NFTS | NATIONAL FILM AND TELEVISION SCHOOL

REPORT & FINANCIAL STATEMENTS

1 August 2015 - 31 July 2016
Company Registration Number 981908

www.nfts.co.uk
Our credits tell the story.

Inspired by Steve McQueen, Danny Boyle, Julie Taymor, Jonathan Glazer, Oliver Stapleton, Nick Broomfield, Sam Mendes, Kim Longinotto, George Miller, Ron Howard, Abi Morgan, Christopher Nolan & Pawel Pawlikowski who have all delivered recent masterclasses at the NFTS.

Contents

Statement from the Chair of the Board of Governors

The National Film and Television School (NFTS) is located at the heart of the country's film, television and games industries. In an increasingly competitive global market for talent we lead the way in the teaching of advanced audio-visual skills and high-end training for the screen-based entertainment sector.

The School's international reputation remains unsurpassed. We produce generation after generation of the most talented directors, producers, writers, composers, games-makers and technicians. Our graduates help to fuel the continuing growth and success of the UK's audio-visual industries. Our goal is to maintain this record of achievement and all my efforts are directed to ensuring that we succeed in this ambition.

This is the background to our current building expansion programme, phase two of which, at the time of writing, is proceeding on budget and on time for completion and occupation early in 2017. On this theme, I'm pleased to report that our £1.5 million application to the Buckinghamshire and Thames Valley Local Enterprise Partnership to upgrade our TV studio into a Digital Content Production Training Facility and Hub was successful. With their state-of-the-art facilities, the new buildings will constitute a key element of our strategy for maintaining global competitiveness.

On the course and curriculum front, following the successful launch in January of our new Film Studies MA and Sports Production diploma courses, we are launching a further seven new courses in the coming year in wholly new areas of study such as Science and Natural History, Commercial Production, Production Accounting, and Marketing and Distribution.

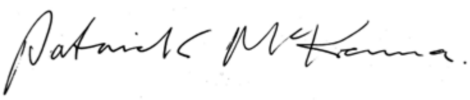
On governance matters, we continue to raise the bar as we are required to do under the terms of our Higher Education Funding Council for England (HEFCE) accreditation. During the year we successfully underwent HEFCE's assurance audit examination.

The students are of course our *raison d'etre* and I constantly marvel at the consistency of their achievements. At this year's Edinburgh Film Festival our graduates received no less than 174 production credits. One of our student films won a BAFTA Short Film Animation award and, as ever, we secured lots of nominations on both sides of the pond. In the end it is the quality of the work as measured by the proxy of industry awards that does most to sustain our reputation for excellence.

Finally, I am delighted to say that our annual fund-raising Gala, which took place on 28 June at our regular venue in Old Billingsgate, raised over £300k for School funds. Organised on the theme of *Great British Women* the Gala Committee was chaired by Barbara Broccoli and Tessa Ross and presented by TV personality Mel Giedroyc. I am most grateful to Barbara and Tessa, to the other members of the Gala Committee and to the scores of industry folk who supported the School by attending or providing auction prizes.

We look forward to another year of expansion and achievement.

Good luck to all our graduating students.



Patrick McKenna
Chair of the Board of Governors

Members of the Board of Governors	Patrick McKenna – Chair Stephen Louis – Deputy Chair Peter Barron Tom Betts Steven Boneham – Staff Governor Professor Alan Cummings (resigned 22 March 2016) Neil Forster Phil Harrison Oliver Hyatt MBE Ian Lewis Steve Mertz Susan Moffat Tracey Price Ade Rawcliffe (appointed 22 November 2016) Bal Samra Ian Shepherd Sophie Turner-Laing (resigned 22 March 2016) Piers Wenger (resigned 23 September 2016)
Company Secretary	Trevor Hall (appointed 4 January 2016)
Clerk to the Board	Chris Wensley
Management Team	Nik Powell Dr Jon Wardle Trevor Hall Mark Tugwell Philip Willatt
Audit Committee	Steve Mertz – Chair Christine Corner Neil Forster Tracey Price
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
CISA (Phase 2) Redevelopment Committee	Phil Harrison Stephen Louis Patrick McKenna

Company Registration Number	981908
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Bankers	Lloyds Bank PLC 25 Gresham Street London EC2V 7HN
Solicitors	Mills & Reeve LLP Monument Place 24 Monument Place London EC3R 8AJ

Strategic Report

This report reviews the National Film and Television School (the 'School') activities for the year ended July 31 2016 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 Corporate 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, a Skillset Screen Academy, 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 two film stages, a separate large TV studio and post-production facilities rivalling those of many professional companies.

The School also provides a "Bridges to Industry" programme whereby students are provided with 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 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 four principal ways:

i) Scholarship and bursary support: the School raised and distributed £795k in financial aid to students during the year. Over 85% of UK students received support;
ii) Open Days: the School continued to run its course-specific open days but has supplemented this through general open days on a Saturday, a regional open day in Bristol and through the delivery of bespoke individual school, college and university group visits;
iii) BFI Film Academy: the School visited more than 40 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; and
iv) 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 and interests for fundraising activities.

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

In 2015 the School finalised its new five year Corporate Plan. This plan – the 2020 Vision – is a fundamental project designed to place the School on a sustainable financial footing, to enable it further to build on its international reputation as 'the Number 1 International Film School in the World' (*Hollywood Reporter*).

The objectives detailed in the plan are 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.

2015/2016 was a landmark year in the delivery of these objectives and the Corporate Plan as a whole. Specifically, the School:

- Secured planning permission for phase 2 of the Digital Village/Creative Industries Skills Academy (CISA) development and started building two new buildings;
- Launched new courses in Sports Production and Film Studies Programming and Curation and developed a new suite of courses which are currently recruiting students for enrolment in January 2017;
- Secured a successful Quality Assurance Agency judgement in its quinquennial Higher Education Review;
- Successfully revalidated the Film and Television MA with the Royal College of Art (RCA) for a further five year period; and
- Retained our top film-school status in the annual *Hollywood Reporter* listings. The School is now the only UK school featured in this listing.

1.5 Looking Forward

The future plans for the School fall into three areas:

- To sustain what we do already do: 2015/16 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 new courses: in 2015/16, the School launched new and rebranded courses in partnership with industry. A further seven courses will launch in 2016/17, which will benefit from the new facilities provided by the two new buildings. The School will continue to make Short Courses the premier provider of quality relevant CPD to the media industries whilst continuing to focus on delivering a health and safety regime at the School that is second to none; and
- To complete the CISA building programme on budget and schedule: the buildings are on target for completion in December 2016 for utilisation from January 2017.

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 successfully passed its HEFCE Assurance Review, building on last year's successful QAA Higher Education Quality Review;
- 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) that are regularly reported to the Board of Governors. The KPIs were originally developed and introduced in early 2014 in line with sector best practice as defined by the Committee of University Chairs guidance. Management and the Board of Governors are currently in the process of reviewing and updating the KPIs, as part of the new corporate plan, to align with the agreed objectives and developmental priorities for the next five years.

These KPIs will be mapped to the objectives of the corporate plan covering financial sustainability, student recruitment, student achievement, the condition and suitability of the School's estate and infrastructure, and reputation and impact. The KPI framework incorporates the monitoring and reporting requirements of HEFCE's annual sustainability assessment return.

		2014/15 (Actual)	**2015/16** (Actual)	**2016/17** (Projected)
1.	**FINANCE (based on operating result before FRS102 adjustments)**			
1.1	Surplus as a percentage of income	-1%	1%	1%
1.2	Cost of delivery per student	£34,440	£33,164	£29,293
1.3	Income from public sources as percentage of total income*	31%	29%	26%
1.4	Income from philanthropic sources (NFTS Gala, Foundations, Trusts, etc.)*	5%	5%	4%
1.5	Income from industry sources*	17%	17%	15%
1.6	Student fee income as percentage of total income	29%	38%	40%
2.	**STUDENTS & LEARNING**			
2.1	Student satisfaction, as measured by students rating their experience as excellent or very good	77%	77%	80%
2.2	BAME students as percentage of student body	17%	15%	20%

* Income from industry and philanthropic Trusts and Foundations remains an integral and essential part of the School's funding to deliver its charitable objectives. The School will look to maintain current levels of industry and philanthropic income, at the very least, but these income sources will fall as a percentage of total income with the growth in student numbers and fee income in line with the School's five-year strategic plan.

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 will advise the Board of Governors as appropriate;
- The School will adopt 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;
- Heads of Department are responsible for encouraging good risk management practice; and
- Key risk indicators will be 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 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. The School encapsulates risks by use of both institutional level and departmental level risk registers.

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, including financial controls, cash flow, major funding agreements and health and safety practices.

The School's key risks remain:

- Student recruitment – there is a strong demand for the School's courses, however new courses being developed are on the boundaries of the School's traditional offer. It is imperative that strong marketing and communication takes place to drive take up of the new courses;
- Delivery of the CISA project – delivering the CISA project, particularly the two new buildings, on time and within budget remains at the top of the management team's agenda. Successful delivery of this project is fundamental to the delivery of the wider objectives of the Corporate Plan;
- Impact of Brexit – there is a risk that EU students may not be able to enrol on the School's courses for the 2018 academic year with the UK Government yet to clarify the situation. EU students currently represent 26% of the School's student body.

2 Academic Review

2.1 Overview and Highlights

2015/16 was another exemplary period for the School, whose student animation, live action and documentary filmmakers were recognised by the industry with top prizes at the EE British Academy Awards (Best Short Animation Film for the 2nd year running), Best Short Film at the British Independent Film Awards. We also won the USA's most prestigious documentary award at the International Documentary Association Awards (Best Student Film) and seven Royal Television Society Awards.

It was a record-breaking year for our animation department with awards taken at 68 animation film festivals including two top prizes at Annecy, one of the most highly regarded animation festivals in the world. A first year student film *Slap* was nominated for a Student Academy Award and the School was the only film school in the world with a student film – *The Bigger Picture* – nominated for an Oscar, along with a recent graduate's film - B*oogaloo and Graham*. The same two films scooped both of the Short Film prizes at the EE British Academy Film Awards and documentaries were nominated for the Grierson documentary awards.

To cap it off, the School retained its billing as one of the best film schools in the world by winning two out of three top prizes for best films in the CILECT Global Film School awards, which are voted for by all film schools from around the globe.

Two of our graduates, director Nick Rowland and producer Emily Morgan, were named *Screen International* Stars of Tomorrow and Producing & Directing Television Entertainment graduate Omar Kenawi was named a *Broadcast Magazine* hotshot in the industry lists of the most talented filmmakers and TV producers tipped for success.

We were also proud to see Production Design alumnus Dennis De Groot presented with a Lifetime Achievement Award at the recent Royal Television Society Craft & Design Awards at which recent graduate Paulo Pandolpho also won the Best Editing Drama Award. Recent Screenwriting graduate Regina Moriarty and documentary filmmaker Kim Longinotto (who is also a regular visiting tutor) both received prizes at the 25th annual Women in Film and TV Awards. Kim was also awarded the BBC Trustees Award at the Griersons. Regina was named a BAFTA Breakthrough Brit, and *Suffragette* – a film by Directing Fiction graduate Sarah Gavron and Screenwriter Abi Morgan – sparked an important international debate on the opportunities for women in film and television.

Many of these films and TV productions have already won awards at the 2016 Golden Globes including the BBC Television production, *Wolf Hall*, on which Simon Clark, our Head of Production Sound, worked.

Finally, four of the School's films were screened at the Sundance Film Festival, a record for the School and indeed any film school, and animation film *Edmond* won the Short Film Jury Award for Best Animation.

2.2 Learning and Teaching

Activity: Two year MA Courses – 2015/2016

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

All the MA courses are subject to the RCA Annual Review and Course Evaluation by the Academic Standards Committee. In addition, every course has an Industry Advisory Panel that meets once a year to look at the course and discuss how it should be updated in the light of industry developments.

Activity: Two Year MA Courses – 2015/2016

- Directing Animation
- Directing Documentary
- Directing Fiction
- Cinematography
- Composing for Film & Television
- Editing
- Producing
- Producing & Directing Television Entertainment
- Production Design
- Screenwriting
- Sound Design
- Digital Effects
- Games Design and Development
- Film Studies, Programming and Curation

Activity: One Year to 18-Month Diploma Courses – 2015/2016

- Production Sound Recording for Film & Television (in partnership with the BBC)
- Production Management - Film & Television (in partnership with the BBC)
- Sports Production (in partnership with IMG)
- Script Development (part-time)
- Creative Business for Entrepreneurs and Executives (in partnership with Ingenious Media)
- Broadcast Production (in partnership with Sky)
- Writing and Producing Comedy (part time) – (in partnership with Channel 4)
- Factual Development and Production (part time) – (in partnership with Discovery Networks International)
- Producing Digital Content and Formats (part time) – (in partnership with Sky)

Short Courses and Diplomas

From August 2015 to July 2016 Short Courses ran 57 courses training 375 individuals including employees sent by Sega, Orillo Productions, Drummer TV, Sandstorm Films, Baillie Gifford & Co, AMVBBDO, Army Media Comms, Origin Pictures, BBC, Lime Pictures and Arsenal FC Media. The team designed and ran bespoke training for ITV, Brothers & Sisters, LighthouseNation and Flying Objects; and provided seven consultancies in the form of the Script Squad and Documentary Surgery services.

Short Courses also concluded the Creative Skillset supported six months BAME Leadership Programme and immediately applied for another round of funding, which has been approved.

Short Courses leads on the delivery of part-time diploma courses and in January 2016 the team welcomed 29 new diploma students onto the Comedy & Factual diplomas, bringing the overall number of part-time students under the team's care up to 65.

There are ambitious new courses on offer from Tony Smith's Acting for the Camera to Carlos Ciudad's Producing VFX supported by Creative Skillset. The team are preparing a two-week Factual Entertainment course for Chinese producers in conjunction with LighthouseNation and Simon Broadley, as well as a new radio drama course to be led by leading radio drama producer Kate Rowland and Jeremy Howe, Head of BBC radio drama. The new certificate course 'Writing The Bible' has been confirmed with the support of All3Media.

With the opening of the new buildings at the School in January 2017, the team is in line to deliver the forecasted expansion.

Curriculum, recruitment and access

October 2015 saw the successful re-validation by the RCA's panel of the School's 13 pathways on the MA Film and Television, together with the validation of an additional pathway – that of Film Studies, Programming and Curation – which enrolled its first students in January 2016, and is being delivered in conjunction with the British Film Institute.

The School's educational strategy and philosophy remains consistent as detailed in the NFTS Learning and Teaching Strategy. New actions have been developed and agreed at Management and in the School's Academic Standards Committee. A new Enhancement Strategy has been developed as part of the new institutional Quality Assurance and Enhancement Handbook. In the autumn of 2015 the School recruited to a new position of Quality Assurance Manager to preside over academic standards and their enhancement.

The School increased its student numbers by 8% – taking the total number of full time equivalent students to more than 350 – in 2015/16.

The School is committed to improving the profile of its intake to accurately reflect the diversity of the UK – and so contribute to building a more diverse workforce in the film and television industry. During this period, the School continued to make diversity a part of its core aims and to continue to increase awareness of the need for a diverse intake amongst its staff and tutors. For example, the School's tutors spoke at more than 40 regional cultural / film making venues – The Watershed, Tyne Side Cinema, Corner House (now Home), FACT etc – across the UK. In addition the School launched a new scholarship programme with Channel 4 further supporting diverse talent to come to the School.

The School continues to reach out through a range of networks to attract a diverse set of applicants and final intake in terms of gender, ethnicity and disability.

60% of the School's MA intake in January 2016 was male and 40% female.

The percentage of BAME entrants on the MA was 15% in January 2016. This is three times the industry norm.

Student feedback remains very positive. The annual student survey demonstrates that the majority of students are very satisfied with their experience at the School.

It is our belief that the more effective and high quality we make our teaching and learning experiences, then the better our students films are and the more successful our graduates become.

2015/16 saw the completion of the fifteenth group of MA Film and Television graduates from the School validated through the RCA. In the Overall Assessment, 24 students were awarded an excellent (compared with 26 in 2014), 55 a very good pass (there were 48 in 2014) and 23 a good pass (compared with 27 in 2014). There was also only 1 pass (where there were 4 in 2014).

2.3 "Bridges to Industry" and Masterclasses

The School's students and recent graduates had the opportunity to attend 29 masterclasses during the year. Guests included Oscar winning directors George Miller (*Mad Max*), Ron Howard (*A Beautiful Mind, Apollo 13, Rush*), Sam Mendes *(American Beauty, Skyfall*) and Pawel Pawlikowski (*Ida*). Other multi-award winning directors who gave masterclasses included Chris Nolan (*The Dark Knight, Inception*), Joe Wright (*Atonement, Pride & Prejudice*), Jonathan Glazer (*Under The Skin, Sexy Beast*), Lone Scherfig (*An Education, Italian for Beginners*), Stephen Frears (*Dangerous Liaisons, Florence Foster Jenkins*), Yorgos Lanthimos (*The Lobster*) and Ben Wheatley (*Sightseers, High-Rise*).

Students also benefited from masterclasses with writers including Simon Beaufoy (*Slumdog Millionaire*) and Abi Morgan (*Suffragette*); producers Andrew Macdonald (*Trainspotting*), Rebecca O'Brien (*The Wind That Shakes the Barley*) and Tim Bevan (*Four Weddings and a Funeral*); production designer Gemma Jackson (*Game of Thrones*); VFX Supervisor Adam Valdez (*The Jungle Book*) and animation director Angus MacLane (*Finding Dory*).

Students and graduates were offered a number of "Bridges to Industry" opportunities. Four short films were supported by Jigsaw clothing – with the films produced to be screened by Jigsaw in autumn 2016 and used on social media. Further bridges to industry projects included the first film delivered through the BBC Films/NFTS Greenlight scheme which has been launched for its second year with proposals due in September 2016, and two creative short promo films for Kabuto pot noodles scheduled to go into production in autumn 2016.

3 Corporate Responsibility

3.1 Staff

The School depends on the contribution and quality of its workforce.

The School engages with staff in a number of ways, including the Director's attendance at termly meetings open to all staff, and the Deputy Director and Director of Curriculum and Registrar's monthly meetings with Heads of Departments and Heads of Sections. Staff have elected one of their number to be their staff governor on the Board of Governors. A first in staff engagement at the School was the design and launch of a staff attitude survey in July 2016.

Teaching Staff

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.

Staff Policies

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

3.2 Environmental Sustainability

The School acknowledges the need to minimise carbon emissions to help mitigate climate change and to be a more environmentally sustainable Institution.

Following the scoping report delivered by The Carbon Trust in 2014, which included establishing baseline data and suggested areas of improvement, the School is working with the Carbon Trust to strategically review all carbon emissions. It is undergoing a programme of building replacement and refurbishment with energy efficiency as a KPI, and is actively reviewing operations to minimise all carbon emissions with particular regard to travel and energy use on its campus.

3.3 Equality and Diversity

The School recognises that equality of opportunity and valuing diversity are vital to its success. Moreover, 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 follows a policy issued by the Cabinet Office on the employment of disabled people and the curriculum includes the study of equal opportunity concern – 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.

4 Financial

4.1 Financial Strategy for Sustainability

The School is in its third year of its five-year financial strategy to deliver financial viability and sustainability. This has seen the School move from historic deficits to a net operating surplus during the period, with significant growth targeted over the next two years. Annually, the management team agrees a list of key goals and tasks to support the delivery of the School's wider five-year plan and associated objectives.

4.2 Financial Review of the Year Ended 31 July 2016

This is the first year that the results of the School have been reported under the new accounting standard FRS102. The key change under the standard has been the restatement of non-government capital grants as income, leading to a £1.08m increase in reported income for the year ended 31 July 2016.

Operating income – i.e. excluding changes arising out of accounting policy under FRS102 – is £11.5m, an increase of 8% on 2014/15. The net increase has arisen primarily from increased industry funding of £300k and increased student fees of £413k.

The 2016 NFTS Gala celebrated "Great British Women" and was a great success, raising gross income of £458k (14% increase on 2015), and contributing £289k towards the School, after costs. £50k of the funds raised has been deferred to 2016/17 – to fund new initiatives supporting female directors, including a mentorship programme, workshops and a paid internship. A further £8k has been deferred to be awarded as a scholarship from the Sir John Terry Memorial Fund.

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 £795k and covered 18% 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 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 increase income, the School has remained focused on managing its cost base through robust budget management, re-procurement and a focus on value for money. This has resulted in operating expenditure (before interest and depreciation) falling to 92% of operating income, compared to 95% in 2014/15.

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 operating surplus before accounting policy and pension adjustments of £115k (2014/15 deficit £65k). After accounting for changes in accounting policy this become a deficit of £508k, compared to a deficit of £835k in the preceding 12 months.

The School has generated positive cash flow of £1.2m from operating activities (adjusted for non-government capital grants) compared to £822k in 2014/15 (see page 23 – Statement of Cash Flows). This is in line with increased activity in the School and robust control over the School's cost base highlighted above. Total cash movements after investment, financing and capital activity show a net cash inflow of £1.87m for the year to 31 July 2016. Of the £4.4 million cash funds held at 31 July 2016, £2.3m relates to advance funding for the CISA development and will be spent in the first quarter of 2016/17 as the build nears completion.

The School continues to maintain approximately £1.3m of cash funds on deposit to ensure that the CISA development is fully funded and to fund condition works required on existing buildings.

Reserves have been restated to recognise deferred capital grants as a liability under FRS102 and movements on the pension deficits on the face of the Comprehensive Statement of Income (formerly Income & Expenditure account). This has resulted in a restatement of opening reserves from £11.04m to £9.47m (see note 30 – transition to FRS102).

The pension deficit valuation has increased by £1.71m partly due to changes in the discount rate under FRS102. A new payment plan has been agreed with the Trustees of the School's defined benefits pension scheme to increase future contributions to close the deficit.

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

4.3 Value for Money

The Board of Trustees approved the School's Value for Money plan in November 2015. This has embedded the formal consideration of Value for Money in all major contract renewals, procurement & tenders, and new staff appointments.

For the period to 31 July 2016, the School achieved Value for Money savings through better procurement, contract renegotiation and staffing restructures.

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

4.4 Investments

The School currently holds cash funds on short-term deposit to ensure that the CISA development and condition-survey works on existing buildings are fully funded. As these projects are completed, the School will review its Treasury and Investment strategies to maximise returns from surplus cash holdings.

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

A review of the School's financial processes and controls was undertaken by the Kingston City Group (KCG), the School's Internal Auditors, in 2016. The review provided "satisfactory assurance" over the incumbent systems, processes and controls. Nonetheless, work is ongoing to explore further opportunities to improve the current system's efficiency and effectiveness to support the School's growth agenda.

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.

Statement of Public Benefit

The School believes it meets the public benefits requirement as a charity. The governors are aware of their responsibilities with regards to the public benefits requirement and are conversant with the Charity Commission guidance.

Public benefit is demonstrated in the public access to the School's world class facilities. The School provides a significant amount of student support to talented students regardless of background in terms of bursaries and scholarships. The School's activity is the provision of education, with emphasis on ability and talent, meeting its primary charitable objective.

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.

Due to the building works during 2015/16, use of the School's facilities was limited to an external event held for The Wooburn Festival and monthly screenings by The Beaconsfield Film Society.

Fundraising

Fundraising activity during the 2015/16 financial year concentrated upon the annual Gala, new scholarships, the acquisition of a new core funding partner and the raising of further funds for the CISA building project and TV Studio.

The 2016 NFTS Gala celebrated "Great British Women" and was a great success, with funds raised to support the School and also fund new initiatives including a mentorship programme, workshops and a paid internship.

A major new supporter recruited during the year was the UK Cinema Association (UKCA), becoming the second exhibition organisation to sponsor the School, providing financial core support as well as two scholarships from 2016/17, as well as promoting the School through its members and becoming a sponsor of the new MA in Marketing, Distribution, Sales and Exhibition. Further, new scholarships were received from other donors both from the UK and internationally.

During the period Channel 4 completed their agreement with the School to donate £1m towards the funding of the CISA development as well as agreeing to support access to the School's expanded range of courses for those from disadvantaged backgrounds with £100k of bursaries each year for three years. The school also received an anonymous donation of £50k towards the CISA building fund.

A successful application for £1.5m was made during this period to the Buckinghamshire and Thames Valley Local Enterprise Partnership for a £2.6m Digital Content Training Studio and Hub project to be housed at the School. Work will start in the last quarter of 2016 for delivery in the first quarter of 2017.

Creative Skillset

Substantial support has been obtained from the BFI via the Skills Investment Fund administered by Creative Skillset for new courses and activities. Creative Skillset have continued to help fund the School's operations during 2015/16 through the Course Enhancement and Outreach and Diversity contracts. These agreements commit Creative Skillset's support for the School up to April 2017.

Corporate Governance

Legal Status

The School is a company limited by guarantee (company number 981908), and registered as a charity (charity number 313429). 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 risks that the School is currently exposed to are student recruitment, and delivery of the CISA project. 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 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 external audit management letters, internal auditor reports, and other matters set out in their 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 the Memorandum of Assurance and Accountability agreed between 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 United Kingdom 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 2016. 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 (FRS 102) 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 the 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 the relationship with the film, television and new media industries. Governors are mainly appointed from within these industries.

Since the ending of the Eady levy in 1985, and the post-Eady settlement in 1990, 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, whilst 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.

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 Financial Regulations;
- 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;
- The Board receives regular reports from the Audit Committee on the effectiveness of the system of internal control.

The School has appointed Kingston City Group to provide internal audit services. The firm operates to standards defined in the HEFCE 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

Nik Powell

Director

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

We have audited the financial statements of the National Film and Television School for the year ended 31 July 2016 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the School's Governing Body and Auditors

As explained more fully in the statement of responsibilities of the Board of Governors, the members of the Governing Body (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law, regulatory requirements and International Standards on Auditing (UK and Ireland) and the Audit Code of Practice issued by the Higher Education Funding Council for England. Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

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 Memorandum of Assurance and Accountability with the Higher Education Funding Council for England.

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the School's affairs as at 31st July 2016 and of the School's income and expenditure, gains and losses, reserves and cash flows for the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006, the Education Reform Act 1988 and the Statement of Recommended Practice: Accounting for Further and Higher Education.

Opinion on other matters required by the Higher Education Funding Council for England Audit Code of Practice

In our opinion, in all material respects:

- funds from whatever source administered by the School for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation;
- funds provided by HEFCE have been applied in accordance with the Memorandum of Assurance and Accountability and any other terms and conditions attached to them; and

- the requirements of the HEFCE's Accounts Direction have been met.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Governing Body and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

BDO LLP

James Aston, Senior Statutory Auditor
for and on behalf of BDO LLP, Statutory Auditor
Gatwick
United Kingdom
Date: 23 November 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial Statements for the Year Ended 31 July 2016

Statement of Comprehensive Income

	Note	2016 31 July £	2015 31 July £
Income			
Funding body income/grants	3	**4,127,331**	4,120,474
Tuition fees and education contracts	4	**4,311,304**	3,898,511
Other income	5	**2,394,751**	2,010,010
Investment income	6	**-**	5,052
Total income before other grants and donations		**10,833,386**	10,034,047
Donations and endowments	7	**1,719,544**	828,050
Total income		**12,552,930**	10,862,097
Expenditure			
Staff costs	8	**4,522,532**	4,135,996
Other operating expenses	11	**5,819,108**	5,767,711
Depreciation	12	**765,399**	732,092
Interest and other finance costs	13	**145,772**	137,710
Total expenditure		**11,252,811**	10,773,509
Surplus before tax		**1,300,119**	88,588
Taxation		**-**	-
Surplus for the year		**1,300,119**	88,588
Actuarial loss in respect of pension scheme	28	**(1,808,000)**	(924,000)
Total comprehensive income for the year		**(507,881)**	(835,412)
Represented by:			
Endowment comprehensive income		**(5,060)**	(18,542)
Restricted comprehensive income		**-**	(250,000)
Unrestricted comprehensive income		**(502,821)**	(566,870)
		(507,881)	(835,412)

The notes on pages 24 to 46 form part of these financial statements.

Balance Sheet

Company number 981908	Note	2016 at 31 July £	2015 at 31 July £
Fixed assets			
Tangible assets	15	**23,144,944**	15,655,727
Investment in subsidiary undertaking	16	**2**	2
		23,144,946	15,655,729
Current assets			
Stock	17	**4,676**	12,188
Debtors	18	**2,210,599**	1,874,808
Cash and cash equivalents		**4,439,241**	2,571,340
		6,654,516	4,458,336
Creditors: amounts falling due within one year	19	**(5,206,176)**	(4,121,531)
Net current assets		**1,448,340**	336,805
Creditors: amounts falling due after more than one year	20,21	**(10,204,463)**	(2,773,630)
Provisions for liabilities:			
Pension scheme liability	28	**(5,426,000)**	(3,717,000)
Other provisions	23	**-**	(31,200)
Total net assets		**8,962,823**	9,470,704
Restricted reserves			
Income and expenditure reserve – endowment reserve	24	**230,480**	235,540
Unrestricted reserves			
Income and expenditure reserve – unrestricted reserve		**(609,359)**	(335,825)
Revaluation reserve		**9,341,702**	9,570,989
Total reserves		**8,962,823**	9,470,704

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

Patrick McKenna — Chairman

Stephen Louis — Governor

Nik Powell — Director

The notes on pages 24 to 46 form part of these financial statements.

Statement of Changes in Reserves

	Income and expenditure reserves				
	Endowment	**Restricted**	**Unrestricted**	**Revaluation reserve**	**Total**
	£	**£**	**£**	**£**	**£**
At 1 August 2014	254,082	250,000	1,758	9,800,276	10,306,116
(Deficit)/Surplus from the Statement of comprehensive income	(18,542)	(250,000)	357,130	-	88,588
Actuarial loss in respect of pension scheme	-	-	(924,000)	-	(924,000)
Reserves transfer: Depreciation on revalued assets	-	-	229,287	(229,287)	-
At 31 July 2015	235,540	-	(335,825)	9,570,989	9,470,704
(Deficit)/Surplus from the Statement of comprehensive income	(5,060)	-	1,305,179	-	1,300,119
Actuarial gain/(loss) in respect of pension scheme	-	-	(1,808,000)	-	(1,808,000)
Reserves transfers:					
Depreciation on revalued assets	-	-	229,287	(229,287)	-
At 31 July 2016	**230,480**	**-**	**(609,359)**	**9,341,702**	**8,962,823**

The notes on pages 24 to 46 form part of these financial statements.

Statement of Cash Flows

	Note	2016 31 July £	2015 31 July £
Cash flow from operating activities			
Surplus for the financial year		**1,300,119**	88,588
Adjustment for non-cash items:			
Depreciation	12	**765,399**	732,092
Release of capital grants		**(171,772)**	(148,949)
Decrease in stock	17	**7,512**	11,403
Increase in debtors	18	**(335,791)**	(187,353)
Increase in creditors		**757,132**	390,368
Decrease in pension liability		**(229,000)**	(216,000)
Adjustment for investing or financing activities:			
Investment Income		**-**	(5,052)
Interest payable	13	**145,772**	137,710
Finance leases payable		**37,570**	19,045
Net cash inflow from operating activities		**2,276,941**	821,852
Cash flows from investing activities			
Investment income		**-**	5,052
Purchase of investments		**-**	(5,052)
Disposal of investments		**-**	1,309,329
Payments made to acquire fixed assets	15	**(8,254,616)**	(1,122,502)
Deferred capital grants received		**8,056,022**	1,008,592
		(198,594)	1,195,419
Cash flows from financing activities			
Interest paid	13	**(15,772)**	(17,710)
Finance lease rental payment		**(37,570)**	(19,045)
Repayments of amounts borrowed		**(157,104)**	(157,104)
		(210,446)	(193,859)
Increase in cash and cash equivalents in the year		**1,867,901**	1,823,412
Cash and cash equivalents at beginning of the year		**2,571,340**	747,928
Cash and cash equivalents at end of the year		**4,439,241**	2,571,340

The notes on pages 24 to 46 form part of these financial statements.

1 Status of the School

The School is a company limited by guarantee and is a registered charity. 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 (2015) and in accordance with the Financial Reporting Standards applicable in the United Kingdom and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Companies Act 2006. The financial statements conform with the 2015/16 Accounts Direction by the Higher Education Funding Council for England (HEFCE).

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.

Transition to FRS102

The School is preparing its financial statements in accordance with FRS 102 for the first time and consequently has applied the first time adoption requirements. An explanation of how the transition to FRS 102 has affected the reported financial position, financial performance and cash flows of the results of the School is provided in note 31.

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 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 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.

2 Principal accounting policies *(continued)*

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.

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;

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.

2 Principal accounting policies *(continued)*

(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.

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
Academic buildings and stages	–	over 20 years straight line
Teaching blocks	–	over 50 years straight line
Fixtures, fittings and office equipment	–	over 3 years straight line
Fixtures and fittings teaching block	–	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) Borrowing
Borrowing costs, which are directly attributable to the acquisition, construction or production of a qualifying asset, are capitalised.

(f) 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.

(g) 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)*

(h) 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 £229k). 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 contribution 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.

(i) 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 undisclosed salary cost of the future holiday entitlement so accrued at the balance sheet date.

(j) 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.

(k) 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.

(l) 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.

(m) Cash and cash equivalents

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

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

2 Principal accounting policies *(continued)*

(n) 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 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.

(o) 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.

(p) 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.

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.

2 Principal accounting policies *(continued)*

• 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

	2016	**2015**
	£	**£**
Recurrent grant		
HEFCE teaching grant	**352,516**	285,503
DCMS	**2,329,669**	2,505,332
Creative Skillset	**856,178**	851,667
Specific grant		
HEFCE specific grants	**417,196**	329,023
HEFCE deferred capital grant released	**20,914**	15,549
DCMS deferred capital grant released	**150,858**	133,400
Total funding body income/grants	**4,127,331**	4,120,474

4 Tuition fees and education contracts

	2016	**2015**
	£	**£**
Home post graduate fees	**2,489,945**	2,186,975
Overseas post graduate fees	**598,875**	589,333
Diploma and graduate fees	**766,711**	665,907
Other fees – i.e. short courses, partnerships	**455,773**	456,296
	4,311,304	3,898,511

5 Other income

	2016	**2015**
	£	**£**
Grants from platinum partner sponsors	**508,333**	300,000
Grants from key partner sponsors	**703,649**	612,167
Other income	**1,182,769**	1,097,843
	2,394,751	2,010,010

6 Investment income

	2016	**2015**
	£	**£**
Interest receivable on investments	**-**	5,052

7 Donations and endowments

	2016 £	2015 £
New endowments	**516,965**	466,300
Restricted capital donations	**1,084,079**	250,000
Other donations – NFTS Foundation, David Lean Foundation	**118,500**	111,750
	1,719,544	828,050

8 Staff costs

Staff costs consist of:	2016 £	2015 £
Salaries	**3,769,764**	3,439,267
Social security costs	**390,115**	338,421
Pension costs		
- defined benefit scheme contributions	**229,000**	216,000
- defined contribution scheme contributions	**362,654**	358,308
- adjustments (see note 28)	**(229,000)**	(216,000)
	4,522,532	4,135,996

Included within salaries for the year are costs relating to tutors of £274k (2015 – £276k).

The number of employees whose emoluments fall within bands of £10k exceeding £100k, excluding pension contributions, was as follows:

	2016	2015
£150,001 – £160,000	**1**	1
£100,001 – £110,000	**1**	-

Emoluments of the Director:	2016 £	2015 £
Salary	**150,816**	147,924
Benefits in kind	**2,642**	2,188
Total before employer pension contributions	**153,458**	150,112
Employer pension contributions	**13,717**	13,743
Total including employer pension contributions	**167,175**	163,855

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

	2016	2015
Curriculum, production support, short courses	**68**	64
Fundraising and events	**4**	4
Finance, registrar, I.T., marketing, H.R., directorate	**20**	17
	92	85

9 Governors' emoluments

The School's Memorandum and Articles enable governors to be engaged as tutors. No governors received payments during the year (2015 – £Nil).

During the year, travel and subsistence expenses totalling £289 were reimbursed to governors (2015 – £85).

10 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, Deputy Director, Finance Director, Operations Director, and H.R. Director. The management team were paid emoluments during the year, including benefits in kind and pension contributions, totalling £458,797 (2015 – £456,434).

11 Other operating expenses

	2016	**2015**
	£	**£**
Curriculum, productions, and short courses	**2,666,223**	2,733,112
Curriculum support and accreditation	**206,119**	132,619
Bursaries	**278,454**	284,955
Scholarships	**516,965**	484,842
Production support and facilities departments	**258,626**	224,669
Admin departments – finance, registrar, I.T., marketing, H.R., directorate	**524,455**	671,594
Premises	**1,131,362**	1,007,302
Fundraising and events	**162,415**	159,625
External audit fees	**45,000**	43,560
Internal audit fees	**29,489**	25,433
	5,819,108	5,767,711

12 Depreciation

	2016	**2015**
	£	**£**
The depreciation charge has been funded by:		
Deferred capital grants released	**171,772**	148,949
General income	**593,627**	583,143
	765,399	732,092

13 Interest and other finance costs

	2016 £	2015 £
Interest on long term loans	**15,772**	17,710
Pension finance costs	**130,000**	120,000
	145,772	137,710

14 Net expenditure

This is arrived at after charging:	2016 £	2015 £
Depreciation	**765,399**	732,092
External auditors' remuneration		
- audit services	**45,000**	43,560
- other services	**9,212**	7,851
Internal audit	**29,489**	25,433
Operating lease rentals - equipment	**94,201**	94,201
Finance lease rentals - equipment	**76,863**	60,163
Pension costs	**130,000**	120,000

15 Tangible assets

	Freehold land and buildings £	Assets under construction £	Oswald Morris Building £	Fixtures, fittings and office equipment £	Plant, machinery and technical equipment £	Motor vehicles £	Total £
Cost or valuation							
At beginning of period	4,900,000	1,120,766	8,700,000	1,242,745	3,339,844	36,491	19,339,846
Additions	-	7,679,859	-	89,734	485,023	-	8,254,616
At end of period	**4,900,000**	**8,800,625**	**8,700,000**	**1,332,479**	**3,824,867**	**36,491**	**27,594,462**
Depreciation							
At beginning of period	65,000	-	174,000	715,931	2,699,928	29,260	3,684,119
Provided for the period	65,000	-	174,000	130,593	393,395	2,411	765,399
At end of period	**130,000**	**-**	**348,000**	**846,524**	**3,093,323**	**31,671**	**4,449,518**
Net book value							
At 31 July 2016	**4,770,000**	**8,800,625**	**8,352,000**	**485,955**	**731,544**	**4,820**	**23,144,944**
At 31 July 2015	4,835,000	1,120,766	8,526,000	526,814	639,916	7,231	15,655,727

The School's freehold land and buildings and the Oswald Morris building were revalued on 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. The Governors are not aware of any material changes since the valuation.

15 Tangible assets *(continued)*

The net book value of fixed assets includes an amount of £126k (2015 - £68k) in respect of assets held under finance leases and assets under the course of construction of £8,801k (2015 - £1,121K) relating to the CISA development. The depreciation charged in the year on finance leases was £48k (2015 - £44k).

The surplus arising on revaluation of £2.71m in 2014 was credited to the revaluation reserve. All other tangible fixed assets are stated at historical cost.

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

	2016 at 31 July £	2015 at 31 July £
Cost brought forward	**302,009**	302,009
Accumulated depreciation based on historical cost	**(126,269)**	(116,556)
Historical cost net book value	**175,740**	185,543

16 Investment in subsidiary undertakings

	2016 at 31 July £	2015 at 31 July £
Cost at 1 August 2015 and 31 July 2016	**2**	2

Name	Country of or incorporation or registration	Proportion of ordinary share capital held %	Share capital and reserves at 31 July 2016 £
NFTS Enterprises Limited	England and Wales	100%	2

During the year ended 31 July 2016 there was no trading activity through NFTS Enterprises Limited (2015 - profit £Nil).

17 Stocks

	2016 at 31 July £	2015 at 31 July £
Production and post-production consumables	**4,676**	12,188

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

18 Debtors

	2016 at 31 July £	**2015 at 31 July £**
Trade debtors	**1,576,940**	1,311,273
Other debtors	**26,536**	16,500
Prepayments and accrued income	**607,123**	547,035
	2,210,599	1,874,808

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

19 Creditors: amounts falling due within one year

	2016 at 31 July £	**2015 at 31 July £**
Trade creditors	**380,492**	333,813
Taxation and social security	**191,014**	334,627
Other creditors	**62,077**	309,046
Deferred income	**3,119,080**	2,645,857
Accruals	**1,261,532**	303,514
Finance lease obligation	**34,877**	37,570
Bank loan (secured)	**157,104**	157,104
	5,206,176	4,121,531

20 Creditors: amounts falling due after more than one year

	2016 at 31 July £	**2015 at 31 July £**
Bank loan (secured) (see note 21)	**1,060,482**	1,217,586
Deferred income	**9,021,817**	1,359,662
Finance lease obligation	**122,164**	55,349
VAT liability	**-**	141,033
Balance at 31 July 2016	**10,204,463**	2,773,630

21 Creditors: amounts falling due after more than one year

Maturity of debt

	Bank Loan	**Finance Leases**	**Deferred Income**	**Total 2016 at 31 July**	**Total 2015 at 31 July**
	£	**£**	**£**	**£**	**£**
In more than one year but not more than two years	157,104	34,876	330,114	**522,094**	470,580
In more than two years but not more than five years	628,416	87,288	803,706	**1,519,410**	789,984
In more than five years	274,962	-	7,887,997	**8,162,959**	1,513,066
	1,060,482	122,164	9,021,817	**10,204,463**	2,773,630

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 (£1,217k) represents 15% of the cost of the Oswald Morris building. The interest rate charged on this loan during the year was 1.2%.

22 Financial instruments

	2016 at 31 July	**2015 at 31 July**
	£	**£**
Financial assets measured at amortised cost	**6,042,717**	3,899,113
Financial liabilities measured at amortised cost	**2,008,210**	2,586,128

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.

23 Provisions for liabilities

	2016 at 31 July	**2015 at 31 July**
	£	**£**
Balance at 1 August 2015	**31,200**	415,000
Additions	**-**	31,200
Released to income and expenditure	**(31,200)**	(415,000)
Balance at 31 July 2016	**-**	31,200

The provisions related to reorganisation costs.

24 Endowment funds

	2016 at 31 July £	**2015 at 31 July £**
Balance at 1 August 2015	**235,540**	254,082
Additions	**516,965**	466,300
Expenditure	**(516,965)**	(484,842)
Movement on funds	**(5,060)**	-
Balance at 31 July 2016	**230,480**	235,540

The endowment funds relate to scholarships.

25 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 2015, is as follows:

Opening balance £	**Income £**	**Expenditure £**	**Change in market value £**	**Closing balance £**
4,371,746	155,091	(141,246)	68,809	4,454,400

26 Related party transactions

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

During the year the NFTS Foundation made donations to the School totalling £120k (2015 - £120k) of which £37.5k was for endowed scholarships (2015 - £41k).

27 Indemnity insurance

During the year, insurance costing £1k (2015 - £1k) was purchased to indemnify the governors and officers against default on their part.

28 Pension scheme

The School's defined benefit pension scheme was established under an irrecoverable 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 2014. 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.

28 Pension scheme *(continued)*

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 2.3% per annum and pensions would increase by 3% per annum thereafter.

The standard mortality table used to calculate both male members’ and female members’ mortality was the S2PMA/S2PFA light table CMI Model 2015 (1.25%).

At the valuation date the value of the assets of the scheme was £7.2m and the value of the scheme’s technical provisions was £12.6m indicating a deficit of £5.4m.

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 £243k 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 has agreed to take on a degree of investment risk relative to the liabilities. This taking of investment risk seeks to target a greater return that the matching assets would provide whilst 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 2016, there were 37 deferred members of the plan. The School has four 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).

Assumptions

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

	2016 at 31 July	**2015 at 31 July**
Rate of increase in salaries	N/a	N/a
Discount rate	2.3% p.a.	3.6% p.a.
Inflation assumption – RPI	2.7% p.a.	3.2% p.a.
Inflation assumption – CPI	1.7% p.a.	2.2% 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.

28 Pension scheme *(continued)*

	Male Pensioner	Male Non-pensioner	Female Pensioner	Female Non-pensioner
At 31 July 2015	88.5 years	90.1 years	89.7 years	91.5 years
At 31 July 2016	88.3 years	90.0 years	89.5 years	91.3 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:

	2016 at 31 July £'000	**2015 at 31 July £'000**
Equities and property	**2,898**	3,039
Bonds and gilts	**4,125**	3,589
Cash	**53**	39
Annuities	**97**	150
Total market value of the asset	**7,173**	6,817

	2016 at 31 July £’000	**2015 At 31 July £’000**
Analysis of the amount shown in the balance sheet:		
Scheme assets	**7,173**	6,817
Scheme liabilities	**(12,599)**	(10,534)
Deficit in the scheme	**(5,426)**	(3,717)
Analysis of the amounts charged to the statement of comprehensive income:		
Interest and other finance costs:		
Interest income on plan assets	**(244)**	(268)
Interest cost on pension scheme liabilities	**374**	388
Net finance cost	**130**	120
Other comprehensive income		
Return on assets excluding interest income	**179**	356
Changes in assumptions underlying the present value of the scheme liabilities	**(1,987)**	(1,280)
	(1,808)	(924)

28 Pension scheme *(continued)*

	2016 at 31 July £'000	2015 at 31July £'000
History of experience gains and losses		
Difference between the expected and actual return on scheme assets:		
Amount (£'000)	356	256
Percentage of scheme assets	5%	4%
Experience gains and losses on scheme liabilities:		
Amount (£'000)	(1,280)	(1,009)
Percentage of the scheme liabilities	10%	10%
Analysis of movement in balance sheet deficit in the year		
Deficit in scheme at beginning of period	**(3,717)**	(2,889)
Other investment income	**(130)**	(120)
Actuarial losses	**(1,808)**	(924)
Contributions paid	**229**	216
Deficit in scheme at end of period	**(5,426)**	(3,717)
Reconciliation of the fair value of plan assets		
Fair value of plan assets at beginning of period	**6,817**	6,144
Interest income	**244**	268
Actuarial gain	**179**	485
Contributions by company	**229**	216
Benefits paid	**(296)**	(296)
Fair value of plan assets at end of period	**7,173**	6,817
Reconciliation of the present value of plan liabilities		
Present value of plan liabilities at beginning of period	**10,534**	9,033
Interest cost	**374**	388
Actuarial loss	**1,987**	1,409
Benefits paid	**(296)**	(296)
Present value of plan liabilities at end of period	**12,599**	10,534

29 Capital Commitments

Provision has not been made for the following capital commitments:

	2016 at 31 July £	2015 at 31 July £
Commitments contracted for	9,838,660	-

30 Commitments under operating leases

Total rentals payable under operating leases:

	2016 at 31 July Land and buildings £	2016 at 31 July Other £	2015 at 31 July Land and buildings £	2015 at 31 July Other £
Payable during the year		**94,201**		94,201
Future minimum lease payments due:				
Not later than one year	**-**	**80,308**	-	94,201
Later than one year and not later than five years	**-**	**148,796**	-	191,904
Total lease payments due	-	**229,104**	-	286,105

31 Transition to FRS102 and the 2015 SORP

As explained in the accounting policies, these are the School's first financial statements prepared in accordance with FRS 102. The accounting policies set out in note 2 have been applied in preparing the financial statements for the year ended 2015, the comparative information presented in these financial statements for the year ended 2016 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2014.

An explanation of how the transition to FRS 102 has affected the School's financial position, financial performance and cash flows is set out in the following tables.

31 Transition to FRS102 and the 2015 SORP *(continued)*

Balance Sheet as at 1 August 2014 (date of transition):		**2007 SORP**	**Effect of transition to FRS 102**	**FRS 102**
		£	**£**	**£**
Fixed assets				
Tangible assets		15,265,317	-	15,265,317
Investments in subsidiary undertaking		2	-	2
		15,265,319	-	15,265,319
Endowment assets	i	254,082	(254,082)	-
Current assets				
Stock		23,591	-	23,591
Debtors	i	1,474,621	212,834	1,687,455
Investments		1,304,277	-	1,304,277
Cash and cash equivalents	i	706,680	41,248	747,928
		3,509,169	254,082	3,763,251
Creditors: amounts falling due within one year	ii,iii	(3,048,582)	(464,513)	(3,513,095)
Net current assets		460,587	(210,431)	250,156
Total assets less current liabilities		15,979,988	(464,513)	15,515,475
Creditors: amounts falling due after more than one year	iii	(1,400,940)	(504,419)	(1,905,359)
Provisions for liabilities:				
Pension scheme liability		(2,889,000)	-	(2,889,000)
Other provisions		(415,000)	-	(415,000)
Total net assets		11,275,048	(968,932)	10,306,116
Deferred capital grants	iii	855,619	(855,619)	-
Expendable endowment funds	iv	254,082	(254,082)	-
Restricted reserves				
Income and expenditure reserve – endowment reserve	iv	-	254,082	254,082
Income and expenditure reserve – restricted reserve	iii	-	250,000	250,000
Unrestricted reserves				
Income and expenditure reserve – unrestricted reserve	v	3,254,071	(3,252,313)	1,758
Pension reserve	v	(2,889,000)	2,889,000	-
Revaluation reserve		9,800,276	-	9,800,276
Total reserves		11,275,048	968,932	10,306,116

31 Transition to FRS102 and the 2015 SORP *(continued)*

Balance sheet as at 31 July 2015 (comparative year):		**2007 SORP**	**Effect of transition to FRS 102**	**FRS 102**
		£	**£**	**£**
Fixed assets				
Tangible assets		15,655,727	-	15,655,727
Investments in subsidiary		2	-	2
		15,655,729	-	15,655,729
Endowment assets	i	235,540	(235,540)	-
Current assets				
Stock		12,188	-	12,188
Debtors	i	1,680,516	194,292	1,874,808
Cash and cash equivalents	i	2,530,092	41,248	2,571,340
		4,222,796	235,540	4,458,336
Creditors: amounts falling due within one year	ii, iii	(3,908,849)	(212,682)	(4,121,531)
Net current assets		313,947	22,858	336,805
Total assets less current liabilities		16,205,216	(212,682)	15,992,534
Creditors: amounts falling due after more than one year	iii	(1,413,968)	(1,359,662)	(2,773,630)
Provisions for liabilities:				
Pension scheme liability		(3,717,000)	-	(3,717,000)
Other provisions		(31,200)	-	(31,200)
Total net assets		11,403,048	(1,572,344)	9,470,704
Deferred capital grants	iii	1,715,262	(1,715,262)	-
Expendable endowment funds	iv	235,540	(235,540)	-
Restricted reserves				
Income and expenditure reserve – endowment reserve	iv	-	235,540	235,540
Income and expenditure reserve – restricted reserve		-	-	-
Unrestricted reserves				
Income and expenditure reserve – unrestricted reserve	v	3,238,257	(3,574,082)	(335,825)
Pension reserve	v	(3,717,000)	3,717,000	-
Revaluation reserve		9,570,989	-	9,570,989
Total reserves		11,043,048	1,572,344	9,470,704

31 Transition to FRS 102 and the 2015 SORP *(continued)*

Explanation of transitional adjustments:

i. Presentational adjustment; there is no longer a separate line for endowment assets on the balance sheet. All endowment assets are now included within the appropriate category, being cash and cash equivalents and prepayments. The carrying value remains the same.

ii. FRS 102 requires the expected cost of accumulating compensated absences to be recognised as an accrual when any unused entitlement has accumulated at the reporting date.

iii. Change in accounting treatment for revenue and capital grants. Income from revenue grants and non-government capital grants is now recognised in the comprehensive statement of income when performance-related conditions are met. Income from government capital grants is now recognised as deferred income within creditors and amortised in line with depreciation over the life of the asset.

iv. The change in accounting treatment for endowment funds. Endowments are now recognised in the comprehensive statement of income, under donations and endowments, on entitlement to the income. On transition to FRS 102, endowment funds have been transferred to income and expenditure reserves.

v. Reclassification of pension reserve to income and expenditure reserve.

31 Transition to FRS102 and the 2015 SORP *(continued)*

Statement of Comprehensive Income as at 31 July 2015 (comparative year):		**2007 SORP**	**Effect of transition to FRS 102**	**FRS 102**
		£	**£**	**£**
Incoming resources				
Funding body income/grants		4,120,474	-	4,120,474
Tuition fees and education contracts		3,898,511	-	3,898,511
Other income	i	2,121,760	(111,750)	2,010,010
Investment income		5,052	-	5,052
Total income before other grants and donations		10,145,797	(111,750)	10,034,047
Donations and endowments	i, ii, iii	-	828,050	828,050
Total income		10,145,797	716,300	10,862,097
Expenditure				
Staff costs	iv	4,142,227	(6,231)	4,135,996
Other operating expenses		5,767,711	-	5,767,711
Depreciation		732,092	-	732,092
Interest and other finance costs	v	52,710	85,000	137,710
Total expenditure		10,694,740	78,769	10,773,509
Surplus / (Deficit) before tax		(548,943)	637,531	88,588
Taxation		-	-	-
Surplus / (Deficit) for the year		(548,943)	637,531	88,588
Endowment additions (new endowments)	ii	466,300	(466,300)	-
Actuarial (loss)/gain in respect of pension scheme	v	(1,009,000)	85,000	(924,000)
Total comprehensive income for the year		(1,091,643)	256,231	(835,412)
Represented by:				
Endowment comprehensive income				(18,542)
Restricted comprehensive income				-
Unrestricted comprehensive income				(816,870)
				(835,412)

31 Transition to FRS102 and the 2015 SORP *(continued)*

Explanation of transitional adjustments:

i. Presentational adjustment; donations are now presented on a separate line with endowment additions.

ii. Presentational adjustment for endowment additions.

iii. Change in accounting treatment for revenue and capital grants. Income from revenue grants and non-government capital grants is now recognised in the comprehensive statement of income when performance-related conditions are met. Income from government capital grants is now recognised as in line with depreciation over the life of the asset.

iv. Change in accounting treatment for short-term compensation absences for employees. The expected cost of unused accumulating compensated absences is recognised within staff costs.

v. Recalculation of expected return on pension scheme assets. The discount rate applied to pension scheme liabilities is now used to calculate the expected return on pension scheme assets. The net effect on total comprehensive income is nil.