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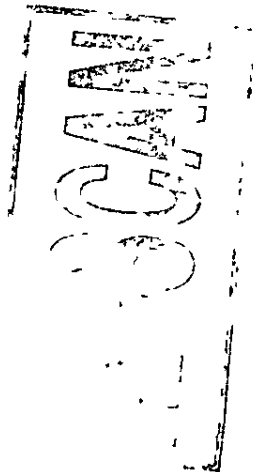
**COMPANY
NUMBER: 981908**

The National Film and Television School

Report and Financial Statements

Year Ended

31 December 2007



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BDO

BDO Stoy Hayward
Chartered Accountants

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The National Film and Television School

Annual report and financial statements for the year ended 31 December 2007

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Reference and administrative details

Governors

*Michael Kuhn (Chairman)	*Stephen Louis
Peter Bazalgette (Deputy Chairman)	John McVay
Floella Benjamin OBE	Steve Mertz
Glenwyn Benson	Lisa Opie
Tim Bevan CBE	Simon Relph CBE
Dan Brook	Tessa Ross
Colin Brown	David Sproxton CBE
Clive Jones	Sophie Turner-Laing
Iona Jones	Colin Young
Duncan Kenworthy OBE	

Management Team

Nik Powell (Director)	Hilary Thomas
*Eamon Sullivan	Jon Houchin

*indicates members of the Finance and General Purposes Committee, which also acts as the audit committee

Secretary & registered office

Eamon Sullivan, Beaconsfield Film Studios, Station Road, Beaconsfield, Bucks HP9 1LG www.nftsfilm.co.uk

The National Film and Television School

**Annual report and financial statements
for the year ended 31 December 2007 (*Continued*)**

Reference and administrative details (*continued*)

Company number

981908

Charity number

313429

Auditors

BDO Stoy Hayward LLP, 55 Baker Street, London, W1U 7EU

Bankers

Lloyds Bank plc, London & South East, Third Floor, 4/6 Copthall Avenue, London EC2R 7DA

Insurance brokers

Willis Limited, Howards House, Queens Avenue, Bristol BS8 1SN

Solicitors

Mills & Reeve Solicitors, Francis House, 112 Hills Road, Cambridge CB2 1PH

Investment advisors

Rensburg Sheppards Investment Management Ltd, 2 Gresham Street, London EC2V 7QH

The National Film and Television School

Report of the governors for the year ended 31 December 2007

Governors

The governors of the School during the year were

*Michael Kuhn (Chairman)	*Stephen Louis
Peter Bazalgette (Deputy chairman)	John McVay
Floella Benjamin OBE	Steve Mertz
Glenwyn Benson	Lisa Opie (appointed 24 01 08)
Tim Bevan CBE	Nigel Paine (resigned 20 03 07)
Dan Brook (appointed 20 03 07)	Robin Paxton (resigned 02 01 07)
Colin Brown	Simon Relph CBE
Duncan Dawson-Pick (appointed 20 06 07 & resigned 13 09 07)	Tessa Ross
Clive Jones	David Sproxton CBE
Iona Jones	Sophie Turner-Laing (alternate governor James Baker – resigned 14 06 07)
Duncan Kenworthy OBE	Colin Young (appointed 23 03 07)
Jane Lighting (resigned 31 11 07)	

*indicates members of the Finance and General Purposes Committee, which also acts as the audit committee

The governors, who are also trustees of the charity and directors of the company for the purposes of the Companies Act, present their annual report together with the audited financial statements for the year ended 31 December 2007. The governors have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" (SORP 2005) issued in March 2005 in preparing the annual report and financial statements.

Structure, Governance and Management

Organisation and decision making structure

The School is a company limited by guarantee, which was incorporated on 5 June 1970. The School is governed by a Memorandum and Articles of Association. It has no share capital and is a registered charity. The guarantee of each member is limited to £1. The School also has a 3 year funding agreement with the Department for Culture Media and Sport (DCMS).

Board composition

The governance of the School is the responsibility of the Board of Governors. Governors are appointed for an initial term of 3 years, which can be renewed. The School periodically advertises for governors and interim appointments may be made to ensure continuing representation from major industry sponsors.

The board may approve the appointment of an alternate governor to an existing governor. An alternate governor shall receive notice of all meetings and vote if the governor to whom he is an alternate is not present. The alternate governor ceases to hold his position when the governor for whom he acts as an alternate, ceases to be a governor. The alternate governor is responsible alone for his actions. Any appointment or removal of an existing alternate governor shall be approved by the board.

The National Film and Television School

Report of the governors for the year ended 31 December 2007 (Continued)

Structure, Governance and Management (continued)

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. The Board of Governors are mainly appointed from these industries, whose financial contribution to the School are set out in the notes to the financial statements. Industry funding since the ending of the Eady levy in 1985, and the post Eady settlement in 1990 has been essential for the School's continued operation.

The governors are grateful for the significant amount of voluntary and discounted support from organisations and individuals in the film, television and new media industry, including all key partner sponsors and funders.

The NFTS Foundation and the American Friends of the NFTS are charities connected with the School. They seek to promote the charitable purposes of the School. By mutual agreement all costs associated with fundraising activities are borne by the School. The School also accounts for revenue grants, donations and scholarships. The NFTS Foundation invests grants, donations and scholarships received for investment. The NFTS Foundation donates income and capital from invested funds to the School. The NFTS Foundation Board reviews investments and investment performance.

Subsidiary undertakings

The School owns 100% of NFTS Enterprises Limited, a wholly owned trading company. This company returned to its dormant status on 1st April 2007 after briefly being used to manage and promote short course business under the name of 'The NFTS Short Course Factory' in the year to 31st December 2006. NFTS Enterprises made a small profit of £47,515 during the year.

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 subject nevertheless to such conditions (if any) and such consents (if any) as may for the time being be imposed or required by law. The Board of Governors confirm that all investments are held in accordance with these powers.

The School plans major curricular activities on a 3-5 year time horizon. It budgets to expend anticipated income, while retaining a prudent level of reserves. The Board's policy for investment is to retain funds designated for redevelopment as cash and near cash at the best rates available.

The School's investments are currently held as cash in high interest bearing accounts with Rensburg Sheppards Investment Management Limited. The interest earned in the year was £52,847.

Governance and internal control

The governors are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company and charity law requires the Board of Governors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the School and of the surplus or deficit of the School for that period. In preparing those financial statements, the Board is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,

The National Film and Television School

Report of the governors for the year ended 31 December 2007 (Continued)

Structure, Governance and Management (continued)

Governance and internal control (continued)

- state whether applicable accounting standards have been followed, subject to any departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the School will continue in operation

The governors are responsible for ensuring that the charity has an appropriate system of controls, financial and otherwise. They are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Companies Act 1985.

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 and to provide reasonable assurance that

- the charity is operating efficiently and effectively,
- its assets are safeguarded against unauthorised use or disposition,
- proper records are maintained and financial information used within the charity or for publication is reliable, and
- the charity complies with relevant laws and regulations

Governors Confirmation

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

The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include

- a corporate plan and an annual budget approved by the governors,
- regular consideration by the governors of financial results, variance from budgets, non-financial performance indicators and benchmarking reviews,
- delegation of authority and segregation of duties, and
- identification and management of risks

The trustees examine the major risks that the company faces each financial year, and have developed systems to monitor and control these risks to mitigate any impact that they may have on the company in the future. The major risks that the School is exposed to are financial risks (funding) and operational risks (health and safety). 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, students and staff representatives attend by invitation. The Finance and General Purposes Committee, which also acts as the Audit Committee, also meets four times a year and reviews the annual plan, the three-year corporate plan and updated financial estimates. The committee also acts as the Audit Committee to review external and internal audit management letters.

Day to day operational decisions are taken by the Director supported by a Management Team, within the delegated authority conferred by the Board.

The National Film and Television School

**Report of the governors
for the year ended 31 December 2007 (Continued)**

Objectives & Activities

Charitable objects

The charitable objects of The National Film and Television School ("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

The Board of Governors have adopted the following mission statement

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

The National Film and Television School, a Skillset Screen Academy is the UK's national centre of excellence for education in Film and Television programme making. NFTS students learn their craft in purpose built studies that include two film stages, a separate large TV studio and post production facilities rivaling those of many professional companies. In addition a new purpose built three storey teaching block was successfully completed during 2007 and becomes fully operational from January 2008.

The NFTS provides a Bridges to Industry programme whereby students are provided with an opportunity to work on development deals with a number of broadcasters and independent production companies. The school also arranges screenings and masterclasses for the UK industry and distribute many student films to festivals and major competitions across the globe.

Main Activities and Courses in 2007 were:

Two Year MA Courses

- | | | |
|----|---|---|
| 1 | - | Animation Direction |
| 2 | - | Cinematography |
| 3 | - | Composing for Film & Television |
| 4 | - | Documentary Direction |
| 5 | - | Editing |
| 6 | - | Fiction Direction |
| 7 | - | Producing |
| 8 | - | Producing & Directing TV Entertainment* |
| 9 | - | Production Design |
| 10 | - | Screenwriting |
| 11 | - | Sound Post-Production |

* New 2 year MA course commenced on 1st January 2006

The National Film and Television School

Report of the governors for the year ended 31 December 2007 (Continued)

Objectives & Activities (continued)

Diplomas

- | | | |
|---|---|---|
| 1 | - | Digital Post-Production (Skillset funded) |
| 2 | - | Fundamentals of Fiction Direction (Skillset funded) |
| 3 | - | Script Development |
| 4 | - | Sound Recording for Film & Television |
| 5 | - | VFX & SFX (Skillset Funded) |

A new diploma course in Production Management was launched in autumn 2007 and from 1st January 2008 the Digital Post-Production and VFX & SFX diplomas will become two year MA programmes

Short Courses

NFTS continues to provide extensive short courses and training modules to the media industries across the UK via ShortCourses@NFTS. During the year the short course unit site was sold in order to part finance the new three storey teaching block. NFTS short courses will be run from this new building from 1st January 2008. ShortCourses@NFTS is now a fully integrated division of NFTS operations with access to all NFTS facilities.

Achievement and Performance

Graduate achievements

At the 2007 BAFTA's the most nominated film was *The Queen*, directed by NFTS tutor Stephen Frears and featuring the work of 4 NFTS graduates. It was also nominated for 6 OSCARS and won the Venice FIPRESCI prize. Other awards and achievements included:

- 6 student films were selected to be shown at the Edinburgh Festival
- 2 scripts developed at the NFTS started shooting as major features starring Keira Knightley and Sienna Miller
- 7 films directed by NFTS graduates were selected at prestigious Sundance film festival 3 of which are by very recent NFTS graduates
- 3 films directed by NFTS graduates were selected for Rotterdam and 2, both from current 1st year students, were selected for Berlin
- 3 other films by NFTS graduates were nominated for 2007 BAFTA's
- NFTS graduation film *For the Love of God* was the only British Film in official selection at the Cannes Film Festival
- For the 7th time the NFTS won the prestigious Golden Reel student award for sound
- NFTS won 9 Kodak Student Commercials awards
- NFTS won 2 out of 3 Royal Television Society student awards

The National Film and Television School

Report of the governors for the year ended 31 December 2007 (Continued)

Achievement and Performance (continued)

Recruitment and Access

All NFTS MA courses ran at full capacity in 2007. Applications for the MA courses commencing in 2008 were up by 24% on the previous year and reached over 1,000 for the first time. The introduction of online applications, an improved website, the continued activities of the Skillset funded Talent Scout and a series of targeted open days for potential applicants helped to secure this increased level and quality of applications.

The total number of MA students has increased from 125 students in 2007 to 161 students in 2008, an increase of 29%. The increase in student numbers has been enabled with the completion of the new building which has allowed each MA course to increase its intake from 6 to 8 students from 1st January 2008, with the exception of the Composing MA which has increased intake from 3 to 4 students.

Masterclasses

NFTS students enjoyed some high profile Masterclasses in 2007. Masterclass visitors to the School included Richard Curtis, Michael Grade, Paul Abbot, Wong Kar Wai and David Yates. In London, the NFTS held masterclasses with among others Sam Mendes, Joel & Ethan Coen, David Puttnam and Todd Haynes.

Financial review

The School is pleased to report a strong financial performance in 2007, all the main funders and sponsors maintained and reconfirmed their support during the year, student fees and numbers were up on the previous year (new and extended courses), the first full year of Hefce funding (currently represents 4% of operating income), total operating costs were held within budget, a new Short Courses strategy improved performance and the School successfully managed and delivered the completion of a new £8m three storey teaching block on budget and within schedule, ready for the 2008 intake.

The new building, the first major capital project at the School for more than 30 years enables the NFTS to further increase its student numbers in 2008 and 2009 - each MA course intake will increase from 6 to 8 students from 1st January 2008 which effectively increases student numbers by 30%. This together with the agreed MA fee increase to £7,500 per annum and continued sponsor and donor support should help to further stabilise the school's finances.

The consolidated statement of financial activities (SOFA) on pages 12 and 13 show total incoming resources of £9.9m and total resources expended as £7.9m resulting in a net income figure of £2.1m for the year (£2.6m after the actuarial gain on the pension scheme of £545k). However, this is the net result per the SORP accounting regulations and includes a number of significant exceptional items (eg funding for the new building, pension deficit valuations adjustments etc), which when adjusted for show that the Group actually achieved a small operating surplus of £86k for the year (see reconciliation overleaf). This operating result was in line with both last year and the budget for the year, a surplus of £50k.

The School's operating result is monitored and controlled by monthly management accounts and reflects the normal income streams and expenditure levels at the School.

The National Film and Television School

Report of the governors for the year ended 31 December 2007 *(Continued)*

Reconciliation of Operating Result and Statutory Result - Group Year to 31st December 2007

1 Operating Result - School

Total operating income (DCMS, Broadcasters, Skillset, fees)	£ 7,452k
Total operating expenditure (teaching costs, bursaries, depreciation)	(£ 7,413k)
Operating Result – NFTS Enterprises	£ 47k
Net Operating Surplus	£ 86k

2 Statutory Result

Net Operating Surplus (above)	£ 86k
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Add Exceptional Items (non operational)

(i) Income received for funding New Building (costs capitalised)

NFTS Foundation	£ 570k	
Foundation for Sport and the Arts	£ 213k	
"Flash Forward" appeal (net)	£ 220k	
Sale of Short Course Unit (net)	£1,318k	
Residual VAT credit	£ 103k	
Total new building income		£ 2,424k

(ii) New FRS17 Pension Deficit Valuation

Pension Deficit Valuation at 31 st December 2006	(£2,246k)	
Pension Deficit Valuation at 31 st December 2007	(£1,596k)	
Reduction in Pension Deficit liability		£ 650k

(iii) Other – New Building Writeoff's

New building / refurb write offs	(£ 348k)	
New Building provision	(£ 200k)	
Gifts in kind (capitalised)	£ 18k	
Total other exceptional items		(£ 530k)

Total Exceptional Items	£ 2,544k
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Statutory Result / Net Incoming Resources	£ 2,630k
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Notes

Pension Deficit

The FRS17 pension deficit valuation is prepared by the School's actuaries First Actuarial and confirmed by the auditors. The defined final salary scheme was closed to accrual from 1st September 2006 and the School currently has a Pension Deficit Funding Agreement commitment to pay £164k pa indexed linked for 15 years to clear the £2,246k deficit as at 31 December 2006. The pension deficit funding does not generally impact on the resources available in the short term, other than these additional payments (see page 34 for further details).

Fixed Assets

Investments in fixed assets in the year were £5.4m and mainly related to William Verry construction costs on the new building. Total net book value of fixed assets at 31st December 2007 was £11.3m and represented an increase of £4.7m during the year. Land and buildings were revalued in 2004 on an existing use basis and are due to be revalued again during 2008. Further details are provided in note 13 "Tangible Assets" to the financial statements (see page 27 for further details).

The National Film and Television School

Report of the governors for the year ended 31 December 2007 (Continued)

Financial review (continued)

New Building Funding & Loan Facility

The new building was mainly funded by the School's own resources, the sale of the short course unit site, together with the generous support of the NFTS Foundation, Foundation for Sport and the Arts, The David Lean Foundation and the numerous donors and sponsors who contributed to the "Flash Forward" appeal. The balance of the funding was secured by arranging a £3m long term loan facility (17 years) with Allied Irish Banks (GB). This required the NFTS to register a fixed charge on its freehold land and buildings as security for this loan facility. The loan balance at 31st December 2007 was £1 245m (see page 14 for further details).

Skillset

In recent years substantial new support has been obtained from the UK Film Council (UKFC) via the Skills Investment Fund administered by Skillset for new courses and activities. Three new significant Skillset contracts were awarded to the School during 2007 namely for bursary support, Course Enhancement and Outreach and SFX/VFX and Digital Post Production support. This commits Skillset's support for the School up to March 2009.

Reserves policy

At 31 December 2007, the actual reserves of The National Film and Television School are as follows:

	Group 2007 £	School 2007 £
Unrestricted funds - General funds	3,140,058	3,158,962
Unrestricted funds - Designated funds	2,800,307	2,800,307
Restricted funds	2,091,542	2,066,660

Free reserves

The free reserves held by the Group at 31 December 2007 were (£1,692k) (2006 - £543k). The reduction in the free reserves during the year is mainly due to the expenditure relating to the new building, which has been capitalised as tangible fixed assets on the balance sheets of the Group and School.

The free reserves have been calculated from total net funds by excluding fixed assets (£12 35m), the net current assets held in restricted funds (£67k), and the net current assets held in designated funds (£148k). This represents a contingency fund to cover any deterioration in the funding streams of the NFTS. The net funds also include long term liabilities of £1 245m in respect of the bank loan and £1 596m in respect of the pension deficit which do not have a significant effect on the level of free funds available in the short term. The School aims to hold a free reserves balance equivalent to at least 5% (£372k) of its annual operating income.

The Governors are aware of the fact that a significant proportion of the Group and School's reserves are represented by fixed assets and have accordingly considered the short term availability of funds. The fixed asset balance (excluded from the calculation above) includes £1 09m of investments held by the School as a contingency fund and the funds would be realised should the need arise.

As such, the Governors believe the level of free reserves held by the Group and School is currently appropriate.

The National Film and Television School

Report of the governors for the year ended 31 December 2007 (Continued)

Plans for future periods

The NFTS aims to

- continue to provide a stimulating relevant and flexible post graduate level teaching curriculum for film, television and screen media industries,
- ensure teaching is widely available and develop new means of dissemination across the UK as part of the Film Council's strategy for screen academies,
- respond to the needs of the film, television and screen media industries and curriculum advisory groups,
- continue to develop and implement the site redevelopment plans for Phase Two (The Digital Village) and to build on the success of the completion of the Phase 1 New Teaching Block,
- provide maximum value to all stakeholders, Government, industry, students and patrons,
- maintain and develop current partners, donors and sponsorship support eg the School has been awarded a new and improved three year funding agreement with the DCMS, and
- make Short Courses @ NFTS the premier provider of quality relevant short courses to the media industry

Employee involvement and disabled persons

The School is an equal opportunity employer and has agreed statements of policy under Section 2(3) of the Health & Safety at Work Act 1974. Regular consultation takes place with staff, students and BECTU representatives. The School follows a policy issued by the Cabinet Office on the employment of disabled people. 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.

Creditor's payment period

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 suppliers invoices within 30 days following the end of the month in which the invoice is received.

Changes in fixed assets

The movements in tangible fixed assets during the year are set out in the notes to the financial statements.

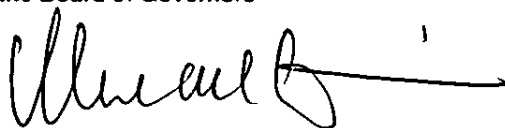
Auditors

All of the current governors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The governors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to reappoint them as auditors will be proposed at the next annual general meeting.

On behalf of the Board of Governors

Michael Kuhn



Chairman

Date 16 June 2008

The National Film and Television School

Report of the independent auditors

To the governors of The National Film and Television School

We have audited the financial statements of The National Film and Television School for the year ended 31 December 2007 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of governors and auditors

The governors' responsibilities for preparing financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Governors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Report of the Governors is consistent with those financial statements. We also report to you if, in our opinion, the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding governors' remuneration and other transactions is not disclosed.

We read the Report of the Governors and consider the implications for our report if we become aware of any apparent misstatements within it.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

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

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

The National Film and Television School

Report of the independent auditors (*Continued*)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charity and the group as at 31 December 2007, and of the group's incoming resources and resources expended, including its income and expenditure, for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and Charities Act 1993, and
- the information given in the Report of the Governors is consistent with the financial statements

BDO STOY HAYWARD LLP
*Chartered Accountants
and Registered Auditors*
London

BDO Stoy Hayward LLP

Date 16 June 2008

The National Film and Television School

Consolidated statement of financial activities for the year ended 31 December 2007

Income and Expenditure Account	Note	Unrestricted funds £	Designated funds £	Restricted funds £	Totals 2007 £	Totals 2006 £
Incoming Resources						
Incoming resources from generated funds.						
<i>Voluntary income</i>						
Grants and donations	3	3,353,018	-	-	3,353,018	3,391,172
<i>Activities for generating funds</i>						
Fundraising events	4	32,936	-	-	32,936	58,121
Investment income	5	-	52,847	-	52,847	71,886
		3,385,954	52,847	-	3,438,801	3,521,179
Incoming resources from charitable activities						
Operation of the School	6	2,785,787	9,920	1,748,405	4,544,112	4,264,828
Donations from NFTS Foundation	6	-	-	660,386	660,386	1,179,614
Other incoming resources	6	1,319,562	-	-	1,319,562	4,143
Total incoming resources		7,491,303	62,767	2,408,791	9,962,861	8,969,764
Resources Expended						
Costs of generated funds						
Costs of generating voluntary income		66,771	-	-	66,771	43,800
Fundraising costs		66,770	-	-	66,770	43,800
	9	133,541	-	-	133,541	87,600
Charitable activities						
Operation of the School	9	5,771,470	20	1,356,365	7,127,855	7,515,310
Governance costs	9	38,276	-	-	38,276	28,000
Other resources expended	9	200,000	-	319,432	519,432	44,915
Other finance costs	9	59,000	-	-	59,000	64,000
Total resources expended		6,202,287	20	1,675,797	7,878,104	7,739,825

The National Film and Television School

Consolidated statement of financial activities for the year ended 31 December 2007 (Continued)

	Note	Unrestricted funds £	Designated funds £	Restricted funds £	Totals 2007 £	Totals 2006 £
Income and Expenditure Account						
Net incoming resources before transfers		1,289,016	62,747	732,994	2,084,757	1,229,939
Transfers between funds	22	(1,564,255)	1,564,255	-	-	-
Net income		(275,239)	1,627,002	732,994	2,084,757	1,229,939
Actuarial gains/(losses) on defined benefit pension scheme	24	545,000	-	-	545,000	(151,000)
Net movement in funds		269,761	1,627,002	732,994	2,629,757	1,078,939
Fund balances brought forward at 1 January 2007	22	2,870,297	1,173,305	1,358,548	5,402,150	4,323,211
Fund balances carried forward at 31 December 2007	22	3,140,058	2,800,307	2,091,542	8,031,907	5,402,150

All recognised gains and losses are included in the Consolidated Statement of Financial Activities
The notes on pages 17 to 39 form part of these financial statements

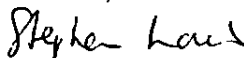
The National Film and Television School

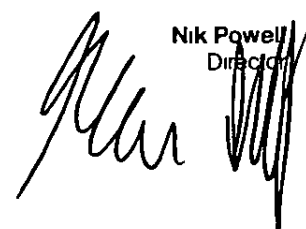
Consolidated balance sheet as at 31 December 2007

	Note	2007 £	2006 £
Fixed assets			
Tangible assets	13	11,261,448	6,575,348
Investments	14	1,088,492	1,035,665
		12,349,940	7,611,013
Current assets			
Stocks	16	12,294	15,257
Debtors	17	1,316,383	1,232,352
Cash at bank and in hand		305,350	968,331
		1,634,027	2,215,940
Creditors amounts falling due within one year	18	(2,911,060)	(2,178,803)
Net current (liabilities)/assets		(1,277,033)	37,137
Creditors amounts falling due after more than one year	19	(1,245,000)	-
Provisions for liabilities	20	(200,000)	-
Total net assets excluding pension scheme liability		9,627,907	7,648,150
Pension scheme liability	24	(1,596,000)	(2,246,000)
Total net assets including pension scheme liability		8,031,907	5,402,150
The funds of the charity			
Restricted income funds	22	2,091,542	1,358,548
Designated income funds	22	2,800,307	1,173,305
Unrestricted income funds			
General funds	22	1,671,734	1,696,297
Revaluation reserve	22	3,064,324	3,420,000
Pension deficit	22	(1,596,000)	(2,246,000)
Total unrestricted funds		3,140,058	2,870,297
Total charity funds		8,031,907	5,402,150

The financial statements were approved by the Board, authorised for issue on 16/6/08 and signed on its behalf by


Michael Kohn
Chairman


Stephen Louis
Governor


Nik Powell
Director


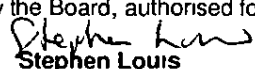

The notes on pages 17 to 39 form part of these financial statements

The National Film and Television School

Company balance sheet as at 31 December 2007

	Note	2007 £	2006 £
Fixed assets			
Tangible assets	13	11,261,448	6,575,348
Investments	14	1,088,492	1,035,665
Investment in subsidiary undertaking	15	2	2
		12,349,942	7,611,015
Current assets			
Stocks	16	12,295	15,257
Debtors	17	1,316,383	1,122,071
Cash at bank and in hand		299,369	956,897
		1,628,047	2,094,225
Creditors amounts falling due within one year	18	(2,911,060)	(2,092,213)
Net current (liabilities)/assets		(1,283,013)	2,012
Creditors amounts falling due after more than one year	19	(1,245,000)	-
Provisions for liabilities	20	(200,000)	-
Total net assets excluding pension scheme liability		9,621,929	7,613,027
Pension scheme liability	24	(1,596,000)	(2,246,000)
Total net assets including pension scheme liability		8,025,929	5,367,027
The funds of the charity			
Restricted income funds	22	2,066,660	1,358,548
Designated income funds	22	2,800,307	1,173,305
Unrestricted income funds			
General funds	22	1,690,638	1,661,174
Revaluation reserve	22	3,064,324	3,420,000
Pension reserve	22	(1,596,000)	(2,246,000)
Total unrestricted funds		3,158,962	2,835,174
Total charity funds		8,025,929	5,367,027

The financial statements were approved by the Board, authorised for issue on 16/6/08 and signed on its behalf by

Michael Kuhn
Chairman

Stephen Louis
Governor

Nik Powell
Director

The notes on pages 17 to 39 form part of these financial statements

The National Film and Television School

Consolidated cash flow statement for the year ended 31 December 2007

	Note	2007 £	2007 £	2006 £	2006 £
Net cash inflow from operating activities	26		1,780,001		1,838,962
Returns on investments and servicing of finance					
Interest received			52,847		71,886
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(5,410,746)		(2,257,125)	
Receipts from sale of tangible fixed assets		1,576,088		4,143	
Purchase of investments and other transactions		(52,847)		(71,294)	
Cash realised from investments		20		945,106	
			(3,887,485)		(1,379,170)
Cash (outflow)/inflow before financing			(2,054,637)		531,678
Financing					
Bank loan			1,245,000		-
(Decrease)/increase in cash	27,28		(809,637)		531,678

The notes on pages 17 to 39 form part of these financial statements

The National Film and Television School

Notes forming part of the financial statements for the year ended 31 December 2007

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

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with applicable accounting standards, the Companies Act 1985 and the Statement of Recommended Practice, "Accounting and Reporting by Charities" (SORP 2005) issued in March 2005.

Basis of consolidation

These financial statements consolidate the results of the charity and its wholly-owned subsidiary NFTS Enterprises Limited on a line by line basis. A separate Statement of Financial Activities (SOFA), or income and expenditure account, for the charity itself is not presented because the charity has taken advantage of the exemptions afforded by section 230 of the Companies Act 1985 and paragraph 397 of the SORP.

The following principal accounting policies have been applied:

(a) Fund accounting

Unrestricted funds are funds which are available for use at the discretion of the governors in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the governors for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements. Funds are received as unrestricted funds and then transferred to designated funds when the Governors decide that the funds should be set aside for a particular purpose.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Investment income and losses are allocated to the appropriate fund.

(b) Incoming resources

Voluntary income including donations, gifts, sponsorship and grants that provide core funding or are of a general nature are recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability. Such income is only deferred when:

- The donor specifies that the grant or donation must only be used in future accounting periods, or
- The donor has imposed conditions which must be met before the charity has unconditional entitlement.

The National Film and Television School

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

2 Principal accounting policies (continued)

(b) Incoming resources (continued)

Income from charitable activities includes income received under contract. Where entitlement to grant funding is subject to specific performance conditions being met, income is recognised as earned (as the related goods or services are provided). Grant income included in this category provides funding to support school activities and is recognised where there is entitlement, certainty of receipt and the amount can be measured with sufficient reliability.

Income is deferred when School fees or performance related grants are received in advance of the courses or event to which they relate.

When donors specify that donations and grants, including capital grants, are for particular restricted purposes, which do not amount to pre-conditions regarding entitlement, this income is included in incoming resources of restricted funds when receivable.

Lottery income is recognised as income when the conditions for its receipt have been met.

Investment income is recognised on a receivable basis.

(c) Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources and headcount.

- Costs of generating funds are those costs incurred in attracting voluntary income, and those incurred in trading activities that raise funds.
- Fundraising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities.
- Charitable activities include expenditure associated with the running of the school and include both the direct costs and support costs relating to these activities.
- Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.
- Other resources expended include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources.
- Other finance costs include pension costs.

(d) In kind funding

The School benefits from companies, organisations and individuals providing assets for use towards the running of the school without charge. During 2007 the School received assets worth £17,749 (2006 – £80,000), which have been included within restricted funds.

The National Film and Television School

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

2 Principal accounting policies (continued)

(e) Tangible fixed assets and depreciation

Tangible fixed assets costing more than £1,000 are capitalised at 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
Freehold buildings	- over 20 years straight line
Fixtures, fittings and office equipment	- over 3 years straight line
Plant, machinery and technical equipment	- over 5 and 10 years straight line
Motor vehicles	- over 4 years straight line

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

Assets in the course of construction - No provision is made for depreciation until construction is complete and the asset comes into use

Revaluation of freehold land and buildings

Financial Reporting Standard 15 "Tangible Fixed Assets" requires fixed assets which are carried at revalued amounts to be shown at their current value at the balance sheet date. To achieve this freehold land and buildings are subject to a full valuation every five years with an interim valuation carried out in the third year of this cycle

The profit or loss on disposal of revalued properties is calculated by reference to net book value and any realised revaluation surplus is transferred to the profit and loss account through reserves

(f) Investments

Investments are stated at their market value at the balance sheet date. The SOFA includes the net gains and losses arising on revaluations and disposals throughout the year

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 subject nevertheless to such conditions (if any) and such consents (if any) as may for the time being be imposed or required by law

The Board of Governors confirm that all investments are held in accordance with these powers

(g) Irrecoverable VAT

All resources expended are classified under activity headings that aggregate all costs related to the category. Irrecoverable VAT is charged against the category of resources expended for which it was incurred

(h) Stock

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

The National Film and Television School

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

2 Principal accounting policies (continued)

(i) Pension costs

The final salary pension scheme closed to accrual on 1 September 2006. The pension deficit on this scheme is being paid off over 15 years at a rate of £164,000 per annum, index linked. 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 offered a group personal defined contribution (GPP) pension scheme.

(j) Operating leases

Rentals applicable to operating leases are charged to the SOFA over the period in which the cost is incurred.

(k) 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 SOFA.

(l) Defined benefit pension scheme

The School adopted accounting standard FRS 17 "Retirement Benefits" in the year ended 31 December 2005.

The difference between the fair value of the assets held in the School's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected method are recognised in the School's balance sheet as a pension scheme asset or liability as appropriate. The annual surplus or deficit on the funding of the scheme is recognised as a "pension reserve surplus/(deficit)" within unrestricted funds – see also notes 21 and 23 to these financial statements.

The carrying value of any resulting pension scheme asset is restricted to the extent that the School is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance.

Changes in the defined benefit pension scheme asset or liability arising from factors other than cash contributions by the charity are charged to the Statement of Financial Activities in accordance with FRS 17.

The National Film and Television School

Notes forming part of the financial statements
for the year ended 31 December 2007 (*Continued*)

3 Voluntary income – Grants and donations

	Unrestricted funds	
	2007	2006
	£	£
<i>Key Partner Funders</i>		
Department for Culture Media and Sport	2,963,826	2,923,672
Independent Production Training Fund	70,000	105,000
Higher Education Funding Council for England	319,192	362,500
Total voluntary income	3,353,018	3,391,172

4 Incoming resources from generated funds

	Unrestricted funds	
	2007	2006
	£	£
Fundraising events	32,936	58,121

5 Investment income

	2007	2006
	£	£
Interest receivable on fixed interest securities - unrestricted funds	-	592
- designated funds	52,847	71,294
	52,847	71,886

The National Film and Television School

Notes forming part of the financial statements
for the year ended 31 December 2007 (*Continued*)

6 Incoming resources from charitable activities	2007	2006
	£	£
Operation of the Film and Television School		
<i>Unrestricted funds.</i>		
<i>Grants from key partner sponsors</i>		
British Broadcasting Corporation	450,000	450,000
Independent Television Companies	277,261	276,627
Channel 4	241,000	241,000
S4C	49,632	48,186
Channel 5	34,000	32,623
Discovery Networks Europe	36,890	35,608
BSkyB	152,250	150,000
Film Distributors' Association (includes Warner Bros)	100,000	100,000
Other – Cheshire County Cinemas	-	200
	<hr/>	<hr/>
	1,341,033	1,334,244
Income/fees from courses and workshops	1,444,754	1,430,043
	<hr/>	<hr/>
Total unrestricted funds	2,785,787	2,764,287
<i>Designated funds</i>		
Hardship fund	9,920	9,004
<i>Restricted funds*</i>		
Skillset	1,117,660	1,258,007
Foundation of Sport and the Arts	212,500	-
Flash Forward fundraising campaign	250,196	-
Other donations	168,049	233,530
	<hr/>	<hr/>
	1,748,405	1,491,537
Donations received from NFTS Foundation (see below*)	660,386	1,179,614
	<hr/>	<hr/>
Total restricted funds	2,408,791	2,671,151
	<hr/>	<hr/>
Other incoming resources (profit on sale of fixed assets)	1,319,562	4,143
	<hr/>	<hr/>
Total incoming resources from charitable activities	6,524,060	5,448,585
	<hr/>	<hr/>

* During the year, funds of £697k (2006 - £1,209k) were received from NFTS Foundation. The restricted donation of £660k represents funds of £570k towards the redevelopment of the Beaconsfield site and £90k towards curriculum costs. The remaining Foundation funds of £37k were made to fund a number of annual scholarships.

The National Film and Television School

Notes forming part of the financial statements
for the year ended 31 December 2007 *(Continued)*

7 Employees

	2007 £	2006 £
Staff costs consist of		
Wages and salaries	3,049,128	3,064,378
Social security costs	310,814	286,896
Pension and other costs - normal contributions	160,164	259,300
- FRS 17 adjustments (see notes 9 and 10)	(105,000)	(110,333)
	<u>3,415,106</u>	<u>3,500,241</u>

The number of employees whose emoluments fall within bands of £10,000, exceeding £60,000, excluding pension contributions, was as follows

	2007 Number	2006 Number
£60,001 - £70,000	-	2
£70,001 - £80,000	1	1
£80,000 - £90,000	1	-
£90,001 - £100,000	-	1
£120,000 - £130,000	1	-
	<u>1</u>	<u>-</u>

In respect of staff paid over £60,000 there were no contributions paid for the provision of defined contribution schemes and there are no retirement benefits accruing under defined contribution schemes (2006 – none)

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

	2007 Number	2006 Number
Curricular activity, Short Courses @ NFTS	57	62
Fundraising	1	1
Marketing, registrar, personnel, and accounts	22	19
	<u>80</u>	<u>82</u>

8 Governors' emoluments

The School's Memorandum and Articles enable governors to be engaged as tutors. During the year, Simon Relf received payments totalling £155 for his services as a tutor. No other governors received payments during the year (2006 - £1,200)

During the year, none of the Governors received any reimbursement for meeting expenses

The National Film and Television School

Notes forming part of the financial statements
for the year ended 31 December 2007 (*Continued*)

9 Resources expended

	Direct costs £	Support costs** £	Total 2007 £	Total 2006 £
<i>Costs of generated funds</i>				
Fundraising costs	133,541	-	133,541	87,600
<i>Charitable expenditure</i>				
Curricular activities*	4,571,291	2,133,010	6,704,301	6,724,530
Short Courses @ NFTS	349,167	64,382	413,549	790,780
Short Course Factory	10,005	-	10,005	-
	<hr/>	<hr/>	<hr/>	<hr/>
Costs incurred in the operation of the School	4,930,463	2,197,392	7,127,855	7,515,310
Governance costs	-	38,276	38,276	28,000
Other resources expended				
Beaconsfield redevelopment	519,432	-	519,432	44,915
Other finance costs	59,000	-	59,000	64,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total resources expended	5,642,436	2,235,668	7,878,104	7,739,825
	<hr/>	<hr/>	<hr/>	<hr/>

* Curricular activities - see note 10 (page 26)

NOTE Support Costs **

	Curricular activities £	Short Courses @ NFTS £	Governance costs £	Total 2007 £	Total 2006 £
Distribution costs	51,338	-	-	51,338	48,111
Marketing, registrar personnel and accounts	824,371	25,496	-	849,867	922,386
Directorate	227,453	7,035	-	234,488	55,681
Premises	575,772	17,807	-	593,579	505,629
Depreciation	454,076	14,044	-	468,120	485,692
Audit fees	-	-	38,276	38,276	28,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	2,133,010	64,382	38,276	2,235,668	2,045,449
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Support costs have been allocated between Curricular activities and Short Courses @ NFTS. Support costs are allocated on a basis consistent with the use of resources.

The National Film and Television School

Notes forming part of the financial statements for the year ended 31 December 2007 (*Continued*)

9 Resources expended (*continued*)

The charge to resources expended within the Statement of Financial Activities "SOFA" for the financial year in respect of FRS 17 comprised the following

	2007 £	2006 £
<i>Curricular activities staff costs (pension and other costs (note7))</i>		
Current service cost	3,000	106,000
Curtailments	-	(93,000)
	<u>3,000</u>	<u>13,000</u>
<i>Other finance costs other direct costs</i>		
Expected return on pension scheme assets	(282,000)	(236,000)
Interest on pension scheme liabilities	341,000	300,000
Expenses and death in service premiums	-	-
	<u>59,000</u>	<u>64,000</u>
Net return		
	<u>59,000</u>	<u>64,000</u>
Total charge to resources expended in the SOFA	<u>62,000</u>	<u>77,000</u>

The total charge to resources expended in the year of £62,000 (2006 - £77,000) has been offset by employer contributions paid over to the scheme trustees in the year which amounted to £167,000 (2006 - £178,000). These contributions have been credited to curricular activities staff costs "pension and other costs".

The "net" credit to resources expended in the SOFA in the year, amounted to £105,000 (2006 - £101,000 charge). In addition actuarial gains on the pension scheme of £545,000 (2006 loss of - £151,000) have been recognised in the SOFA in accordance with FRS 17.

The total movement in the pension scheme deficit during the year and recognised in the SOFA amounted to £650,000 (2006 - (£50,000)).

The National Film and Television School

Notes forming part of the financial statements
for the year ended 31 December 2007 (*Continued*)

10 Curricular activities

	2007 £	2006 £
Teaching department costs	1,553,748	1,655,636
Curriculum and productions	1,172,432	1,183,092
Curriculum planning and support	476,090	516,188
Accreditation	62,612	61,186
Student bursaries	341,140	374,574
Library	70,005	65,140
Facilities, Transport and Health & Safety	429,663	525,189
Engineering support	629,601	512,202
FRS 17 related costs (see note 9)	(164,000)	(110,333)
Support costs	2,133,010	1,941,656
	<u>6,704,301</u>	<u>6,724,530</u>

11 Net resources expended

	2007 £	2006 £
This is arrived at after charging/(crediting)		
Depreciation	468,120	485,692
Auditors' remuneration - audit services	23,000	22,000
- taxation services	2,150	2,000
- other services	3,750	4,000
Operating lease rentals - plant and equipment	53,142	47,648
Operating lease rentals - land and buildings	-	40,061
Profit on sale of tangible fixed assets	(1,319,562)	(4,143)
	<u></u>	<u></u>

12 Surplus for the financial year

The School has taken advantage of the exemption allowed under paragraph 397 of the SORP 2005 and section 230 of the Companies Act 1985 and has not presented its own SOFA in these financial statements. The group surplus for the year includes the School's surplus for the year of £2,582k (2006 – £1,235k).

The National Film and Television School

Notes forming part of the financial statements
for the year ended 31 December 2007 (*Continued*)

13 Tangible assets – Group and School

	Freehold land & buildings £	Assets in the course of construction £	Fixtures, fittings & office equipment £	Plant, machinery & technical equipment £	Motor vehicles £	Total £
<i>Cost/valuation</i>						
At beginning of year	4,000,000	2,279,852	1,506,837	10,548,859	14,164	18,349,712
Additions	-	4,354,234	403,537	652,977	-	5,410,746
Disposals	(262,066)	-	(1,031)	(108,703)	-	(371,800)
At end of year	3,737,934	6,634,084	1,909,343	11,093,133	14,164	23,388,658
<i>Depreciation</i>						
At beginning of year	315,000	-	1,443,020	10,006,375	9,969	11,774,364
Provided for the year	99,150	-	48,863	318,708	1,399	468,120
Disposals	(5,540)	-	(1,031)	(108,703)	-	(115,274)
At end of year	408,610	-	1,490,852	10,216,380	11,368	12,127,210
<i>Net book value</i>						
At 31 December 2007	3,329,324	6,634,084	418,491	876,753	2,796	11,261,448
At 31 December 2006	3,685,000	2,279,852	63,817	542,484	4,195	6,575,348

The Schools' freehold land and buildings were revalued on 26 October 2004 on the basis of Existing Use Value by external valuers, Drivers Jonas, Chartered Surveyors. 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 last valuation.

The surplus arising on revaluation of £3,630,000 was credited to a land and buildings revaluation reserve, which is disclosed within unrestricted funds (see also notes 1 and 21). All other tangible fixed assets are stated at historical cost.

The gross value of freehold land and buildings are stated at	2007 £	2006 £
Cost	370,000	370,000
Existing use value brought forward	3,630,000	3,630,000
Disposal of Short Course site	(262,066)	-
Existing use value carried forward	3,367,934	3,630,000
Total	3,737,934	4,000,000

The National Film and Television School

Notes forming part of the financial statements
for the year ended 31 December 2007 (*Continued*)

13 Tangible assets – Group and School (*continued*)

The historical cost net book value of land and buildings is	2007 £	2006 £
Cost brought forward	370,000	370,000
Accumulated depreciation based on historical cost	(38,852)	(29,139)
Historical cost net book value	331,148	340,861

The net book value at the year ended 31 December 2007 represents fixed assets used for

	Freehold land & buildings £	Assets in the course of construction £	Fixtures, fittings & office equipment £	Plant, machinery, technical equipment & motor vehicles £	Total £
<i>Charitable purposes</i>					
Curricular activities	3,329,324	6,634,084	418,491	879,549	11,261,448

Capital commitment Assets in the course of construction

The School contracted William Verry Limited in October 2006 to construct a new three storey teaching block under a Design & Build procurement route. Construction work commenced in October 2006, was successfully completed in mid December 2007 and was on schedule for the new student intake in January 2008. The actual contracted Practical Completion date was early November and a number of unforeseen events in connection to gas services resulted in a 5 week overrun and additional costs of approximately £200k, which the School has provided against. The School is taking legal advice on the liability for these extra costs and expect to make a successful claim to recover this overrun.

14 Fixed asset investments

	Group and School 2007 £	2006 £
<i>Designated funds</i>		
Market value at 1 January 2007	1,035,665	1,909,477
Investment income	52,847	71,294
Funds expended on Beaconsfield Redevelopment	-	(945,106)
Finance costs (bank charges)	(20)	-
Market value at 31 December 2007	1,088,492	1,035,665

A total of £5,544,829 was expended on the Beaconsfield Redevelopment during the year. Of this amount, £5,225,397 was capitalised and costs of £319,432 were charged to the Statement of Financial Activities.

The National Film and Television School

Notes forming part of the financial statements
for the year ended 31 December 2007 (Continued)

14 Fixed asset investments (continued)

These investments are represented by

	Cost 2007 £	Market value at 31 December 2007 £	Cost 2006 £	Market value at 31 December 2006 £
<i>Other investments</i>				
Cash held on deposit	1,088,492	1,088,492	1,035,665	1,035,665

No investment in any individual share exceeded 10% of the value of the total portfolio

Investments are retained by the School to generate funds for the refurbishment of the premises. The governors have invested prudently and cautiously. A proportion of the investment funds raised are held in a broad range of fixed interest securities, which are quoted on a Recognised Investment Exchange.

15 Investment in subsidiary undertakings

	School 2007 £	2006 £
Cost at 1 January 2007 and 31 December 2007	2	2

Name	Country of incorporation or registration	Proportion of ordinary share capital held %	Share capital and reserves at 31 December 2007 £
NFTS Enterprises Limited	England and Wales	100%	(108,625)

At 31 December 2007, the School held an investment of £2 in NFTS Enterprises Limited, a trading company registered in England. In 2005 NFTS Enterprises Limited entered into an agreement with the Script Factory and recommenced trading on 1 January 2006 to manage and promote short course business under the name of "The NFTS Short Course Factory". This agreement was terminated on 31 December 2007 and NFTS Enterprises reverted back to being a dormant company from 1st April 2007. Final settlement of year end 2006 balances meant that NFTS Enterprises Limited made a profit of £47,515 for the year ended 31 December 2007 (2006 - loss £156,142).

NFTS Short Courses were run through the main School's activities in 2007 and delivered a significantly improved performance.

16 Stocks

	Group and School 2007 £	2006 £
Film and video stock, production and post-production consumables	12,295	15,257

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

The National Film and Television School

Notes forming part of the financial statements
for the year ended 31 December 2007 (Continued)

17 Debtors	Group		School	
	2007 £	2006 £	2007 £	2006 £
Trade debtors	1,190,745	531,866	1,190,745	425,141
Other debtors	125,638	169,700	125,638	166,144
Amounts due from related undertaking	-	394,510	-	394,510
Prepayments and accrued income	-	136,276	-	136,276
	<u>1,316,383</u>	<u>1,232,352</u>	<u>1,316,383</u>	<u>1,122,071</u>

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

18 Creditors amounts falling due within one year	Group		School	
	2007 £	2006 £	2007 £	2006 £
Bank overdraft	146,656	-	146,656	-
Trade creditors	977,418	361,337	977,418	358,174
Taxation and social security	111,639	98,249	111,639	98,249
Other creditors	43,740	32,353	43,740	32,353
Accruals and deferred income	1,631,607	1,686,864	1,631,607	1,603,437
	<u>2,911,060</u>	<u>2,178,803</u>	<u>2,911,060</u>	<u>2,092,213</u>

The movement on deferred income during the year has been analysed below

	Group		School	
	2007 £	2006 £	2007 £	2006 £
Balance at 1 January 2007	935,374	796,961	906,173	796,961
Released to the SOFA	(935,374)	(973,306)	(906,173)	(973,306)
New sources of deferred income	1,217,599	1,111,719	1,217,599	1,082,518
	<u>1,217,599</u>	<u>935,374</u>	<u>1,217,599</u>	<u>906,173</u>

Deferred income mainly relates to invoiced student fees. This income is released when the students actually commence their courses.

19 Creditors amounts falling due after more than one year	Group and School	
	2007 £	2006 £
Bank loan (secured)	1,245,000	-

The National Film and Television School

Notes forming part of the financial statements
for the year ended 31 December 2007 (Continued)

19 Creditors amounts falling due after more than one year (Continued)

Maturity of debt	Group and School	
	2007	2006
	£	£
In more than one year but not more than two years	92,250	-
In more than two years but not more than five years	524,000	-
In more than five years	628,750	-
	<u>1,245,000</u>	<u>-</u>

A £3m long term loan facility repayable over 17 years was arranged with Allied Irish Banks (GB). This required the NFTS to register a fixed charge on its freehold land and buildings as security for this loan facility.

20 Provisions for liabilities

	£
At 1 January 2007	-
Charged to the income and expense account	200,000
	<u>200,000</u>
Balance at 31 December 2007	<u>200,000</u>

The provision of £200k charged to the SOFA relates to unforeseen events in connection to gas services which resulted in a 5 week overrun and additional costs of approximately £200k (2006 - £nil). It is expected that the claim to recover the additional costs will be resolved within 6 months. No contingent asset relating to this claim has been included in the accounts.

21 Related party transactions

The National Film and Television School is sponsored by the Department for Culture, Media and Sport. The Department for Culture Media and Sport is regarded as a related party by reference to the Charities SORP and Financial Reporting Standard number 8.

The National Film and Television School during the year was in receipt of a grant of £2,750,001 (2006 - £2,737,497) from the DCMS, which is 27% (2006 - 31%) of the total incoming resources which were received by the School during the year. The School also received a capital grant from the DCMS of £213,825 (2006 - £186,175).

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 year. All grant income which has been received from these industry bodies has been disclosed within the notes to the financial statements.

During the course of the year the School and NFTS Foundation entered into a number of related party transactions. The transactions represented fundraising initiatives undertaken to administer the scholarship programme, donations towards the running costs of the curriculum and donations towards the costs of the new building. At 31 December 2007 an amount of £Nil (2006 - £394,510) was owed by the NFTS Foundation to the School (see note 17).

The National Film and Television School

Notes forming part of the financial statements
for the year ended 31 December 2007 *(Continued)*

22 Statement of funds – Group

	At 1 January 2007 £	Income £	Expenditure £	Transfers £	At 31 December 2007 £
Restricted funds					
Skillset grants	-	1,117,660	(1,092,778)	-	24,882
Bursaries and scholarships	-	97,796	(97,796)	-	-
David Lean Foundation	-	33,223	(33,223)	-	-
Gifts in kind	156,034	17,749	(42,568)	-	131,215
James Whitehorn donations	-	19,281	-	-	19,281
Distribution	22,900	-	-	-	22,900
Donations received from NFTS Foundation	1,179,614	660,386	(409,432)	-	1,430,568
Flash Forward	-	250,196	-	-	250,196
Foundation of Sport and Arts	-	212,500	-	-	212,500
Total restricted funds	1,358,548	2,408,791	(1,675,797)	-	2,091,542
Designated funds					
Beaconsfield Redevelopment and Investments (contingency)	1,035,665	52,847	(20)	1,564,255	2,652,747
Hardship fund	137,640	9,920	-	-	147,560
Total designated funds	1,173,305	62,767	(20)	1,564,255	2,800,307
Unrestricted funds					
General funds	1,696,297	7,491,303	(5,951,611)	(1,564,255)	1,671,734
Land and Buildings revaluation reserve	3,420,000	-	(355,676)	-	3,064,324
Pension reserve (deficit)	(2,246,000)	-	650,000	-	(1,596,000)
Total unrestricted funds	2,870,297	7,491,303	(5,657,287)	(1,564,255)	3,140,058
Total funds	5,402,150	9,962,861	(7,333,104)	-	8,031,907

The pension reserve (deficit) has been created within unrestricted funds in accordance with the SORP

The transfer of £1,564,255 between unrestricted funds and designated funds relates to the income from the sale of the Short Course site which has been designated by the Governors to be used to cover the costs of the new building. Designated funds of £2,652,747 also include a contingency of £1,088,492 held as investments

The restricted funds of £2,091,542 include £131,215 gifts in kind relating to donations of technical equipment to the School, £19,281 donations relating to the James Whitehorn Memorial Fund to provide scholarships, £1,430,568 from Foundation funds to cover the costs of the new building, £250,196 raised by the Flash Forward fundraising campaign to cover the costs of the new building, and £212,500 from the Foundation of Sport and Arts towards the cost of the new cinema. Sufficient resources are held in an appropriate form to enable each restricted fund to be applied in accordance with the restrictions

The National Film and Television School

Notes forming part of the financial statements
for the year ended 31 December 2007 *(Continued)*

22 Statement of funds - School *(Continued)*

	At 1 January 2007 £	Income £	Expenditure £	Transfers £	At 31 December 2007 £
Restricted funds					
Skillset grants	-	1,090,635	(1,090,635)	-	-
Bursaries and scholarships	-	97,796	(97,796)	-	-
David Lean Foundation	-	33,223	(33,223)	-	-
Gifts in kind	156,034	17,749	(42,568)	-	131,215
James Whitehorn donations	-	19,281	-	-	19,281
Distribution	22,900	-	-	-	22,900
Donations received from NFTS Foundation	1,179,614	660,386	(409,432)	-	1,430,568
Flash Forward	-	250,196	-	-	250,196
Foundation of Sport and Arts	-	212,500	-	-	212,500
Total restricted funds	1,358,548	2,381,766	(1,673,654)	-	2,066,660
Designated funds					
Beaconsfield Redevelopment and Investments (contingency)	1,035,665	52,847	(20)	1,564,255	2,652,747
Hardship fund	137,640	9,920	-	-	147,560
Total designated funds	1,173,305	62,767	(20)	1,564,255	2,800,307
Unrestricted funds					
General funds	1,661,174	7,561,816	(5,968,097)	(1,564,255)	1,690,638
Land and Buildings revaluation reserve	3,420,000	-	(355,676)	-	3,064,324
Pension deficit	(2,246,000)	-	650,000	-	(1,596,000)
Total unrestricted funds	2,835,174	7,561,816	(5,673,773)	(1,564,255)	3,158,962
Total funds	5,367,027	10,006,349	(7,347,447)	-	8,025,929

The pension deficit has been created within unrestricted funds in accordance with the SORP

The National Film and Television School

Notes forming part of the financial statements for the year ended 31 December 2007 (Continued)

22 Statement of funds (continued)

Restricted funds are those with conditions on use set by the donor

Designated funds are funds that have been set aside by the governors for premises refurbishment and for a student hardship fund

General funds represent free funds not designated for particular purposes

The land and buildings revaluation reserve arose as a result of a revaluation of freehold land and buildings during the year to 31 December 2004, as detailed in note 13 to the financial statements

The pension reserve (deficit) has been created within unrestricted funds in accordance with the Statement of Recommended Practice "SORP"

Transfers between funds – During the year there were no withdrawals from the School's investments (see note 14)

23 Indemnity insurance

During the year, insurance costing £1,313 (2006 - £1,418) was purchased to indemnify the governors and officers against default on their part

24 Pension scheme – Group and School

The charity'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 charity adopted FRS 17 in full in the financial statements for the year ended 31 December 2005.

A full actuarial valuation of the defined benefit scheme was carried out at 31 March 2005 and updated to 31 December 2007 by a qualified independent actuary on an FRS 17 basis. The major assumptions at 31 December 2007 used by the actuary were:

	31 December 2007	31 December 2006	31 December 2005
Rate of increase in salaries	N/A	N/A	3.40 % p.a.
Rate of increase for pensions in payment	3.20% p.a.	3.00 % p.a.	2.55 % p.a.
Discount rate	5.80% p.a.	5.20 % p.a.	4.90 % p.a.
Inflation assumption	3.30% p.a.	3.10 % p.a.	2.90 % p.a.

The National Film and Television School

Notes forming part of the financial statements
for the year ended 31 December 2007 *(Continued)*

24 Pension scheme *(continued)*

The assets in the scheme and the expected rate of return at 31 December 2007 were

	Long term rate of return expected at 31 December 2007	Value at 31 December 2007 £'000	Long term rate of return expected at 31 December 2006	Value at 31 December 2006 £'000	Long term rate of return expected at 31 December 2005	Value at 31 December 2005 £'000
Equities & Property	7.80%	2,256	7.20%	2,919	6.70%	2,278
Bonds	5.20%	2,342	4.90%	1,500	4.40%	1,694
Cash	5.50%	27	5.00%	26	4.50%	212
Total market value of assets		4,625		4,445		4,184
Present value of scheme Liabilities		(6,221)		(6,691)		(6,380)
Net pension deficit on an FRS 17 basis		(1,596)		(2,246)		(2,196)

Prior to 1 September 2006 the charity contributed to the final salary scheme at the rate of 15.5% of pensionable salaries. The charity is now committed to paying £164k pa index linked for 15 years in order to clear the £1.596m deficit.

Movement in balance sheet deficit in the year under FRS 17

	2007 £'000	2006 £'000	2005 £'000
Deficit in scheme at beginning of year	(2,246)	(2,196)	(1,716)
Current service cost	(3)	(106)	(115)
Other investment income	(59)	(64)	(109)
Actuarial gains/(losses)	545	(151)	(428)
Contributions paid	167	178	272
Past service costs	-	-	(100)
Curtailments	-	93	-
Deficit in scheme at end of year	(1,596)	(2,246)	(2,196)

The National Film and Television School

Notes forming part of the financial statements
for the year ended 31 December 2007 (*Continued*)

24 Pension scheme (*continued*)

Analysis of the amounts charged to resources expended within the Statement of Financial Activities under FRS 17

	2007 £'000	2006 £'000	2005 £'000
<i>Operating charge</i>			
Current service cost	3	106	115
Past service cost	-	-	100
Curtailments	-	(93)	-
<i>Other finance costs</i>			
Expected return on pension scheme assets	(282)	(236)	(210)
Interest on pension scheme liabilities	341	300	275
Expenses and death in service premiums	-	-	44
Pension cost charged to the Statement of Financial Activities	<u>62</u>	<u>77</u>	<u>324</u>

Analysis of the actuarial gains and losses recognised in the Statement of Financial Activities under FRS 17

	2007 £'000	2006 £'000	2005 £'000
Actual return less expected return on pension scheme assets	(7)	20	385
Experience gains and losses arising on the scheme liabilities	(8)	(111)	464
Changes in assumptions underlying the present value of the scheme liabilities	560	(60)	(1,277)
Actuarial gain/(loss) recognised in the Statement of Financial Activities	<u>545</u>	<u>(151)</u>	<u>(428)</u>

History of experience gains and losses

	2007	2006	2005	2004
Difference between the expected and actual return on scheme assets				
Amount (£'000)	(7)	20	385	103
Percentage of scheme assets	N/A	0.5%	9.2%	3.0%
Experience gains and losses on scheme liabilities				
Amount (£'000)	(8)	(111)	464	25
Percentage of the present value of the scheme liabilities	N/A	1.7%	7.3%	0.5%
Total amount recognised in the Statement of Financial Activities				
Amount (£'000)	545	(151)	(428)	(577)
Percentage of the present value of the scheme liabilities	9%	2.3%	6.7%	11.1%

The National Film and Television School

Notes forming part of the financial statements
for the year ended 31 December 2007 (*Continued*)

25 Analysis of net assets between funds

Fund balances at 31 December 2007 are represented by

Group	Unrestricted funds £	Designated funds £	Restricted funds £	Total 2007 £
Tangible fixed assets	6,427,714	1,564,255	3,269,479	11,261,448
Investments	-	1,088,492	-	1,088,492
Current assets	1,297,631	147,560	67,063	1,512,254
Current liabilities	(2,989,287)	-	-	(2,989,287)
Long term loan	-	-	(1,245,000)	(1,245,000)
Total net assets excluding pension scheme liability	4,736,058	2,800,307	2,091,542	9,627,907
Defined pension scheme liability	(1,596,000)	-	-	(1,596,000)
Total net assets including pension scheme liability	3,140,058	2,800,307	2,091,542	8,031,907
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
School	Unrestricted funds £	Designated funds £	Restricted funds £	Total 2007 £
Tangible fixed assets	6,427,714	1,564,255	3,269,479	11,261,448
Investments	2	1,088,492	-	1,088,494
Current assets	1,291,650	147,560	42,181	1,481,391
Current liabilities	(2,964,404)	-	-	(2,964,404)
Long term loan	-	-	(1,245,000)	(1,245,000)
Total net assets excluding pension scheme liability	4,754,962	2,800,307	2,066,660	9,621,929
Defined pension scheme liability	(1,596,000)	-	-	(1,596,000)
Total net assets including pension scheme liability	3,158,962	2,800,307	2,066,660	8,025,929
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The National Film and Television School

Notes forming part of the financial statements
for the year ended 31 December 2007 *(Continued)*

26 Reconciliation of net incoming resources to net cash inflow from operating activities

	2007 £	2006 £
Net incoming resources	2,084,757	1,229,939
Depreciation	468,120	485,692
Profit on sale of tangible fixed assets	(1,319,562)	(4,143)
(Decrease)/increase in pension liability	(105,000)	(101,000)
Decrease in stocks	2,962	721
Increase in debtors	(84,031)	(126,832)
Increase in creditors	785,602	426,471
Investment income	(52,847)	(71,886)
Net cash inflow from operating activities	1,780,001	1,838,962

27 Reconciliation of net cash flow to movements in net debt

	2007 £	2006 £
Change in net debt resulting from cash flows	(809,637)	531,678
Bank loan	(1,245,000)	-
Opening net debt	968,331	436,653
Closing net debt	(1,086,306)	968,331

28 Analysis of net debt

	At 1 January 2007 £	Cash flows £	At 31 December 2007 £
Cash at bank and in hand	968,331	(662,981)	305,350
Bank overdraft	-	(146,656)	(146,656)
	968,331	(809,637)	158,694
Debt due after one year	-	(1,245,000)	(1,245,000)
Total	968,331	(2,054,637)	(1,086,306)

The National Film and Television School

Notes forming part of the financial statements
for the year ended 31 December 2007 (*Continued*)

29 Commitments under operating leases

As at 31 December 2007, the Group and School had annual commitments under non-cancellable operating leases as set out below

	2007 Land Buildings £	2007 Other £	2006 Land & Buildings £	2006 Other £
Operating leases which expire				
In two to five years	-	60,928	28,200	53,347