



Report & Financial Statements

1 August 2017 – 31 July 2018

Company registration number 981908

NFTS

**NATIONAL
FILM AND
TELEVISION
SCHOOL**

Our credits tell the story

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Statement from the Chair of the Board of Governors

*NFTS Chairman Patrick McKenna, with
Director Jon Wardle, receiving the
Queen's Anniversary Prize for Higher and
Further Education from Prince Charles
and the Duchess of Cornwall.*

The National Film and Television School has always been an institution that inhabits two very different spheres of British life. On the one hand, we are an educational institution, serving an important role providing high quality post-graduate teaching and training in a range of specialist subjects designed to give our students the best possible grounding for their chosen careers. And on the other, we are a British creative institution whose ethos has been instilled in generations of film and television makers – and more recently games designers too – who have shaped Britain’s cultural life through the stories they tell.

That ethos was summed up by our founding Director Colin Young in a quote that is on display for all students and visitors to see as they enter the School: *“Filmmakers should be missionaries for a better way of life.”*

These twin roles – as an education institution and a cultural one – were both recognised in the past year by two very different, but equally significant, awards that the NFTS was honoured to receive: the Queen’s Anniversary Prize for Higher and Further Education; and the BAFTA for Outstanding British Contribution to Cinema.

At the NFTS we have become used to seeing our graduates go on to achieve awards and recognition – our alumni have won 11 Oscars and 138 BAFTAs and been nominated many more times for each – but it has been a great privilege to have the institution recognised for its success too.

In recent years we have taken great care to ensure that the School is on a solid financial footing so that we can continue to play our twin roles successfully and sustainably in the years ahead. We have also made major investments in the School’s physical infrastructure and expanded the number of specialist courses we offer.

We have continued our progress in 2017-18, in particular through the establishment of NFTS Scotland in Glasgow and our successful bid to house the Industry Centre of Excellence for Immersive Storytelling at the School in Beaconsfield, as the School’s Director Dr Jon Wardle sets out in his statement on the next page. On behalf of my colleagues on the Board of Governors I wish to thank him and his staff for the work they have done. The School’s success is theirs and the students’ success and they deserve every bit of it.

Patrick McKenna

Chair of the Board of Governors





Statement from The Director

NFTS Director Jon Wardle with Scottish First Minister Nicola Sturgeon at the Edinburgh TV Festival, where the Scottish Government's support for NFTS Scotland was announced.

2017-18 was my first full year in post as Director of the NFTS and it has been an enormous privilege to spend much of it celebrating the successes that our Chairman outlined on the previous page.

I have taken up my new role during a period of growth for the School. Just months before I started in post we opened two new buildings and re-equipped our now state-of-the-art 4K TV studio. We had also recently established a range of new specialist courses in disciplines ranging from Marketing, Distribution, Sales and Exhibition to Model Making for Animation and Assistant Directing and Floor Managing.

At the NFTS we consider ourselves an integral part of the British film, television and games industries and, as such, respond to the needs of the sector as skills shortages or other imperatives are identified. And it is in that spirit that, in the past year, we have made two further significant developments.

The first is the establishment of our new hub in Glasgow, NFTS Scotland, which opened its doors in April 2018 and offers a range of short courses, certificates and part-time diplomas designed to enhance the skills base of the Scottish screen industry. We have only been able to do so with the generous support of the Scottish Government and the BBC.

We want to support the British film, television and games industries wherever that support is needed, so being able to offer training beyond our Beaconsfield base is vitally important. I hope that over the coming years, as the industry increasingly turns its attention to the nations and regions, we can continue to expand our offering to support our screen industries beyond London and the South East.

The second development is that we made a successful bid – alongside Royal Holloway, University of London and a host of industry partners – to house a new Industry Centre of Excellence in Immersive Storytelling. Great technological leaps have been made in recent years in immersive technologies – virtual reality, augmented reality and

mixed reality – but one crucial ingredient that has been missing is storytelling. We hope that by bringing together creative individuals and companies to explore the narrative possibilities that immersive technologies offer we can play a key role in developing an exciting but nascent industry and help Britain to become a leader in the world in the way it is in film, television, games, advertising and music.

Our hope is that the new Industry Centre of Excellence will not only help Britain's creative sector to embrace new technology and new opportunities, but also that it will help to enhance the work of the School and the education of our students. We are a School that prizes storytelling above all else – whatever the medium – and applying our ethos to new formats and new challenges is a hugely exciting prospect.

I would like to thank Patrick McKenna and our Board of Governors for the leadership and ambition they have shown and for their commitment to ensuring that our success is sustainable for years to come. I would also like to express my deep gratitude to the many individuals and organisations – including the *DCMS, BFI, Office for Students, HEFCE, Creative Skillset, Channel 4, BBC, Sky, ITV, the Film Distributors Association, the UK Cinema Association* and more than 80 scholarship donors, trusts and foundations – without whose support our success, and that of our students, would not be possible.



Jon Wardle
Director

Management and Advisers

Management Team

Jon Wardle – Director
Trevor Hall – Finance Director
Phil Reilly – Marketing and External Relations Director
Kate Renwick – H.R. Director
Mark Tugwell – Operations Director
Eleanor Wheal – Registrar

Company Registration Number

981908

Registered Office

Beaconsfield Studios
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Buckinghamshire
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External Auditors

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Internal Auditors

KCG
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Kenry House
Kingston Hill Campus
Kingston Upon Thames
KT2 7LB

Bankers

Lloyds Bank PLC
25 Gresham Street
London
EC2V 7HN

Solicitors

Mills & Reeve LLP
Monument Place
24 Monument Place
London
EC3R 8AJ

Actuaries

First Actuarial LLP
Mayesbrook House
Lawnswood Business Park
Leeds
LS16 6QY



Strategic Report

Filming on the set of NFTS graduation film Blood Type, in which a scene set in the Siberian wilderness was created on the School's main stage.

This report reviews the National Film and Television School (the 'School') activities for the year ended 31 July 2018 in the context of the opportunities, challenges and risks within which it operates.

1 Objects, Strategy and Risk Analysis

1.1 Objects, Vision and Values

The main objective of the year was to maintain and develop the world-class education and training of all the students. This remains at the heart of everything the School does as it seeks to achieve its charitable objects.

The charitable objects of the School are to:

- Promote and provide for the advancement of education of the public and in this connection to carry on a School in Great Britain for the education and training of persons concerned in the making of films, television and new media;
- Provide instruction in the art and science of making cinematograph and other films;
- Provide instruction in the art and science of making programmes for television; and
- Provide instruction in the art and science of new media.

These charitable objects form the basis of the School's 2020 Vision, which is outlined in the School's Strategic Plan (see section 1.4).

The School's Mission Statement is:

"to educate the best creative talent to the highest professional standard for tomorrow's screen media industries"

The School is the UK's national centre of excellence for education in film and television programme making. The students learn their craft in purpose-built studios that include three film stages, a separate state-of-the-art 4K TV studio and post-production facilities rivalling those of many professional companies.

The School also provides a "Bridges to Industry" programme whereby students are given an opportunity to work on development projects with a number of broadcasters and independent production companies. In addition, the School arranges screenings and masterclasses from within the UK and world creative industries and distributes many student films to festivals and major competitions across the globe.

1.2 Outreach and Widening Participation

The School is committed to reaching out to students from a wide range of different cultural, socio-economic and geographic backgrounds, with the aim of promoting greater creativity and authenticity, widening the talent pool, giving fair access to the industry, and searching for unheard voices and untold stories.

During the year the School did this in six principal ways:

- i) Scholarship and bursary support: the School raised and distributed £1,157k in financial aid to students during the year;
- ii) Open Days: the School continued to run its course-specific open days and general open day on a Saturday, but has supplemented these through taster workshops, online open days and through the delivery of bespoke individual school, college and university group visits;
- iii) BFI Film Academy: the School visited more than 35 regional film and arts centres, speaking to more than 900 young people across the UK about its Easter residential programme and opportunities to study at the School;
- iv) Diverse Directors Workshop: for the second year running the School ran a workshop – supported by Eon Productions, The Robert Gavron Charitable Trust, and Creative Skillset – open to directors from under-represented groups designed to help them develop and make a short film. The School also held an industry screening for the first cohort's films at Channel 4's headquarters;
- v) Schools Challenge: the School ran a commercials competition for pupils at local secondary schools, in partnership with the Buckinghamshire Skills Hub, which involved presentations and advice for classes at eight schools in the county and a free workshop in our TV studio for the winners. This is now being repeated in 2018-19; and
- vi) Massive Open Online Courses: the School has delivered two free online courses which have provided an introduction to film making for over one hundred thousand people.

1.3 Community Engagement

The School takes its position within the local community seriously and is always keen to forge links with outside organisations and support worthy causes when it can.

The Oswald Morris Building has provided a facility that the wider Beaconsfield community can make use of – whether for screenings by the Beaconsfield Film Society, or for use by the many charitable groups in the area. The School is a strong supporter of community groups and charities in the local area and provides free use of its facilities to charitable groups for fundraising activities; during 2017-18 the School hosted more than 40 different community groups and charities.

In addition to fundraising events, the School also has strong connections with a number of local primary schools and assists both students and teachers with projects, work experience placements and training for film appreciation. The School also hosts tours to increase public awareness and provides information on career opportunities in the film and television arenas.

1.4 Strategic Plan

The School's five-year Corporate Plan – the 2020 Vision – is designed to place the School on a sustainable financial footing, to enable it further to build on its international reputation as one of the 'Top International Film Schools' in the World (*Hollywood Reporter*).

The objectives detailed in the plan were to:

- Redevelop the School's estate and facilities to accommodate the new courses/students and thus create the critical mass/additional revenues that will underpin the School's financial health;
- Expand the breadth of the School's course portfolio to meet industry and societal need;
- Significantly increase the School's student numbers;
- Develop the School's knowledge exchange activities; and
- Broaden the School's reputation from film and television to games and other audio-visual sectors of the creative industries.

Enactment of the plan will result in the School's facilities' footprint increasing by 1,838 square metres (23%), the student body increasing by 257 full time equivalent (80%), and income increasing by 36%. By 2019-20 the School aims to be making surpluses equivalent to 6% of turnover. Successful delivery of the project will ensure the School's long-term viability.

At the heart of the five-year plan are four themes with associated goals:

- Facilities – create more space for more students;
- Courses – develop the course portfolio so that it serves the wider creative industries;
- Accreditation and Standards – ensure the School has robust processes in place; and
- Outreach and Impact – cement the School's position as the national film and television school.

Our vision for 2020, at which point the School will be on the cusp of celebrating its 50th anniversary, is to be the best school in the world, and widely acknowledged as such, serving the audio-visual part of the creative industries.

2017-18 was a landmark year in the delivery of these objectives and the Corporate Plan as a whole. Specifically, the School:

- Opened NFTS Scotland, a new hub in Glasgow delivering certificate, diploma and short courses, with support from the Scottish Government and the BBC;
- Successfully bid to establish a new national Centre for Immersive Storytelling at the School's campus in Beaconsfield, in partnership with Royal Holloway, University of London and a range of industry partners. This will be part-funded through the Government's Industrial Strategy Challenge Fund;
- Launched new courses in Model Making, Script Supervision, Assistant Camera and Location Management, and developed new courses which are currently recruiting students for enrolment in 2019. This follows the establishment of a number of new courses that ran for the first time in 2017-18: Marketing, Sales, Distribution and Exhibition; Directing and Producing Science and Natural History; Production Accounting for Film and Television; Assistant Directing and Floor Managing; Graphics and Titles for Film and Television; and Directing Commercials;
- Received the BAFTA for Outstanding British Contribution to Cinema;
- Received the Queen's Anniversary Prize for Higher and Further Education; and
- Retained our 'Top International Film School' status in the annual *Hollywood Reporter* listings for the eighth consecutive year. The School is now the only UK school featured in this listing.

1.5 Looking Forward

The future plans for the School fall into four areas:

- To sustain what we already do: 2017-18 has been extraordinary in terms of student and graduate achievements when measured by awards and the work undertaken, particularly by recent graduates. The School's first priority must be to sustain that level of achievement which will be no mean feat. It will require maintaining the School's world-class education, training and global competitiveness. It will also mean maintaining the School's accessibility to all UK talent, from whatever background, by continuing to enhance the School's bursary and scholarship support. In addition, it must maintain and develop current key partner and funders' support and explore new and more diverse funding streams;
- To expand the School's education choices by launching further new courses. The School will continue to make Short Courses the premier provider of quality relevant CPD to the media industries;
- To expand the School's provision outside London and the South East; building on the successful establishment of NFTS Scotland in Glasgow and working with industry partners to deliver more training in the nations and regions; and
- To successfully establish the National Centre for Immersive Storytelling as a hub for storytellers and craftspeople from across the screen sector and the wider creative industries to explore the creative possibilities of immersive technologies.

The current outlook for the School is better than it has been for many years:

- The demand for places at the School remains at a high;
- The reputation of the School resulting from the success of the work of its students and graduates is also at an all-time high;
- The School has successfully expanded the number of courses and students; and
- The School continues to accept many British students from disadvantaged backgrounds and continues to widen access to its provision.

1.6 Key Performance Targets

The School operates an organisational performance monitoring and reporting framework which includes a set of institutional Key Performance Indicators (KPIs) which are in line with sector best practice as defined by the Committee of University Chairs guidance. The KPIs cover courses, accreditation and standards, outreach and impact, and facilities.

		2016-17 (Actual)	2017-18 (Actual)	2018-19 (Target)
1	Courses "Develop the course portfolio so it serves the wider creative industry"			
1.1	Number of students (FTE)	390	441	471
1.2	Percentage of Black, Asian, and minority ethnic (BAME) students	17%	22%	22%
2	Accreditation & Standards "Ensure the School has robust controls and processes in place"			
2.1	Internal audits assessed as 'satisfactory' or above (%)	90%	100%	100%
2.2	Diversity is valued at the School (% of staff responded positively)	69%	76%	77%
2.3	Staff satisfaction (%)	78%	78%	80%
3	Outreach and impact "Cement position as the 'National' film & television school"			
3.1	No. of nominations at major industry awards	37	35	35
3.2	No. of social media followers (Twitter, Facebook, and Instagram) per annum	37,327	45,354	51,000
3.3	No. of industry attendees at graduation shows	288	809	870

		2016-17 (Actual)	2017-18 (Actual)	2018-19 (Target)
4	Facilities "More space for more students"			
4.1	Teaching space (m2)	2,892	3,049	3,049
4.2	Buildings rated A or B (RCIS maintenance indicator) (% of NIA m2)	57%	65%	67%
4.3	Carbon footprint	1.8	1.5	1.5

1.7 Risk Analysis

The School has in place a risk-management policy that forms part of the School's enhanced internal control and corporate governance arrangements. The policy explains the School's underlying approach to risk management and documents the roles and responsibilities of the management team and other key parties. It also outlines key aspects of the risk-management process and identifies the main reporting procedures.

The following key principles inform the School's approach to risk management and internal control:

- The Board of Governors has responsibility for overseeing risk management within the institution as a whole and the Audit Committee monitor and review risk and update the Board of Governors as appropriate;
- The School adopts an open and receptive approach to solving problems of risk;
- The School makes conservative and prudent recognition and disclosure of the financial and non-financial risks; and
- Key risk indicators are identified and closely monitored on a regular basis.

In general, the School would wish to adopt a circumspect approach to risk-taking, as this would be the approach expected from a publicly-funded Higher Education Institution (HEI). However, in some areas of activity – such as the level of creative risk students are encouraged to take in making their films, television shows and games – we may adopt a more open attitude than might be usual.

In addition to the Audit Committee's quarterly review of the risk register, the Board of Governors and the Finance and General Purposes Committee regularly review the key operational risks.

The School's key risks remain:

- Student recruitment – there is a strong demand for the School's courses; however, new courses being developed extend the School's traditional offer and will rely on strong marketing and communication to drive take-up of the new courses;
- Government funding – to ensure the School can maintain its quality of high-cost provision as the UK's national centre of excellence for education in film, games and television programme making;
- Delivery of the site conditional works – continued investment in the School's buildings and infrastructure is fundamental to the successful delivery of the wider objectives of the Corporate Plan; and
- Impact of Brexit – there is a risk that EU students may not be able to enrol on the School's courses for future academic years with the UK Government yet to clarify the situation. EU students currently represent 26% of the School's student body.



Academic Review

Director Paloma Baeza and producer Ser En Low won the BAFTA for Best Short Animation for their film Poles Apart – the fifth consecutive year it has been won by an NFTS film.

2 Academic Review

2.1 Overview and Highlights

The School continued to demonstrate remarkable success in 2017-18, as its film makers garnered accolades in a range of divergent festivals and competitions, receiving recognition around the world from industry for the quality of their work. Awards included the BAFTA Short Animation Film for the fourth year in succession; a selection at the Cannes Festival; Best Student Documentary at the Grierson Awards; a Golden Reels victory; and several Royal Television Society Awards.

The animation department continues to consolidate its position as one of the world's leading departments of its kind with 2018 seeing *Poles Apart* winning the prize for Best Short Animation at the BAFTAs.

Dead Birds was nominated in the 2018 Student Academy Awards, with the finals taking place later this year.

CILECT, the global body representing 160 film schools from 60 countries, continues to extol the School's productions. The School won the CILECT animation prize for *A Love Story* in 2017 in their Global Film School awards.

We were also proud to see five of our documentary graduation films reach the nomination stage of the Grierson Awards in 2018, with the winner announced later this year.

2.2 Learning and Teaching

The School runs more behind-the-camera courses than any other film school in the world. Currently there are seventeen two-year Masters programmes and fourteen diploma courses.

Activity: Two-Year MA Courses: 2017-2018

- Cinematography
- Composing For Film and Television
- Creative Business for Entrepreneurs and Executives
- Digital Effects
- Directing Animation
- Directing Fiction
- Directing Documentary
- Directing and Producing Science and Natural History
- Directing and Producing Television Entertainment
- Editing
- Film Studies, Programming and Curation
- Games Design and Development
- Marketing, Distribution, Sales and Exhibition
- Producing
- Production Design
- Screenwriting
- Sound Design for Film and Television

Activity: One-Year to 18-Month Diploma Courses: 2017-2018

- Assistant Camera (focus pulling and loading)
- Assistant Directing and Floor Managing (in partnership with the BBC)
- Cameras, Sound and Vision Mixing for Television Production (in partnership with Sky)
- Creative Producing for Digital Platforms (in partnership with Sky)
- Directing Commercials (part-time) – (in partnership with D & AD)
- Factual Development and Production (part-time) – (in partnership with Discovery Networks International)
- Graphics and Titles for Television and Film (in partnership with Sky)
- Model Making for Animation (in partnership with Aardman and Mackinnon and Saunders)
- Production Accounting for Film and Television (part-time) – (in partnership with the Production Guild)
- Production Management for Film & Television (in partnership with the BBC)
- Production Sound for Film & Television (in partnership with the BBC)
- Script Development (part-time)
- Sports Production (in partnership with IMG)
- Writing and Producing Comedy (part-time) – (in partnership with Channel 4)

NFTS Scotland

NFTS Scotland opened its doors to students at the end of April 2018 and in the period to July 2018 delivered 5 short courses to 52 participants. Of these, the majority have been freelancers although BBC Scotland has sent participants, as has a production company in Northern Ireland, with NI Screen supporting a number of Northern Irish delegates to attend courses in Glasgow. 40% of participants received bursary support from the Scottish Government enabling us to increase inclusion and widen access to the training, thus enhancing the diversity of the talent pool in the sector in Scotland. In the first instance, NFTS Scotland has delivered existing courses as delivered by Short Courses at the School in Beaconsfield. NFTS Scotland has also been developing new content across short courses and certificates as well as developing local tutors, and will be rolling out the new courses over the coming months.

Partnerships with BBC Scotland, facilities houses (most notably Panavision UK) and a number of educational institutions have seen NFTS Scotland receive in-kind support of venues, equipment and other resources as well as collaborating on joint events. The Scottish hub is still in start-up phase; growing strategic partnerships across industry and education is an ongoing and crucial element of its activity. Representatives from network and local production as well as independent production companies have met and spoken to course participants bringing a valuable industry perspective to the learning.

Two participants from “How Stories Work in Documentaries”, the very first course, have already reaped the benefits of the training: one has had a news piece commissioned and broadcast on Channel 4 News on the basis of the work produced during the course; and a second has had a one hour documentary commissioned for the new Scottish BBC Channel, again, based on the ideas developed during the training.

Short Courses and Part-Time Diplomas

From August 2017 to July 2018, Short Courses ran 50 courses training 448 individuals including employees sent by UEFA, Tiger Aspect, BFI, The Forge, Sky, Getty Images, Rondo Media, IMG Media, Economist, Hartwood Films, Eurosport, Kudos, Girl Effect, Alghad TV, Fulwell 73, Sixteen Films, TBWA Media, Alkass Sport, Paper Owl, Gobstopper TV, MBN, RockSteady, IFeatures, Channel 4, Ingenious, Baille Gifford, Hit Network, ORF, Earn Studios, Park Circus, and the BBC.

Short Courses also delivers five part-time diplomas – Script Development, Writing and Producing Comedy, Factual Development and Production, Production Accounting and Directing Commercials.

In addition to delivering training, over the past twelve months we have also shot and produced thirty-six commercials, nineteen comedy graduations and twelve diverse director short films – two of which have just been selected for the Oscar-qualifying Encounters Film Festival.

Short Courses successfully ran its second eight-week Writing The Bible certificate course again and has managed to secure another two years support from All3Media going forward. We also have ten working directors enrolled onto our HETV Director Stepping Up Programme, funded by Creative Skillset.

Curriculum, Recruitment and Access

The School's educational strategy and philosophy remains consistent as detailed in the NFTS Learning and Teaching Strategy. The School's Academic Standards Committee (ASC) continues to monitor the curriculum – recognising and disseminating good practice and making suggestions for enhancements – in the context of the Annual Course Evaluation process. In December 2017 the School submitted its Annual Quality Assurance Evaluation Report to HEFCE as part of its Annual Provider Review. The School's ASC held a specially-convened session with the presence of Board members to allow robust questions to be asked about the School's current quality arrangements. Following assurances from the Board about the appropriateness of the School's quality assurance and enhancement mechanisms, the School received a positive outcome from the review from HEFCE.

The School's Validation Agreement with the RCA with respect to the MA Film and Television was renewed in 2016 and remains in place until 2021.

Student numbers increased by 13% to 441 full time equivalent in January 2018 in line with planned expansion to the course portfolio including the start of two new diploma courses. The opening of the School's new facilities in January 2017 – with a state-of-the-art dubbing theatre, cinema, sound editing and design suites and new animation, visual effects and games studios, and nearly 40% more teaching space – provided the space to accommodate the larger cohort and expanded course portfolio, together with the resources for new business-incubation and knowledge-exchange projects.

Recognising its responsibility to include voices that represent the full diversity of British society in virtue of its unparalleled status as the pre-eminent national feeder institution for the creative industries, the School has worked very hard over several years to ensure that higher numbers of BAME students enter the School. In 2012, the School inaugurated the BFI Academy – a scheme which brings dozens of 16- to 19-year-olds from all over the UK to the School to work with world-class filmmakers. The scheme targets young people from backgrounds

that are traditionally underrepresented in the screen industries. For example, in this year's cohort, some 30% of the Academy students were BAME. The Academy has reaped rewards: it was as a result of the groundwork in previous years that 2017 saw the historically high 22% of students from BAME British backgrounds enter our Master's programme – making the NFTS the most diverse film school in the country.

However, the School recognises that more hard work needs to be done to increase ethnic and gender diversity within the creative industries, and has therefore taken a number of targeted initiatives to address the current underrepresentation. These include the Diverse Directors Workshop, supported by EON Productions, and Channel 4 providing £100k a year to the School for means-tested scholarships that help female and BAME students study at the School.

Student feedback remains very positive. The results of the 2017 annual student survey demonstrated that, once again, the majority of students are very satisfied with their experience at the School.

In the overall assessment of MA courses in 2018, 42 students were awarded an excellent (up from 24 in 2017), 53 a very good pass (there were 63 in 2017) and 21 a good pass (the same as 2017). There were also 4 students who received a pass (there were 6 passes in 2017).

2.3 “Bridges to Industry” and Masterclasses

The School's students and recent graduates had the opportunity to attend 34 masterclasses during the year.

Guests included: directors David Fincher (*Fight Club*, *the Social Network*), Taika Waititi (*Thor: Ragnarok*, *What We Do in the Shadows*), Lone Scherfig (*Their Finest*, *An Education*), Francis Lee (*God's Own Country*), Armando Iannucci (*The Death of Stalin*), Lynne Ramsay (*You Were Never Really Here*, *We Need to Talk About Kevin*), Peter Kosminsky (*Wolf Hall*, *The State*), Philippa Lowethorpe (*Three Girls*, *The Crown*), Denis Villeneuve (*Blade Runner 2049*, *Arrival*), Clio Barnard (*Dark River*, *The Selfish Giant*), Neil Marshall (*Game of Thrones*, *Dog Soldiers*), Debra Granik (*Winter's Bone*, *Leave No Trace*) and Alex Garland (*Annihilation*, *Ex Machina*). Animation director Dorotea Kobiela and producer Hugh Welchman (*Loving Vincent*), Editor and Sound Designer Walter Murch (*Apocalypse Now*), Writer Simon Beaufoy (*Battle of the Sexes*, *Slumdog Millionaire*), and producers Andy Harries (*The Crown*), Nate Moore (*Black Panther*) and Ram Bergman (*Star Wars: The Last Jedi*, *Looper*, *Brick*).

Students and graduates were offered a number of “Bridges to Industry opportunities”. The promo film *The Tale of Wilson 'Snowflake' Bentley*, made for Autograph Hotels, won a Gold Arrow for Best Student Commercial at the British Arrows in spring 2018. The BBC Films/NFTS short film *The Bind*, written and directed by BAFTA winner Caroline Bartleet, successfully shot in autumn 2017 and had its first screening to cast, crew and industry at BAFTA in July 2018. The next BBC Films/NFTS short film, *Skids*, has been selected, and the script is in development with the aim to shoot autumn 2018. Further projects included a stop-motion animated promo for Jigsaw to celebrate their Christmas campaign, which was picked as Ad of the Week by Campaign magazine; two animated promos for Flare Studio/AMV: BBDO, created as part of a scholarship award, which are nearing completion; and a TV programme for the Sky series *Urban Myths* due for transmission in 2019.

Students and graduates also had the opportunity to attend a commercials day at Channel 4 – hearing from a range of industry speakers including, directors Dougal Wilson and Kim Gehrig and executive producer Bart Yates.

A photograph of three students in a classroom setting, overlaid with a magenta tint. On the left, a Black woman with curly hair, wearing a black top and a patterned scarf, is looking down at a laptop. In the center, a white woman with blonde hair and glasses, wearing a dark top, is holding a spiral notebook and looking at it. On the right, a white woman with long dark hair, wearing a light-colored button-down shirt, is smiling and looking at papers on a desk. The background shows a classroom with a whiteboard and a window.

Corporate Responsibility

*Students in the School's newest
teaching block, opened in 2017.*

3 Corporate Responsibility

3.1 Staff

Our people are integral to the School's success. The School engages with staff in a number of ways, including termly all-staff meetings, and the Director's monthly meetings with Heads of Departments. Facebook Workplace has recently been launched to help further collaboration and communication within the School.

Our staff survey was launched in July 2016 and has been repeated annually. The results from the survey are used to shape initiatives to further improve life at the School.

Teaching staff at the School are regularly supported to attend festivals, conferences and events. Each department is required to report on their staff-development activity as part of the Annual Course Evaluation process. An elected member of staff also sits on our Board of Governors.

We have comprehensive staff policies and procedures which cover all aspects of employment.

3.2 Environmental Sustainability

The School has a Director-led group which meets to review and understand the range of environmental impacts arising from our activities and, where practicable, develop strategies to reduce those impacts.

The group encourages more sustainable purchasing practices that include the use of more environmentally friendly materials with an emphasis on reducing waste. The group is working to reduce ozone-depleting substances and preventing the release of pollutants, and to encourage the use of sustainably sourced products, including consumables served in the School's canteens.

With regard to carbon emissions, the School is continuing a programme of building replacement and refurbishment. New builds meet or exceed the latest standards and are passively cooled where possible. Refurbishment includes much enhanced insulation such as new roofs. In addition, the School is actively reviewing operations to minimise all carbon emissions with particular regard to travel and energy use.

3.3 Equality and Diversity

The School recognises that equality of opportunity and valuing diversity are vital to its success and is committed to continuing to build a culture of inclusion and diversity for staff and students to ensure equality for all.

The School acknowledges its responsibilities under the legislation governing equality and diversity and, in particular, the Equality Act (2010), including Section 149 of the Act – known as the Equality Duty – which is supported by specific duties. The School has a set of diversity objectives. The School's curriculum includes the study of equal opportunity, so that students and graduates have a basis for understanding the issues in their subsequent work. The School's equality and diversity policy is available from the School's website.

3.4 Trade Union Facility Time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. These regulations place a legislative requirement on relevant public sector employers to calculate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation.

BECTU is a trade union recognised by the School and its elected representatives are permitted to take reasonable paid time off to carry out some union duties. In 2017-18, the amount of time spent by staff on trade union activities and the cost related to that time was:

- Number of trade union representatives 3
- Time spent on union activities by these employees was in the band 1% to 50%
- School's total staff cost £5,688,013
- Cost of time spent on union activities £3,160
- Staff cost related to trade union activities as a percentage of the School's total staff cost 0.05%
- Time spent on paid trade union activities 1.98%

A photograph of a modern television studio control room, tinted in a deep magenta color. In the foreground, three students are seated at a long desk, viewed from behind. The student in the center is pointing towards one of the many monitors. The desk is equipped with various pieces of equipment, including a large mixing console with numerous buttons and sliders, and several smaller monitors. The background wall is covered with a large array of monitors displaying various video feeds. Some of the visible text on the screens includes 'PVW', 'TX', 'Cam 2 - Sun', and 'Cam 3 - Sun'. A large speaker is mounted on the wall above the monitors. The ceiling features a grid of acoustic tiles and recessed lighting.

Financial

Students in the gallery of the NFTS' state-of-the-art 4K multi-camera TV studio.

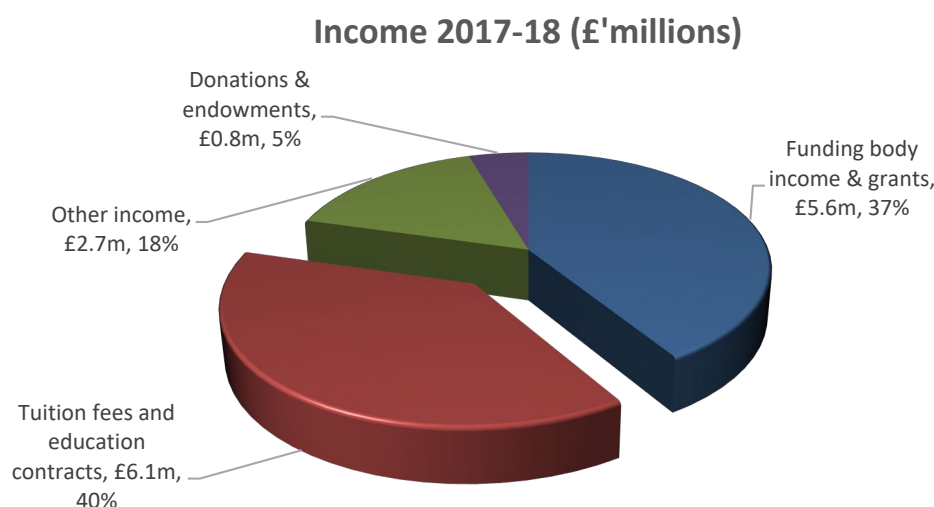
4 Financial

4.1 Financial Strategy for Sustainability

The School is nearing the end of its current Corporate Plan, the School's 2020 Vision, which has seen a period of growing surpluses and strengthening of the balance sheet, cementing the School's ongoing financial viability and sustainability. A new five-year plan is currently being formulated, which will build on these solid foundations and further strengthen the financial position and performance of the School.

4.2 Financial Review of the Year Ended 31 July 2018

Total income for the year to 31 July 2018 is £15.2m, in line with the income for 2016-17. However, when we strip out non-government capital donations recognised under FRS102 of £1.7m from the 2016-17 figures the underlying income has grown 12%, reflecting the continued growth of student numbers and tuition fee income.



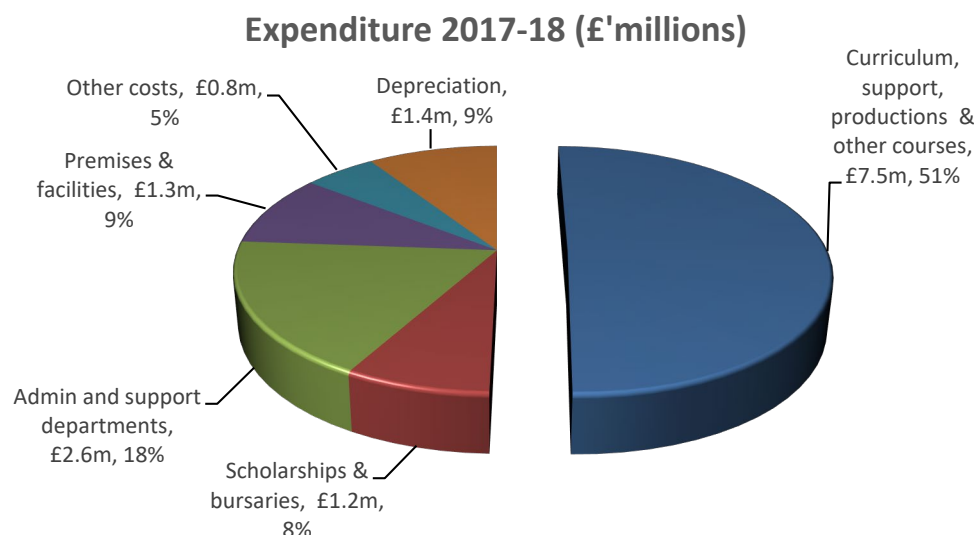
In June 2018 NFTS Gala celebrated “Great British Screenwriters” and was a great success, raising gross income of £491k, contributing £243k towards the School after costs. £76k of the funds raised has been ring-fenced for a Screenwriting bursary scheme in 2019. The initiative will see five of the 2018 year's graduates from the School's Screenwriting MA given a grant of £10k to give them the ability to dedicate six months to writing after completing their course.

During the year, the School opened a new hub in Glasgow as NFTS Scotland. This was launched in partnership with the Scottish Government and the BBC, with courses commencing from April 2018.

The School continues to maintain its significant student financial support programme through bursaries and scholarships. The combined scholarship and bursary support for the year was £1.2m and covered 20% of the total fee income for the year. The School's bursaries are funded mainly by industry parties, while scholarship funds are generated by the ongoing generosity of individual scholarship donors. The scholarship and bursary funds are critical to enabling the most talented students to attend the School, regardless of their background or financial means.

The School would like to thank all its core funders for maintaining their support for the School and its students.

In tandem with the School's strategy to increasing student numbers and income, the School has remained focused on managing its cost base through robust budget management, procurement and a focus on value for money. Operating expenditure (before interest and depreciation) for 2017-18 was £13.3m, 88% of income (before non-government capital grants recognised under FRS102) compared to 89% for the previous year.



The School continues to explore opportunities to create best value from its resources, driving economies and scalability from its cost base.

Overall, the School delivered a net surplus before pension adjustments for the year of £0.4m compared to £1.8m in 2016-17. However, when we set aside non-government capital donations recognised under FRS102 from the 2016-17 figures, underlying surpluses increased £0.3m on the net result for 2016-17.

The School's net assets grew by £0.9m during the year to 31 July 2018. £0.6m of this improvement is attributable to a reduction in the pension deficit valuation following a change in the Scheme's investment portfolio approved during the year, which is designed to deliver greater returns over the life of the Scheme.

The School has generated positive cash flows of £1.5m from operating activities compared to £2.0m in 2016-17 (see page 35 – Statement of Cash Flows). This has predominantly funded investment of £1.4m of capital expenditure in the year to ensure that the School's technical equipment and estates keep pace with the demands of the curriculum. Overall, the School delivered a net cash inflow of £0.2m for the year to 31 July 2018.

The School's results meet the financial covenants on the Allied Irish Bank (GB) loan.

4.3 Value for Money

For the period to 31 July 2018, the School delivered Value for Money savings through a combination of reshaping services such as security and catering; procurement of equipment; and launching complimentary courses, which both enhance student productions and reduce the need to 'buy-in' external freelance services.

The School continues to explore opportunities to drive best value from its resources.

4.4 Investments

The School continues to maintain approximately £1.3m of cash funds on fixed-term deposit to maximise return whilst enabling flexibility should these funds be called upon. Surplus funds on the School's current account are placed on a 32-day notice facility to maximise returns.

The NFTS Foundation board manages the School's endowment assets.

4.5 Payment of Creditors

The policy of the School is to pay its creditors in accordance with agreed terms. In the absence of any agreement to the contrary, it is the intention of the School to pay supplier invoices within 30 days of the invoice date.

4.6 Accounting Systems and Processes

The School is planning to implement a new finance system over the next twelve months to leverage greater interface with the School's new website and to deliver more efficient and effective processes and delivery.

4.7 Post Balance Sheet Events

Post balance sheet events may have a significant effect on the values shown in the accounts, and occur after the balance sheet date but prior to the date on which the accounts are approved by the Board of Governors. The School has no post balance sheet events to report.

Signed on behalf of the Board of Governors



Patrick McKenna

Chair of the Board of Governors

Date: 20 November 2018



Jon Wardle

Director

A woman with long brown hair is focused on adjusting a small figure on a miniature set. In the background, a man wearing a cap and glasses is working on another part of the set. The scene is lit with a warm, reddish-pink glow. The overall atmosphere is one of creative concentration.

Statement of Public Benefit

Animation Director Lucia Bulgheroni working on her graduation film Inanimate, which subsequently won awards at the International Animation Festival, Cinéfondation at the Cannes Film Festival and the BAFTA International Student Film Awards.

Statement of Public Benefit

The National Film and Television School is a charity under the terms of the Charities Act 2011. As such, it is required to fulfil a public benefit and to publish an annual public benefit statement having regard to relevant Charity Commission guidance. The governors are aware of their responsibilities with regards to the public benefits requirement and are conversant with the Charity Commission guidance.

The School is one of the top post-graduate institutions of its kind, and has been recognised as such this year through its receipt of the Queen's Anniversary Prize for Higher and Further education, the BAFTA award for Outstanding British Contribution to Cinema and its inclusion in The Hollywood Reporter's Top International Film Schools list for the eighth consecutive year. The School offers a transformative experience to students who go on to play a significant role in our cultural life through their work in the film, television and games industries. NFTS alumni have won 11 Oscars and 138 BAFTAs and been nominated dozens of times for each.

The School provides post-graduate programmes in a range of film, television and games disciplines on a not-for-profit basis, including seventeen Masters courses, fourteen full and part-time Diploma courses and five Certificate courses (rising to seven in 2019), with 441 FTE equivalent students in 2018. The School is committed to ensuring it is open to students of genuine ability, no matter what their background or financial circumstances. As an institution that develops the next generation of creative talent, the School takes a special responsibility to ensure our creative industries reflect the full diversity of our country. As such, the School provides a substantial amount of bursary and scholarship support to students on a means-tested basis, as detailed elsewhere in this report.

The School also provides opportunities beyond those offered to its own students. Each year, in partnership with the BFI, it hosts the BFI Film Academy, a residential filmmaking programme for 16- to 19-year-old aspiring filmmakers. On this year's residential, 66 young people took part.

The School also seeks to reach out to young people in the Buckinghamshire area through an annual schools competition run in partnership with the Buckinghamshire Skills Hub. Pupils at participating schools around the county take part in a session with an NFTS tutor before making their own television commercials. The winners are then invited to visit the School and take part in a workshop in the on-site 4K TV studio.

The School also offers many opportunities for the public to use its facilities. The School allows local charities to use the cinema and other facilities for fundraising events without charge.

Board of Governors and Committee Membership

The members of the Board of Governors present this report and the financial statements for the year ended 31 July 2018. The names of the current members of the Board of Governors and those who served during the year in question are listed below. All held office throughout the year unless otherwise indicated.

Members of the Board of Governors

Patrick McKenna – Chair
Stephen Louis – Deputy Chair
Riffat Ahmed – Student Governor (appointed 31 July 2018)
Tom Betts
Naomi Climer
Geoffrey Crossick
Neil Forster
Patrick Fuller (appointed 21 November 2017)
Phil Harrison (resigned 13 March 2018)
Oliver Hyatt MBE
Tim Kyte – Staff Governor (appointed 21 November 2017)
Ian Lewis
Andrew Macdonald (appointed 21 November 2017)
Steve Mertz
Susan Moffat
Paidamoyo Mutoonono – Student Governor (resigned 31 July 2018)
Siobhan Reddy (appointed 2 October 2018)
Raja Adil Rehman
Laurent Samama
Bal Samra
Beth Willis (resigned 29 August 2018)

Company Secretary

Trevor Hall

Clerk to the Board

Chris Wensley

Audit Committee

Steve Mertz – Chair
Christine Corner
Neil Forster
Patrick Fuller (appointed 21 November 2017)

Finance and General Purposes Committee

Stephen Louis – Chair
Tom Betts
Robert Kingston
Patrick McKenna
Leon Morgan
Ken Roberts

Governance, Appointments & Remuneration Committee

Stephen Louis
Patrick McKenna
Steve Mertz
Bal Samra

Corporate Governance

Legal Status

The School is a company limited by guarantee (company number 981908), and registered as a charity (charity number 313429) incorporated in England and Wales. The School is also a registered charity in Scotland (charity number SC048472). It has existed since 1971 and was granted status as a higher education institution in November 2013, under section 129 of the Education Reform Act 1988.

Statement of Corporate Governance

The governors confirm that the financial statements comply with current statutory requirements and with the requirements of the charity's governing document.

The governors examine the major risks that the charity faces each financial year, and have developed systems to monitor and control these risks to mitigate any impact that they may have on the School in the future. The major risk that the School is currently exposed to is student recruitment. Systems are in place to continually review and manage these risks. The School has regular meetings with all major funders and constantly reviews and upgrades its health-and-safety controls and procedures.

The Board of Governors meets at least four times a year and reviews a report from the Director. The Board of Governors is complemented by both a student and a staff representative of the School. The Finance and General Purposes Committee also meets at least four times a year and reviews the annual plan, the five-year corporate plan and updated financial estimates, and monitors health-and-safety practice, value-for-money arrangements and policies at the School. The Audit Committee meets quarterly, when it reviews the external audit management letters, internal auditor reports, and other matters set out in its terms of reference. The School has updated the terms of reference for all the sub-committees of the Board of Governors to upgrade the School's governance to the levels required by the School's status as a HEI.

The School has posted all its policies on matters of public, student and staff interest on the School website. Please see: <https://nfts.co.uk/school/governance>.

Day-to-day operational decisions are taken by the Director, supported by a management team, within the delegated authority conferred by the Board of Governors.

Responsibilities of the Board of Governors

The Board of Governors is the School's governing body, established in accordance with the Articles of Association. Members of the Board of Governors are the charity's directors and trustees. The majority of its members are drawn from outside the School and are referred to as independent members, although elected staff are co-opted members of the Board of Governors.

Governors are appointed for an initial term of three years, which can be renewed at the end of their term. Governors are formally appointed by majority vote at the quarterly board meetings. Every new governor is given an induction pack on the School which includes information on the structure, governance and management of the School, and the responsibilities of the governors and the School's management team. Governors are also provided with relevant Charity Commission updates on the responsibilities of trustees.

The Board of Governors has a number of standing committees to oversee particular areas of business. The Board of Governors is responsible for exercising the powers of the School as defined in the Articles of Association.

The Board of Governors has adopted a statement of primary responsibilities that is consistent with the model in the Guide for Members of Higher Education Governing Bodies published by the Committee of University Chairs (CUC).

Within the terms and conditions of funding and the Memorandum of Assurance and Accountability, agreed between the Office for Students (formerly HEFCE) and the School, the management team prepares financial statements for each financial year in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

The governors are responsible for preparing the strategic report, the report of the governors and the financial statements, in accordance with Companies Act 2006 and for being satisfied that the financial statements give a true and fair view. The governors are also responsible for preparing the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the governors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the charity and of the incoming resources and application of resources of the charity for that year. In preparing these financial statements, the governors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare financial statements on a going-concern basis, unless it is inappropriate to assume that the School will continue in operation.

The governors are responsible for keeping adequate accounting records that show and explain the charity's transactions, disclose with reasonable accuracy at any time the financial position of the charity, and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the charity – and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the charity's website in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the charity's website is the responsibility of the governors. The governors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Disclosure of Information to Auditors

At the date of making this report, the Board of Governors confirms that:

- So far as each governor is aware, there is no relevant information needed by the School's auditors in connection with preparing their report of which the School's auditors are unaware; and
- Each governor has taken all the steps that he/she ought to have taken as a member of the Board of Governors in order to make himself/herself aware of any relevant information needed by the School's auditors in connection with preparing their report and to establish that the School's auditors are aware of that information.

Statement of the School's Structure of Corporate Governance

The governors – who are also trustees of the charity and directors of the company for the purposes of the Companies Act – present their report, together with the audited financial statements for the year ended 31 July 2018. The governors have adopted the provisions of the Statement of Recommended Practice on Accounting for Further and Higher Education (FE & HE SORP 2015) and the Financial Reporting Standards (FRS102) in preparing the report and financial statements.

Governor Induction and Training

Each member of the Board undertakes induction training – consisting of a briefing by the executive management team and heads of departments on their activities. They are furnished with a comprehensive range of information and literature, for future reference. Emphasis is placed on the legal status of a trustee, and their position and responsibilities as a director of the charity.

Relationships between the School and Related Parties

The School places great significance on its external relations and in particular on the relationship with the film, television and games industries.

Industry and government funding has been essential for the School's continued operation and development. The governors are hugely grateful for the significant amount of voluntary and discounted support from organisations and individuals in the film, television and new media industries, including all key partner sponsors and funders.

The NFTS Foundation is a charity connected with the School. The NFTS Foundation seeks to promote the charitable purposes of the School by donations of student scholarships and grants from its investment funds. By mutual agreement, all costs associated with fundraising activities of the NFTS Foundation are borne by the School.

Subsidiary Undertakings

The School owns 100% of NFTS Enterprises Limited, which was dormant for the period and has not been consolidated on the basis that it is immaterial.

Powers of Investment and Investment Policy

Under its Memorandum of Association, the School has the power to invest the monies of the School not immediately required for its purposes in or upon such investments, securities or property as may be thought fit.

The School plans major curricular activities on a five-year timescale. It budgets to expend anticipated income while retaining a prudent level of reserves. The Board of Governors' policy for investment is to retain funds designated for redevelopment as cash and near cash at the best rates available.

Internal Control

The governors are responsible for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public and other funds and assets for which it is responsible, in accordance with the responsibilities assigned to the members of the Board in the instrument and articles and the Memorandum of Assurance and Accountability with HEFCE and the Office for Students.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks and to evaluate the nature and extent of those risks and to manage them efficiently, effectively, and economically.

The key elements of the School's system of internal control are as follows:

- Clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative sections;
- Regular reviews of key performance indicators and financial results involving variance analysis reporting and updates of forecast out-turns;
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to levels set by the Board as contained within the scheme of delegated authority;
- The maintenance of a risk register which highlights the key risks facing the School in achieving its objectives;
- The Audit Committee oversees the risk management process and considers changes in the major risks assessed for the School;
- The Audit Committee receives regular reports from the internal auditor on the adequacy and effectiveness of the School's system of internal control, together with recommendations for improvement; and
- The Board receives regular reports from the Audit Committee on the effective operation of the system of internal control.

The School has appointed KCG to provide internal audit services. The firm operates to standards defined in the HEFCE/Office for Students' Audit Code of Practice. The internal auditor submits regular reports which provide opinions on the adequacy and effectiveness of the School's system of internal control together with recommendations for improvement.

The Board's view of the effectiveness of the system of internal control is informed by the work of the internal auditor and management who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditor in their management letter and other reports.

Signed on behalf of the Board of Governors



Patrick McKenna

Chair of the Board of Governors

Date: 20 November 2018



Jon Wardle

Director

Independent Auditors' Report to the Members of the Board of Governors of the NFTS

Opinion

We have audited the financial statements of the National Film and Television School ("the School") for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Reserves, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the School's affairs as at 31 July 2018 and of the School's income and expenditure, gains and losses, changes in reserves and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006 and in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) "ISAs (UK)" and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the School in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to the going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the board members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the School's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The board are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the report of the members of the board of governors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the report of the members of the board of governors have been prepared in accordance with applicable legal requirements.

Opinion on other matters required by the Office for Students ("OfS") and Research England Audit Code of Practice

In our opinion, in all material respects:

- funds from whatever source administered by the higher education institution for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- funds provided by the OfS and Research England have been applied in accordance with these terms and conditions and any other terms and conditions attached to them; and
- the requirements of the OfS's accounts direction have been met.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the School and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the report of the members of the board of governors.

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

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

Responsibilities of the board of governors

As explained more fully in the responsibilities of the board of governors statement, the board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the School's ability to continue as a going-concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the School or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

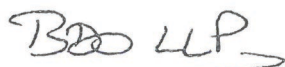
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

In addition, we also report to you whether income from funding bodies, grants and income for specific purposes, and from other restricted funds administered by the School have been properly applied only for the purposes for which they were received and whether income has been applied in accordance with the Statutes and, where appropriate, with the Terms and Conditions of Funding from the Office for Students and Research England.

Use of our report

This report is made solely to the 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 School's board 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 School and the board members as a body, for our audit work, for this report, or for the opinions we have formed.



James Aston (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick
United Kingdom

Date: 22 November 2018

BDO LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006. BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial Statements for the Year Ended 31 July 2018

Statement of Comprehensive Income

	Note	2018 31 July £	2017 31 July £
Income			
Funding body income/grants	3	5,614,126	5,517,255
Tuition fees and education contracts	4	6,047,846	4,778,274
Other income	5	2,739,948	2,538,403
		<hr/>	<hr/>
Total income before other grants and donations		14,401,920	12,833,932
Donations and endowments	6	831,370	2,401,442
		<hr/>	<hr/>
Total income		15,233,290	15,235,374
		<hr/>	<hr/>
Expenditure			
Staff costs	7	5,688,013	5,280,489
Other operating expenses	10	7,580,814	6,669,170
Depreciation	11	1,394,521	1,339,524
Interest and other finance costs	12	130,975	168,392
		<hr/>	<hr/>
Total expenditure		14,794,323	13,457,575
		<hr/>	<hr/>
Surplus before other gains/losses		438,967	1,777,799
Loss on disposal of fixed assets		(23,786)	-
		<hr/>	<hr/>
Surplus for the year		415,181	1,777,799
		<hr/>	<hr/>
Actuarial gain in respect of pension scheme	24	454,000	312,000
		<hr/>	<hr/>
Total comprehensive income for the year		869,181	2,089,799
		<hr/>	<hr/>
Represented by:			
Endowment comprehensive income		26,615	45,843
Unrestricted comprehensive income		842,566	2,043,956
		<hr/>	<hr/>
		869,181	2,089,799
		<hr/>	<hr/>

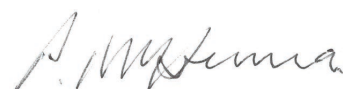
The notes on pages 36 to 53 form part of these financial statements.

Balance Sheet

Company number 981908	Note	2018 at 31 July £	2017 at 31 July £
Fixed assets			
Tangible assets	14	31,670,008	31,689,212
Investment in subsidiary undertaking	15	2	2
		<hr/>	<hr/>
		31,670,010	31,689,214
		<hr/>	<hr/>
Current assets			
Stock	16	6,382	6,386
Debtors	17	3,117,904	3,594,435
Cash and cash equivalents		2,845,169	2,651,897
		<hr/>	<hr/>
		5,969,455	6,252,718
		<hr/>	<hr/>
Creditors: amounts falling due within one year	18	(6,434,701)	(6,408,250)
		<hr/>	<hr/>
Net current liabilities		(465,246)	(155,532)
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	19	(14,963,961)	(15,513,060)
		<hr/>	<hr/>
Provisions for liabilities:			
Pension scheme liability	24	(4,319,000)	(4,968,000)
		<hr/>	<hr/>
Total net assets		11,921,803	11,052,622
		<hr/>	<hr/>
Restricted reserves			
Income and expenditure reserve – endowment reserve	21	302,938	276,323
		<hr/>	<hr/>
Unrestricted reserves			
Income and expenditure reserve – unrestricted reserve		2,734,480	1,663,884
Revaluation reserve		8,884,385	9,112,415
		<hr/>	<hr/>
Total reserves		11,921,803	11,052,622
		<hr/>	<hr/>

The financial statements were approved by the Board, authorised for issue on 20 November 2018 and signed on its behalf on that date by:

Patrick McKenna



Chairman

Stephen Louis



Governor

Jon Wardle



Director

The notes on pages 36 to 53 form part of these financial statements.

Statement of Changes in Reserves

	Income and expenditure reserves			
	Endowment	Unrestricted	Revaluation reserve	Total
	£	£	£	£
At 1 August 2016	230,480	(609,359)	9,341,702	8,962,823
Surplus from the Statement of Comprehensive Income	45,843	1,731,956	-	1,777,799
Actuarial gain in respect of pension scheme	-	312,000	-	312,000
Reserves transfer: Depreciation on revalued assets	-	229,287	(229,287)	-
At 31 July 2017	276,323	1,663,884	9,112,415	11,052,622
Surplus from the Statement of Comprehensive Income	26,615	388,566	-	415,181
Actuarial gain in respect of pension scheme	-	454,000	-	454,000
Reserves transfers: Depreciation on revalued assets	-	228,030	(228,030)	-
At 31 July 2018	302,938	2,734,480	8,884,385	11,921,803

The notes on pages 36 to 53 form part of these financial statements.

Statement of Cash Flows

	Note	2018 31 July £	2017 31 July £
Cash flow from operating activities			
Surplus for the financial year		415,181	1,777,799
Adjustment for non-cash items:			
Depreciation	11	1,394,521	1,339,524
Release of capital grants		(611,894)	(584,911)
Decrease/(increase) in stock	16	4	(1,710)
Decrease/(increase) in debtors	17	476,531	(1,383,836)
(Decrease)/increase in creditors		(48,559)	963,763
Decrease in pension liability		(315,000)	(303,000)
Adjustment for investing or financing activities:			
Loss on disposal of fixed assets		23,786	-
Interest payable	12	130,975	168,392
Finance leases payable		38,897	34,876
Net cash inflow from operating activities		1,504,442	2,010,897
Cash flows from investing activities			
Payments made to acquire fixed assets	14	(1,399,103)	(9,883,793)
Deferred capital grants received		294,909	5,288,924
		(1,104,194)	(4,594,869)
Cash flows from financing activities			
Interest paid	12	(10,975)	(11,392)
Unsecured concessionary loan	19	-	1,000,000
Finance lease rental payment		(38,897)	(34,876)
Repayments of amounts borrowed		(157,104)	(157,104)
		(206,976)	796,628
Increase/(decrease) in cash and cash equivalents in the year		193,272	(1,787,344)
Cash and cash equivalents at beginning of the year		2,651,897	4,439,241
Cash and cash equivalents at end of the year		2,845,169	2,651,897

The notes on pages 36 to 53 form part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 July 2018

1 Status of the School

The School is a company limited by guarantee and is a registered charity incorporated in England and Wales. Each member's liability is limited, upon winding up, to an amount not exceeding one pound.

2 Principal accounting policies

Basis of preparation and assessment of going concern

The financial statements of the School have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant notes to these accounts. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education (2014) and in accordance with the Financial Reporting Standards applicable in the United Kingdom and Republic of Ireland (FRS102) issued on 16 July 2014 and the Companies Act 2006. The financial statements conform with the 2017/18 Accounts Direction by the Office for Students.

The School is a public-benefit entity and therefore has applied the relevant public-benefit requirement of FRS102.

The governors consider that there are no material uncertainties about the School's ability to continue as a going concern.

Basis of consolidation

The company is exempt under section 402 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as the governors consider that the company's subsidiary may be excluded from consolidation on the basis that it is immaterial. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The following principal accounting policies have been applied:

(a) Recognition of Income

Income from the sale of goods or services is credited to the statement of comprehensive income when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is credited to the statement of comprehensive income over the period in which students are studying.

Revenue government grants and recurrent grants from HEFCE and the Office for Students are recognised within the statement of comprehensive income when the School is entitled to the income and performance-related conditions have been met.

Non-recurrent grants from HEFCE, the Office for Students, or other government bodies received in respect of the acquisition or construction of fixed assets are recognised as deferred income within creditors and amortised in line with depreciation over the life of the assets. The deferred income is allocated between creditors due within one year and due after more than one year as appropriate.

Other grants and donations from non-government sources are recognised within the statement of comprehensive income when the School is entitled to the income and performance-related conditions have been met. Income received in advance of performance-related conditions being met is deferred on the balance sheet and released to the statement of comprehensive income in line with such conditions being met.

2 Principal accounting policies (*continued*)

Non-exchange transactions without performance-related conditions are donations and endowments. Donations and endowments with donor-imposed restrictions are recognised within the statement of comprehensive income when the School is entitled to the income. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms other restriction applied to the individual endowment fund.

Donations with no restrictions are recorded within the statement of comprehensive income when the School is entitled to the income.

Donations and endowments with restrictions are classified as restricted reserves with additional disclosure provided within the notes to the accounts.

There are four main types of donations and endowments with restrictions:

1. Restricted donations – the donor has specified that the donation must be used for a particular objective;
2. 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 School;
3. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the School can convert the donated sum into income; and
4. 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.

Legacies are recognised in accordance with Practice Note 11, in that they are accrued to the financial statements as soon as entitlement and valuation can be reasonably measured.

(b) *Expenditure*

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs relating to the category. Other expenditure includes expenditure associated with the running of the School and includes both the direct costs and support costs relating to these activities.

Interest and other finance costs include loan interest payable and pension costs.

(c) *Taxation*

The School is a registered charity and is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formally 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.

Expenditure includes irrecoverable Value Added Tax charged by suppliers to the School. Irrecoverable VAT is charged against the category of expenditure for which it was incurred.

(d) *Tangible fixed assets and depreciation*

Tangible fixed assets costing more than £1k are capitalised at cost. Equipment costing less than £1k is written off in the year of acquisition.

Land and buildings are measured at deemed cost.

2 Principal accounting policies (*continued*)

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets except freehold land, evenly over their estimated useful lives. It is calculated at the following rates:

Freehold land	–	Nil per year
Administrative buildings and stages	–	over 20 years straight line
Academic buildings	–	over 50 years straight line
Fixtures, fittings and office equipment	–	over 3 years straight line
Fixtures and fittings academic buildings	–	over 10 years straight line
Plant, machinery, technical equipment	–	over 5 or 10 years straight line
Motor vehicles	–	over 4 years straight line

Depreciation is charged for a full year in the year of acquisition.

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

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each balance sheet.

The profit or loss on disposal of revalued properties is calculated by reference to net book value.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred in the year. No depreciation is charged until the asset is brought into use.

(e) *In-Kind Funding*

The School benefits from companies, organisations and individuals providing assets for use towards the running of the School without charge. During the year the School received assets totalling £10.2k (2017- £Nil).

(f) *Borrowing*

Borrowing costs, which are directly attributable to the acquisition, construction or production of a qualifying asset, are capitalised.

(g) *Investments*

Non-current investments are held on the balance sheet at amortised cost less impairment.

Investments in subsidiaries are carried at cost less impairment.

Current asset investments are held at fair value with movements recognised in the statement of comprehensive income.

Under its Memorandum of Association the School has the power to invest the monies of the School not immediately required for its purposes in or upon such investments, securities or property as may be thought fit.

(h) *Stock*

Stock consists of purchased goods for resale and future use. Stocks are valued at the lower of cost and net realisable value.

2 Principal accounting policies (*continued*)

(i) Retirement benefits

The final salary pension scheme closed to employee contributions on 1 September 2006. The pension deficit on the scheme is being paid off over 17 years at a rate of £218k per annum index linked (contribution in the year £315k). All members of the final salary pension scheme were offered a group personal defined contribution pension scheme. All staff joining the School after 1 April 2001 are invited to join the group personal defined contribution pension scheme.

Defined contribution pension scheme

A defined contribution pension scheme is a post-employment benefit scheme under which the School pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Contributions to the defined contribution pension scheme are charged to the statement of comprehensive income in the year in which they become payable.

Defined benefit pension scheme

A defined benefit pension scheme is a post-employment benefit scheme other than a defined contribution scheme. Under the defined benefit scheme, the School's obligation is to provide the agreed benefits to members of the scheme, and actuarial risk (that benefits will cost more or less than expected) and investment risk (that returns on assets to fund the benefits will differ from expectations) are borne, in substance, by the School. The School should recognise a liability for its obligations under defined benefit schemes net of plan assets. This net defined benefit liability is measured as the estimated amount of benefit that members have earned in return for their service in the current and prior periods, discounted to determine its present value, less the fair value (at bid price) of plan assets. The calculation is performed by a qualified actuary using the projected unit credit method.

(j) Employee benefits and holiday pay accrual

Short-term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the School.

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance-sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance-sheet date.

(k) Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum-lease term.

(l) Finance leases

Leases in which the School assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum-lease payments at inception of the lease, less accumulated depreciation and less accumulated impairment losses.

Minimum-lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(m) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities are retranslated at the rate of exchange ruling at the balance-sheet date. All material differences are taken to the statement of comprehensive income.

(n) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits which have a maturity of less than three months and overdrafts.

2 Principal accounting policies (*continued*)

Cash equivalents are short term, highly liquid investments that are readily convertible amounts of cash with insignificant risk of change in value.

(o) *Provisions, contingent liabilities and contingent assets*

Provisions are recognised in the financial statements when:

- (a) the School has a present obligation (legal or constructive) as a result of a past event;
- (b) it is probable that an outflow of economic benefits will be required to settle the obligation; and
- (c) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the School a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the School. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the School a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the School.

Contingent assets and liabilities are not recognised in the balance sheet but are disclosed in the notes.

(p) *Financial Liabilities*

Financial liabilities are classified according to the substance of the financial instruments contractual obligations, rather than the financial instruments legal form. Financial liabilities are held at amortised cost. An unsecured concessionary loan is measured at the amount received.

(q) *Reserves*

Reserves are allocated between restricted and unrestricted reserves. Restricted endowment reserves include balances which, through endowment to the School, are held as a permanently restricted fund as the School must hold the fund to perpetuity.

Other restricted reserves include balances through which the donor has designated a specific purpose and therefore the School is restricted in the use of these funds.

(r) *Judgements in applying accounting policies and key sources of estimation uncertainty*

In preparing these financial statements, the board have made the following judgements:

- Determine whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- Determine whether leases entered into by the group either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether borrowings are classed as 'basic' or 'other' financial instruments. The judgement that the borrowings are basic, as defined in Section 11 of FRS102, has resulted in the borrowings being carried on the balance sheet at amortised cost.

2 Principal accounting policies (continued)

Other key sources of estimation uncertainty:

- Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- The defined benefit pension schemes liability is calculated using estimates of inflation, mortality discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and the expense for any year.

3 Funding body income/grants

	2018 £	2017 £
Recurrent grant		
HEFCE/Office for Students teaching grant	236,929	243,252
DCMS	2,212,668	2,272,000
Creative Skillset	885,872	858,028
Specific grant		
HEFCE/Office for Students specific grants	1,357,752	1,559,064
The Scottish Government	309,011	-
HEFCE/Office for Students deferred capital grant released	139,420	134,846
DCMS deferred capital grant released	295,970	273,561
Creative Skillset deferred capital grant released	43,636	43,636
The Buckinghamshire and Thames Valley Local Enterprise Partnership deferred capital grant released	132,868	132,868
	<hr/>	<hr/>
Total funding body income/grants	5,614,126	5,517,255
	<hr/>	<hr/>

4 Tuition fees and education contracts

	2018 £	2017 £
Home post graduate fees	3,156,033	2,773,315
Overseas post graduate fees	1,106,710	672,000
Diploma and certificate fees	1,148,045	809,284
Other fees – i.e. short courses, partnerships	637,058	523,675
	<hr/>	<hr/>
	6,047,846	4,778,274
	<hr/>	<hr/>

5 Other income

	2018 £	2017 £
Grants from platinum partner sponsors	400,000	550,000
Grants from key partner sponsors	820,567	799,400
Other income	1,519,381	1,189,003
	<hr/>	<hr/>
	2,739,948	2,538,403
	<hr/>	<hr/>

6 Donations and endowments

	2018 £	2017 £
New endowments – scholarships	700,435	622,392
Capital donations	10,268	1,662,050
Other donations – NFTS Foundation, David Lean Foundation	120,667	117,000
	<u>831,370</u>	<u>2,401,442</u>

7 Staff costs

	2018 £	2017 £
Staff costs consist of:		
Salaries (including tutors and freelancers)	4,787,023	4,426,365
Social security costs	466,279	448,518
Pension costs		
- defined benefit scheme contributions	314,536	268,000
- defined contribution scheme contributions	434,711	405,606
- adjustments (see note 24)	(314,536)	(268,000)
	<u>5,688,013</u>	<u>5,280,489</u>

The number of employees whose emoluments fall within bands of £5k exceeding £100k, excluding pension contributions and benefits in kind, was as follows:

	2018	2017
£150,000 – £154,999	1	1
£100,000 – £104,999	-	1
	<u></u>	<u></u>

	2018 £	2017 £
Emoluments of the Director:		
Basic salary	150,000	152,928
Benefits	955	3,421
	<u>150,955</u>	<u>156,349</u>
Total before employer pension contributions	150,955	156,349
Employer pension contributions	7,500	13,727
	<u>158,455</u>	<u>170,076</u>

There are no other benefits (taxable or non-taxable) or other sources of remuneration. The Director does not have use of accommodation.

The Director's basic salary and total remuneration salary is 4.2 times the median pay of the staff, where the median pay is calculated on a full-time equivalent basis for the salaries paid by the School to its staff.

The Director is in his first year in the role, and when he was appointed (1 August 2017), the Governance, Appointments and Remuneration Committee took into account the progression from his previous salary as Deputy Director, the salary of the previous Director, and the salaries of the heads of small, specialist higher education institutions. His remuneration package is reviewed annually by the Committee which consists of four board members; the Director is not a member of the Committee and does not attend its meetings.

7 Staff costs (*continued*)

The previous Director, Nik Powell, stepped down on 31 July 2017. During the year a salary of £12,744 was paid for August 2017 and in addition £60,000 was paid for consultancy services. The contract for consultancy is for two years to 31 July 2019, total contract value £160,000.

The average number of employees (full time equivalent) during the year was as follows:

	2018	2017
Curriculum, production support, short courses	79	75
Fundraising and events	3	4
Finance, registrar, I.T., marketing, H.R., directorate	25	23
	<hr/>	<hr/>
	107	102
	<hr/>	<hr/>

8 Governors' emoluments

The School's Memorandum and Articles enable governors to be engaged as tutors. No governors received payments for tutoring during the year (2017 – £Nil).

During the year, travel and subsistence expenses totalling £1,749 were reimbursed to governors relating to attending board meetings and NFTS Scotland industry events (2017 – £382).

9 Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the School.

Key management personnel are considered to be the governors and the School's management team. The management team includes the Director, Finance Director, Operations Director, Marketing and External Relations Director, Registrar, and H.R. Director. The management team were paid emoluments during the year, including benefits in kind and pension contributions, totalling £443,430 (2017 – £500,850).

10 Other operating expenses

	2018 £	2017 £
Curriculum, productions, and short courses	3,621,494	2,848,368
Curriculum support and accreditation	235,773	283,716
Scholarships	700,435	622,392
Bursaries	456,716	371,520
Premises	1,280,804	1,192,673
Production support and facilities departments	367,489	358,839
Admin departments – finance, registrar, I.T., marketing, H.R., directorate	680,661	757,820
Fundraising and events	171,536	169,164
External audit fees	35,064	34,230
Internal audit fees	30,842	30,448
	<hr/>	<hr/>
	7,580,814	6,669,170
	<hr/>	<hr/>

11 Depreciation

	2018 £	2017 £
The depreciation charge has been funded by:		
Deferred capital grants released	611,894	584,911
General income	782,627	754,613
	<u>1,394,521</u>	<u>1,339,524</u>

12 Interest and other finance costs

	2018 £	2017 £
Interest on long term loans	10,975	11,392
Pension finance costs	120,000	157,000
	<u>130,975</u>	<u>168,392</u>

13 Net expenditure

	2018 £	2017 £
This is arrived at after charging:		
Depreciation	1,394,521	1,339,524
External auditors' remuneration		
- audit services	35,064	34,230
- other services	10,332	10,194
Internal auditors' remuneration		
- internal audit services	30,842	30,448
- other audit services	8,304	-
Operating lease rentals – equipment	55,205	87,343
Finance lease rentals – equipment	50,712	48,446
Pension costs	120,000	157,000
	<u></u>	<u></u>

14 Tangible assets

	Freehold land and buildings £	Assets under construction £	Academic/ teaching buildings £	Fixtures, fittings and office equipment £	Plant, machinery and technical equipment £	Motor vehicles £	Total £
<i>Cost or valuation</i>							
At beginning of period	4,900,000	65,690	24,163,138	1,550,539	5,225,419	30,441	35,935,227
Additions	155,710	104,231	-	559,758	579,404	-	1,399,103
Disposals	(25,150)	-	-	(1,736)	-	(9,643)	(36,529)
Transfers	-	(65,690)	-	-	65,690	-	-
At end of period	5,030,560	104,231	24,163,138	2,108,561	5,870,513	20,798	37,297,801
<i>Depreciation</i>							
At beginning of period	195,000	-	831,263	854,677	2,337,044	28,031	4,246,015
Provided for the period	71,529	-	483,263	219,098	620,631	-	1,394,521
Disposals	(3,774)	-	-	(1,736)	-	(7,233)	(12,743)
At end of period	262,755	-	1,314,526	1,072,039	2,957,675	20,798	5,627,793
<i>Net book value</i>							
At 31 July 2018	4,767,805	104,231	22,848,612	1,036,522	2,912,838	-	31,670,008
At 31 July 2017	4,705,000	65,690	23,331,875	695,862	2,888,375	2,410	31,689,212

The School's freehold land and buildings and the Oswald Morris building were revalued on transition to FRS102 as at 31 July 2014 on the basis of Existing Use Value by external valuers, Deloitte LLP. This valuation was undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards.

14 Tangible assets (continued)

The net book value of fixed assets includes an amount of £68k (2017 - £107k) in respect of assets held under finance leases and assets under the course of construction of £104k (2017 - £66K) relating to the development of the new website. The depreciation charged in the year on finance leases was £39k (2017 - £39k).

Fixed asset additions in the year include a donated camera valued at £10.2k.

Fixed assets totalling £36.5k of cost with a net book value of £23.8k were disposed of during the year.

The historic cost net book value of land and buildings is:

	2018 at 31 July £	2017 at 31 July £
Cost brought forward	302,009	302,009
Accumulated depreciation based on historical cost	(145,695)	(135,982)
Historical cost net book value	156,314	166,027

15 Investment in subsidiary undertakings

	2018 at 31 July £	2017 at 31 July £
Cost at 1 August 2017 and 31 July 2018	2	2

Name	Country of or incorporation or registration	Proportion of ordinary share capital held %	Share capital and reserves at 31 July 2018 £
NFTS Enterprises Limited	England and Wales	100%	2

During the year ended 31 July 2018 there was no trading activity through NFTS Enterprises Limited (2017 - profit £Nil).

16 Stocks

	2018 at 31 July £	2017 at 31 July £
Production and post-production consumables	6,382	6,386

There is no material difference between the replacement cost of stocks and the amounts stated above.

17 Debtors

	2018 at 31 July £	2017 at 31 July £
Trade debtors	2,388,367	2,429,369
Other debtors	15,753	22,096
Prepayments and accrued income	713,784	1,142,970
	<u>3,117,904</u>	<u>3,594,435</u>

All amounts shown under debtors fall due for payment within one year.

18 Creditors: amounts falling due within one year

	2018 at 31 July £	2017 at 31 July £
Trade creditors	526,422	837,910
Taxation and social security	226,101	264,962
Other creditors	45,599	54,438
Deferred income	4,256,457	3,921,204
Deferred capital grants	580,979	544,863
Accruals	603,143	588,873
Finance lease obligation	38,896	38,896
Bank loan (secured)	157,104	157,104
	<u>6,434,701</u>	<u>6,408,250</u>

19 Creditors: amounts falling due after more than one year

	2018 at 31 July £	2017 at 31 July £
Bank loan (secured)	746,274	903,378
Sky loan (unsecured concessionary loan)	1,000,000	1,000,000
Deferred capital grants	13,155,563	13,508,662
Finance lease obligation	62,124	101,020
	<u>14,963,961</u>	<u>15,513,060</u>

Maturity of debt	Loans £	Finance Leases £	Deferred Income £	Total 2018 at 31 July £	Total 2017 at 31 July £
In more than one year but not more than two years	157,104	38,897	580,979	776,980	740,864
In more than two years but not more than five years	628,416	23,227	1,850,593	2,502,236	2,657,791
In more than five years	960,754	-	10,723,991	11,684,745	12,114,405
	<u>1,746,274</u>	<u>62,124</u>	<u>13,155,563</u>	<u>14,963,961</u>	<u>15,513,060</u>

19 Creditors: amounts falling due after more than one year (*continued*)

A £3m long-term loan facility repayable over 17 years was arranged with Allied Irish Bank (GB) in March 2007. This required the NFTS to register a fixed charge on its freehold land and buildings as security for this loan facility. The loan balance outstanding (£903k) represents 10.4% of the cost of the Oswald Morris Building. The interest rate charged on this loan during the year was 1.2%.

A £1m unsecured interest-free concessionary loan repayable over 5 years was arranged with Sky Plc in 2016. Repayments are due to commence in 2022.

20 Financial instruments

	2018 at 31 July £	2017 at 31 July £
Financial assets measured at amortised cost	5,255,671	5,109,748
Financial liabilities measured at amortised cost	2,802,520	3,357,708

Financial assets measured at amortised cost comprise trade debtors, other debtors, and cash and cash equivalents.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors and other creditors.

21 Endowment funds

	2018 at 31 July £	2017 at 31 July £
Balance at 1 August 2017	276,323	230,480
Additions	700,435	622,392
Expenditure	(700,435)	(622,392)
Movement on funds	26,615	45,843
Balance at 31 July 2018	302,938	276,323

The endowment funds relate to scholarships.

22 Connected charitable institutions

NFTS Foundation is a charitable institution and is administered on behalf of the School and has been established for its general purposes. NFTS Foundation is not included in the consolidation since the School does not have control over its activities.

By mutual agreement, all costs associated with the fundraising activities of NFTS Foundation are borne by the School.

The movements in the year on the total funds of NFTS Foundation, as reported in its own accounts for the year ended 31 December 2017, is as follows:

Opening balance	Income	Expenditure	Change in market value	Closing balance
£	£	£	£	£
3,917,152	130,499	(139,193)	307,526	4,215,984

23 Related party transactions

A number of the governors for the School are also officers, employees or consultants with industry organisations, which have provided grants, or entered into other transactions with the School during the period.

Name	Role at the School	Related Party Company	Role at Related Company	Nature of transaction	Value of transaction £
Patrick McKenna	Chair	Ingenious Capital Management Holdings Limited	Director	Sponsorship gala Sponsorship Inside Pictures programme Provision of office space to the School free of charge	50,000 5,000 10,000
Neil Forster	Governor	Ingenious Capital Management Holdings Limited	CEO	Sponsorship gala Sponsorship Inside Pictures programme Provision of office space to the School free of charge	50,000 5,000 10,000
Stephen Louis	Deputy Chair	Richmond Film Services	Investor	Hire of equipment by the School Gala table	1,660 3,950
Steve Mertz	Governor	Warner Bros. Entertainment UK	Senior Vice President	Scholarship Gala table	13,800 3,950
Tom Betts	Governor	ITV Plc	Director of Corporate Strategy, Mergers & Acquisitions	Key partner sponsor Gala table	100,000 3,950
Ian Lewis	Governor	Sky Plc	Group Director - Sky Cinema	Key partner sponsor Sponsorship of 'Bridges to Industry' project Two premier gala tables Gala auction item	175,000 100,000 15,000 250
Bal Samra	Governor	BBC	Group Commercial Director	Key partner sponsor Sponsorship of 'Bridges to Industry' project Gala table Gala auction item	271,167 36,600 3,950 425
Laurent Samama	Governor	Google Plc	Director of Media, Entertainment & Industries	Gala table	3,950
Andrew Macdonald	Governor	DNA Films	Co-founder	Gala table Reimbursement of flight for attending NFTS Scotland Glasgow Film Festival event	3,950 317
Susan Moffat	Governor	Hartwood Films	Director	Gala table Gala auction items Reimbursement of flights for attending NFTS Scotland industry spotlight session	3,950 9,100 804

23 Related party transactions (*continued*)

During the year the NFTS Foundation made donations to the School totalling £120k (2017 - £1,121.5k) of which £39.5k was for endowed scholarships (2017 - £39.5k).

24 Pension scheme

The School's defined benefit pension scheme was established under an irrevocable Deed of Trust for its employees. Trustees accountable to the pension-scheme members manage the scheme. The scheme was closed to new members on 31 March 2000 and closed to accrual on 1 September 2006.

The latest triennial actuarial valuation of the scheme was at 31 March 2017. The triennial valuation was carried out using the projected-unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date.

An "inflation-risk premium" adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds. To calculate the technical provisions, it was assumed that the valuation rate of interest would be 2.7% per annum and pensions would increase by 3.2% per annum thereafter. The standard mortality table used to calculate both male members' and female members' mortality was the S2PMA/S2PFA light tables CMI Model 2017 (1.25%).

At the valuation date the value of the assets of the scheme was £7.1m and the value of the scheme's technical provisions was £11.4m indicating a deficit of £4.3m.

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 August 2032. This assumes experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at £230k per annum and increased annually in line with RPI. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

The technical provisions relate to the past-service liabilities and funding levels, as the scheme closed to new members on 31 March 2000 and closed to accrual on 1 September 2006.

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

The trustees believe that, over the long-term, equity investment and investment in selected alternative-asset classes will provide superior returns to other investment classes. The management structure and targets set are designed to give the fund a major exposure to equities through portfolios that are diversified both geographically and by sector. The trustees recognise that it would be possible to select investments producing income flows broadly similar to the estimated-liability cash flows. However, in order to meet the long-term funding objective within a level of contributions that they consider the employers would be willing to make, the trustees have agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return than the matching assets would provide while maintaining a prudent approach to meeting the funds' liabilities. Before deciding to take investment risk relative to the liabilities, the trustees receive advice from their investment consultant and the scheme actuary, and consider the views of the employers.

At 31 July 2018, there were 35 deferred members of the plan. The School has two insured pensioners in addition to the disclosures provided. They are not included in the financial statements, as their net effect would be zero (a matching asset and liability).

24 Pension scheme (continued)**Assumptions**

The financial assumptions used to calculate scheme liabilities under FRS102 are:

	2018 at 31 July	2017 at 31 July
Rate of increase in salaries	N/a	N/a
Discount rate	2.7% p.a.	2.5% p.a.
Inflation assumption – RPI	3.1% p.a.	3.1% p.a.
Inflation assumption – CPI	2.1% p.a.	2.1% p.a.

The most significant non-financial assumption is the assumed level of longevity. The following table shows the life expectancy assumptions used in the accounting assessments based on the life expectancy of male and female members.

	Male Pensioner	Male Non-pensioner	Female Pensioner	Female Non-pensioner
At 31 July 2017	88.2 years	89.5 years	89.2 years	90.7 years
At 31 July 2018	88.1 years	89.4 years	89.1 years	90.6 years

Scheme assets and expected rate of return

The expected return on assets has been derived as the weighted average of the expected returns from each of the main asset classes (i.e. equities and bonds). The expected return for each asset class reflects a combination of historical performance analysis, the forward-looking views of the financial markets (as suggested by the yields available) and the views of investment organisations.

The assets in the scheme were:

	2018 at 31 July £'000	2017 at 31 July £'000
Equities and property	3,477	2,976
Bonds and gilts	-	4,084
Overseas equities	970	-
Liability driven instruments and diversified credit funds	2,460	-
Cash	123	93
Annuities	81	87
	<hr/>	<hr/>
Total market value of the asset	7,111	7,240
	<hr/>	<hr/>

Analysis of the amount shown in the balance sheet:

	2018 at 31 July £'000	2017 at 31 July £'000
Scheme assets	7,111	7,240
Scheme liabilities	(11,430)	(12,208)
	<hr/>	<hr/>
Deficit in the scheme	(4,319)	(4,968)
	<hr/>	<hr/>

24 Pension scheme (*continued*)

	2018 at 31 July £'000	2017 at 31 July £'000
Analysis of the amounts charged to the statement of comprehensive income:		
<i>Interest and other finance costs:</i>		
Interest income on plan assets	(180)	(164)
Interest cost on scheme liabilities	300	286
	<hr/>	<hr/>
Net finance cost	120	122
	<hr/>	<hr/>
<i>Other comprehensive income</i>		
Return on assets excluding interest income	(224)	(35)
Changes in assumptions underlying the present value of the scheme liabilities	678	347
	<hr/>	<hr/>
	454	312
	<hr/>	<hr/>
	2018 at 31 July £'000	2017 at 31 July £'000
History of experience gains and losses		
Difference between the expected and actual return on scheme assets:		
Amount	(224)	(35)
Percentage of scheme assets	3%	0.5%
Experience gains and losses on scheme liabilities:		
Amount	678	347
Percentage of the scheme liabilities	6%	3%
Analysis of movement in balance sheet deficit in the year		
Deficit in scheme at beginning of period	(4,968)	(5,426)
Other investment income	(120)	(122)
Actuarial gain	454	312
Contributions paid	315	268
	<hr/>	<hr/>
Deficit in scheme at end of period	(4,319)	(4,968)
	<hr/>	<hr/>
Reconciliation of the fair value of plan assets		
Fair value of plan assets at beginning of period	7,240	7,173
Interest income	180	164
Actuarial gain	(224)	(35)
Contributions by company	315	268
Benefits paid	(400)	(330)
	<hr/>	<hr/>
Fair value of plan assets at end of period	7,111	7,240
	<hr/>	<hr/>

24 Pension scheme (*continued*)

	2018 at 31 July £'000	2017 at 31 July £'000
Reconciliation of the present value of plan liabilities		
Present value of plan liabilities at beginning of period	12,208	12,599
Interest cost	300	286
Actuarial gain	(678)	(347)
Benefits paid	(400)	(330)
	<hr/>	<hr/>
Present value of plan liabilities at end of period	11,430	12,208
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25 Indemnity insurance

During the year, insurance costing £1k (2017 – £1k) was purchased to indemnify the governors and officers against default on their part.

26 Capital commitments

Provision has not been made for the following capital commitments:

	2018 at 31 July £	2017 at 31 July £
Commitments contracted for	69,004	73,341
	<hr/>	<hr/>

27 Commitments under operating leases

Total rentals payable under operating leases:

	2018 at 31 July £	2017 at 31 July £
Payable during the year	55,205	87,343
Future minimum lease payments due:		
Not later than one year	55,205	53,292
Later than one year and not later than five years	138,529	195,647
	<hr/>	<hr/>
Total lease payments due	193,734	248,939
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