants in the Donations heading.

Also school fee income and pastoral expenditure have been grossed up in the prior year for Upper School subsistence costs, so that they are comparable with the current year. This reflects a change of practice in 2015/16 to invoice full fees and show student subsistence payments as a cost, to better reflect the essence of the transaction.

7 Governance costs

	2016	2015
	£000	£000
Governance costs included in support costs:		
Fees payable to the auditor for the statutory audit	29	26
Fees payable to the auditor for tax advice	3	-
Board and committee costs	1	1
Total	33	27

8 Finance and lease costs

	2016	2015
	£000	£000
Bank interest payable	30	29
Interest on Pension Plan	29	20
Operating leases: land and buildings	320	455
Operating leases: pianos and office equipment	33	33

9 Grants and prizes expenditure

Grants are for student sponsorship and bursaries for full-time students, Associates and Summer School students. Apart from a few scholarships for full-time students, all grants are means-tested.

	2016	2015
	£000	£000
Grants	580	652
Prizes	8	13
	588	665

Royal Ballet School
Notes to the financial statements
For the year ended 31 August 2016

10 Employees

	2016	2015
	£000	£000
Payroll costs for the year:		
Salaries	3,994	3,793
Social security costs	373	349
Other pension costs	318	296
Total	4,685	4,438

No School Governors received any remuneration, expenses or any other benefits from the School or any connected body.

Total employee benefits including employer pension contributions of the Senior Leadership Team were £642,000 (2015: £582,000).

Redundancy costs paid in the year were £Nil (2015: £44,000) with none outstanding at the year end.

	2016	2015
	Number	Number
The number of higher paid employees in bands of:		
£60,001 to £70,000	2	2
£70,001 to £80,000	1	1
£80,001 to £90,000	1	1
£90,001 to £100,000	-	1
£140,001 to £150,000	1	-

The average headcount of the School's employees during the year:

Teaching	55	56
Pastoral and welfare	16	14
Outreach and partnership	76	66
Premises	13	15
Support and development	29	26
	189	177

The Outreach and partnership numbers increased with the addition of paid assistants at each Associate centre, to help improve the administration of safeguarding compliance. Previously these roles were carried out by volunteers.

Royal Ballet School
Notes to the financial statements
year ended 31 August 2016

11 Tangible fixed assets

	Long leasehold property			Freehold property			Furniture, fixtures and equipment			Motor vehicles		Total
	Floral Street £000	White Lodge £000	Jebsen House £000	Aud Jebsen Hall £000	Floral Street £000	White Lodge £000	Jebsen House £000	Aud Jebsen Hall £000				
Cost or valuation												
1 September 2015	14,940	22,651	787	11,141	844	1,388	49	-	59			51,859
Additions	164	47	-	3,662	134	47	-	99	-			4,153
31 August 2016	15,104	22,698	787	14,803	978	1,435	49	99	59			56,012
Depreciation												
1 September 2015	4,181	5,722	257	-	839	1,385	49	-	48			12,481
Charged in the year	255	460	39	111	20	10	-	5	4			904
31 August 2016	4,436	6,182	296	111	859	1,395	49	5	52			13,385
Net book value												
31 August 2016	10,668	16,516	491	14,692	119	40	-	94	7			42,627
31 August 2015	10,759	16,929	530	11,141	5	3	-	-	11			39,378

The new student accommodation, Aud Jebsen Hall in Pimlico, opened at Easter 2016 following completion of the refurbishment project. During the project the finance costs of loans taken out to buy the property were capitalised, and these were £9,000 in the year (2015: £110,000).

Royal Ballet School
Notes to the financial statements
year ended 31 August 2016

12	Debtors	2016	2015
		£000	£000
	Fees and recoverable extras	805	793
	Intercompany	14	36
	Connected charity (see note 22)	175	-
	Other debtors	180	181
	Prepayments	73	120
	Accrued income	84	30
		1,331	1,160
Debtors for fees include £722,000 (2015: £704,000) fees invoiced in August for the following academic year, which were due before the start of term.			
13	Creditors: amounts falling due within one year:	2016	2015
		£000	£000
	Trade creditors	295	411
	Connected charity (see note 22)	-	156
	Taxation and social security	90	113
	Other creditors	81	93
	Accruals	428	266
	Bank loans due within one year	280	530
		1,174	1,569
14	Deferred income	2016	2015
		£000	£000
	Fees in advance	886	800
	Department for Education paid in advance	1,500	1,500
		2,386	2,300
15	Creditors: amounts falling due after one year:	2016	2015
		£000	£000
	Creditors due in 2 to 5 years		
	Bank loans	121	371
	Creditors over 5 years		
	Bank loans	280	311
		401	682

Bank loans at 31 August 2016 include two loans secured by charges over the White Lodge property:

- a fixed rate loan of £431,000 (2015: £462,000) repayable by November 2030, with £30,000 due within one year, and an interest rate is 6.01% per annum.
- a loan of £250,000 (2015: £750,000) which is repayable in quarterly instalments by December 2016, which is all now due within one year. The interest rate is 2.1% over LIBOR.

Royal Ballet School
Notes to the financial statements
year ended 31 August 2016

16 Unrestricted funds

	Balance at 1 September 2015 £000	Incoming resources £000	Resources expended £000	Transfers £000	Gains/ (losses) £000	Balance at 31 August 2016 £000
Designated						
Fixed asset fund	35,091	-	-	4,709	-	39,800
Building maintenance fund	500	-	-	-	-	500
	<u>35,591</u>	<u>-</u>	<u>-</u>	<u>4,709</u>	<u>-</u>	<u>40,300</u>
General						
Pensions reserve	(807)	-	(29)	36	(655)	(1,455)
Free reserves	3,185	9,192	(9,335)	833	-	3,875
	<u>2,378</u>	<u>9,192</u>	<u>(9,364)</u>	<u>869</u>	<u>(655)</u>	<u>2,420</u>
Total	<u>37,969</u>	<u>9,192</u>	<u>(9,364)</u>	<u>5,578</u>	<u>(655)</u>	<u>42,720</u>

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 unrestricted funds are as follows:

Designated fixed asset fund

This fund represents amounts expended on tangible fixed assets required for the operation of the School.

Designated building maintenance fund

This fund represents amounts designated and set aside by Governors for White Lodge to fund the repair of a water ingress problem and landscaping to complete the 2010 redevelopment project. Both complex projects were delayed while relevant permissions were obtained, and the work has now been scheduled for Spring 2017. Following that the next substantial maintenance project will be stonework repairs at White Lodge.

General reserves

The negative pension reserve represents the School's liabilities in respect of The Royal Ballet School Pension and Life Assurance Plan which is a defined benefit scheme that is now closed to new members (see note 24).

The free reserves represent the balance of unrestricted funds which have not been designated and are available for use at the discretion of the Governors in furtherance of the general charitable activities. This is before deducting the pension reserve, as the pension deficit is a long-term liability.

Transfers

- i) A transfer of £5,578k from restricted funds to unrestricted funds whereby the restriction has been extinguished on purchase of fixed assets.
- ii) A transfer of £869k from the General fund to the Designated Fixed Assets fund representing the depreciation charge on fixed assets.
- iii) A transfer of £36k from the general fund to the pensions reserve representing the pension payments made into the scheme.

Royal Ballet School

Notes to the financial statements

year ended 31 August 2016

17	Restricted funds	Balance at 1 September 2015 £000	Incoming resources £000	Resources expended £000	Transfers £000	Balance at 31 August 2016 £000
	White Lodge Appeal Fund	1,906	-	-	-	1,906
	Aud Jebesen Hall – Pimlico Appeal	-	5,561	-	(5,561)	-
	Sponsorship, bursaries and prizes	494	809	(588)	-	715
	Outreach and Access fund	490	424	(435)	-	479
	Ballet and artistic funds	89	114	(97)	-	106
	Healthcare	-	154	(54)	-	100
	Equipment	-	42	(20)	(17)	5
		<u>2,979</u>	<u>7,104</u>	<u>(1,194)</u>	<u>(5,578)</u>	<u>3,311</u>

Restricted funds are used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes.

White Lodge 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.

Aud Jebesen Hall - Pimlico student accommodation Appeal

The School has successfully completed the appeal totalling £14.5 million since 2014. The donations have been transferred to unrestricted funds as they have been spent and the restriction fulfilled.

Sponsorship, bursaries and prizes

This fund includes donations for financial support for full-time students, Associates and Summer School students and some prizes. All support is means-tested apart from a small number of scholarships. The School awards places based only on talent, so this support is particularly crucial to help fund overseas students, which raises the standard for all students and allows the School to maintain its place as one of the best classical ballet schools in the world.

Outreach and Access

This fund represents grants from the Department for Education, Trusts and Foundations and other donors to further the aims and objectives of the School's Outreach and Access programme.

Ballet and artistic funds

These donations are restricted for performances and new ballets, graduate tours, choreography and the Creative Artist Programme, which all help add breadth and depth to student training. The Creative Artist Programme was introduced in 2015 to broaden the students' artistic experience by exposing them to a broad range of experts who have excelled in their field, both in artistic and in other areas.

Healthcare

This donation is to help the School improve its healthcare provision for three years, through the Healthy Dancer programme.

Equipment

Donations have been received to fund the updating of the technical equipment in the Margot Fonteyn Theatre at White Lodge, and Smart screens for classrooms to allow academic teaching across the two School sites.

Royal Ballet School
Notes to the financial statements
year ended 31 August 2016

18 Allocation of assets by fund type

	Unrestricted General Fund £000	Unrestricted Designated Funds £000	Restricted Funds £000	Total 2016 £000
Fixed assets	2,827	39,800	-	42,627
Debtors	1,309	-	22	1,331
Cash at Bank	3,268	500	3,721	7,489
Creditors: due within one year	(3,529)	-	(31)	(3,560)
Creditors: due after one year	-	-	(401)	(401)
Defined benefit pension scheme deficit	(1,455)	-	-	(1,455)
	<u>2,420</u>	<u>40,300</u>	<u>3,311</u>	<u>46,031</u>

19 Liability of members

The Charitable company is limited by guarantee and does not have a share capital. In the event of the Company being wound up, the maximum amount which each member is liable to contribute is £1. There were 16 (2015:17) members at the year end who are the Governors of the School.

20 Capital commitments

There were no capital commitments at the end of the reporting period this year (2015: £62,000).

21 Commitments under operating leases

	2016 £000	2015 £000
The total of future minimum lease payments under operating leases for each of the following periods:		
Not later than one year	181	294
Later than one year and not later than five years	689	707
Later than five years	1,221	1,385
	<u>2,091</u>	<u>2,386</u>

22 Related party transactions

TRBS Enterprises Limited

The subsidiary charity trades by hiring out School premises at times when they are not required by the School. During the year the following transactions were made with the School:

- The School recharged £13,000 (2015: £15,000) of costs for staff time and other costs directly related to the activities of the subsidiary.

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- The School receives a licence fee from the subsidiary of £1,000 (2015: £1,000) for occupation of the premises, based on 5% of the trading income in the subsidiary.

At the end of the year the School was owed £14,000 by the subsidiary, see note 12 (2015: £36,000).

The Royal Ballet School Endowment Fund

The connected charity, the Royal Ballet School Endowment Fund provides funding and facilities for the students of The Royal Ballet School. During the year the following transactions were made with the School:

- The School received grants of £167,000 (2015: £55,000) from the Endowment Fund for bursaries for students for School fees, prizes and other costs.
- The School does not charge the Endowment Fund for staff time for administering the charity.

At the end of the year the School was owed £175,000 by the Endowment Fund, see note 12 (2015: the School owed the Endowment Fund £156,000, see note 13).

Governors of The Royal Ballet School

Governors did not receive any payment or expenses from the School as disclosed in note 10. The total amount of donations received from Governors in the year was £1,354,000 (2015: £856,000), of which £1,223,000 (2015: £694,000) was for the Pimlico appeal for the new student accommodation. None of the Governors' donations were given with conditions that required the charity to alter the nature of its existing activities.

23 Taxation

As a registered charity, The Royal Ballet School is potentially exempt from taxation of income and gains falling within sections 466 to 493 of the Corporation Tax Act 2010 and section 521 to 536 of the Income Tax Act 2007.

24 Pension commitments

The School operates a group personal pension scheme, a defined benefit scheme with the Teachers' Pension Scheme and also a defined benefit scheme which was closed to future accrual on 31 August 2012, known as The Royal Ballet School Pension and Life Assurance Plan.

Group personal pension scheme

Contributions for the group personal pension scheme are charged to expenditure in the accounting period in which they are payable. Pension charges for the year were £187,000 (2015: £199,000). At the year end £26,000 (2015: £47,000) was accrued in respect of contributions to this scheme.

Teachers' Pension Scheme

The School participates in the Teachers' Pension Scheme for its teaching staff. The pension charge for the year includes the employer contributions payable of £131,000 (2015: £97,000) and at the year end £Nil (2015: £14,000) was accrued in respect of contributions to this scheme.

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The Teachers' Pension Scheme is an unfunded multi-employer defined benefits pension scheme governed by the Teachers' Pension Regulations 2010 and the Teachers' Pension Scheme Regulations 2014. Members contribute on a "pay as you go" basis with contributions from members and the employer being credited to the Exchequer. Retirement and other pension benefits are paid by public funds provided by Parliament.

The employer contribution rate is set following scheme valuations undertaken by the Government Actuary's Department. The latest valuation report in respect of the Teachers' Pension Scheme was prepared at 31 March 2012 and was published in June 2014. The report confirmed an employer contribution rate of 16.4% which together with a 0.08% administration charge, resulting in a total employer payment rate of 16.48% from 1 September 2015.

The next revision to the employer contribution rate is not expected to take effect until 1 April 2019. This will follow on from the next actuarial valuation which is due at 31 March 2016. This valuation will also determine the opening balance of the cost cap fund and provide an analysis of the cost cap as required by the Public Service Pensions Act 2013.

The Royal Ballet School Pension and Life Assurance Plan (the "Plan")

This defined benefit pension scheme provides benefits based on pensionable pay up to 31 August 2012 when the Scheme ceased accrual. The assets of the Plan are held separately from those of the School, being invested with Clerical Medical and General Life Assurance Society in their Pension Contract.

Contributions and triennial valuations

The contributions are recommended by an independent qualified actuary from Clerical Medical on the basis of triennial valuations carried out by the actuary on behalf of the Trustees of the Plan.

The most recent triennial valuation was as at 1 September 2013 and this showed that the Plan's assets were sufficient to cover the liabilities on the funding basis. The market value of the Plan's assets was £2,884,000 and that the benefits accrued to members were £2,601,000, giving a funding surplus of £283,000 and a funding level of 111%. The actuarial assumptions underlying this valuation are different to those adopted under FRS 102 included in these financial statements.

Although there is a funding surplus, the Trustees of the Plan have agreed to retain this as a margin against adverse experience. The Trustees have agreed with the School that contributions will continue at £36,000 per annum to improve the funding level in the Plan.

The funding position of the Plan and contributions to be paid will be reviewed again at the next triennial valuation due as at 1 September 2016, which will be completed during the 2016-17 financial year.

Valuation for these financial statements under FRS 102

The Plan was valued at the end of the reporting period by a qualified Independent Actuary in accordance with Financial Reporting Standard 102, and the following notes 23a to 23i relate to this valuation. This valuation has different actuarial assumptions to the triennial valuation.

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24a	The principal actuarial assumptions at the end of the reporting period (expressed as weighted averages):	2016 £000	2015 £000
	Discount rate	2.0%	3.6%
	RPI assumption	2.9%	3.0%
	CPI assumption	2.1%	2.2%
	LPI pension increases	2.8%	2.9%
The underlying mortality assumption is based upon the standard table known as PNA00 projected on a year of birth basis using the 2014 CMI mortality projection model subject to a long-term annual rate of future improvement of 1.25% per annum (2015: same). This results in the following life expectancies:			
		Years	Years
	Life expectancy for 60 year old male	88.0	87.9
	Life expectancy for 40 year old male	89.9	89.8
24b	The amounts recognised in the balance sheet:	2016 £000	2015 £000
	Present value of Plan liabilities	(4,550)	(3,758)
	Market value of Plan assets	3,095	2,951
	Net defined benefit liability	<u>(1,455)</u>	<u>(807)</u>
24c	Amounts included within the Statement of Financial Activities (SOFA):	2016 £000	2015 £000
	Current service cost	-	-
	Interest on net defined benefit asset	(29)	(20)
	Total amount charged within net incoming resources	<u>(29)</u>	<u>(20)</u>
24d	Changes in the present value of Plan liabilities:	2016 £000	2015 £000
	Present value of scheme liabilities at beginning of the year	(3,758)	(3,619)
	Benefits paid	139	-
	Interest on Plan liabilities	(133)	(134)
	Actuarial loss	(798)	(5)
	Present value of Plan liabilities at end of the year	<u>(4,550)</u>	<u>(3,758)</u>

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24e Changes in the fair value of Plan assets:

	2016 £000	2015 £000
Market value of Plan assets at beginning of the reporting period	2,951	3,058
Employer contributions	36	36
Benefits paid	(139)	-
Interest on Plan assets	104	112
Return on assets, less interest included in the SOFA	143	(255)
Market value of the Plan assets at the end of the reporting period	3,095	2,951
Actual return on Plan assets	247	(141)

24f The major categories of Plan assets as a percentage of total Plan assets:

	2016	2015
Group pension contract	100%	100%
Cash	0%	0%

The Plan had no investments in property occupied by, assets used by or financial instruments issued by the School.

24g Analysis of the remeasurement of the net defined benefit liability recognised in Other recognised losses in the SOFA:

	2016 £000	2015 £000
Actual return less expected return on Plan assets	143	(255)
Experience gains and losses arising on Plan liabilities	81	17
Changes in assumptions underlying the present value of Plan liabilities	(879)	(22)
Actuarial loss recognised in Other recognised losses	(655)	(260)

24h Movement in deficit during the year

	2016 £000	2015 £000
Deficit in the scheme at the beginning of the year	(807)	(563)
Interest recognised in the SOFA	(29)	(20)
Employer contributions	36	36
Actuarial loss recognised in Other recognised losses in the SOFA	(655)	(260)
Deficit in the scheme at the end of the year	(1,455)	(807)

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25 Statement of financial activities – comparative figures for the prior period by fund

	Unrestricted Funds		Restricted Funds	Total Funds
	General £000	Designated £000	£000	2015 £000
Income from:				
Charitable activities	7,453	-	-	7,453
Donations	1,025	-	8,370	9,395
Other income	53	-	-	53
Total income	8,531	-	8,370	16,901
Expenditure on:				
Raising funds				
Development and fundraising	163	-	-	163
	163	-	-	163
Charitable activities				
Teaching	2,351	-	161	2,512
Pastoral and welfare	1,310	-	-	1,310
Outreach and partnership	589	-	553	1,142
Premises	2,536	-	4	2,540
Support and governance	1,717	-	-	1,717
Grants and prizes	-	-	665	665
	8,503	-	1,383	9,886
Total expenditure	8,666	-	1,383	10,049
Net income / (expenditure)	(135)	-	6,987	6,852
Transfers between funds	747	8,085	(8,832)	-
Other recognised losses				
Actuarial losses on defined benefit pension scheme	(260)	-	-	(260)
Net movement in funds	352	8,085	(1,845)	6,592
Total funds brought forward	2,026	27,506	4,824	34,356
Total funds carried forward	2,378	35,591	2,979	40,948