

Registrar's Copy

**National Film and Television
School (The)**

Report and Financial Statements

Year Ended

31 December 2012

Company Number 981908

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National Film and Television School (The)

Report and financial statements for the year ended 31 December 2012

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Governors, offices and advisers

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Reference and administrative details

Governors

* Simon Shaps (Chairman)	Duncan Kenworthy OBE
* Stephen Louis (Deputy Chairman)	Donna Taberer
Floella Benjamin OBE	Steve Mertz
* Tom Betts	David Sproxton CBE
Peter Barron	Phil Harrison
Simon Relph CBE	Sophie Turner-Laing
Dan Brooke	Colin Young (Honorary)
Susan Moffat	Michael Hamlyn
Alan Cummings	

Management Team

* Nik Powell (Associate Director)	Jon Wardle
* Eamon Sullivan	Jon Houchin
Dominique Cadiou	Simon Mallin

*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.nfts.co.uk

National Film and Television School (The)

Annual report and financial statements for the year ended 31 December 2012 (*continued*)

Reference and administrative details (*continued*)

Company number

981908

Charity number

313429

Auditors

BDO LLP, 2nd Floor, 2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA

Bankers

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

Insurance brokers

Willis Limited, St Catherine's Court, Berkeley Place, Bristol, BS8 1BQ

Solicitors

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

Investment advisors

Investec Wealth & Investment Limited, 2 Gresham Street, London EC2V 7QH

National Film and Television School (The)

Report of the governors for the year ended 31 December 2012

Governors

The governors of the School during the year were

* Stephen Louis	John McVay (resigned 04 12 12)	Susan Moffat (appointed 26 06 12)
Floella Benjamin OBE	Steve Mertz	
*Simon Shaps	* Tom Betts	
Peter Barron	David Sproxton CBE	
Simon Relph CBE	Angela Roberts (resigned 04 12 12)	
Colin Brown (resigned 27 03 12)	Colin Young (Honorary)	
Phil Harrison (appointed 04 12 12)	Michael Hamlyn	
Clive Jones (resigned 04 12 12)	Dan Brooke	
Sophie Turner-Laing	Alan Cummings	
Duncan Kenworthy OBE	Donna Taberer (appointed 04 12 12)	

*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 2012. 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 has a funding agreement with the Department for Culture Media and Sport (DCMS) and this represents the main funding stream of the School. Post the October 2011 Spending Review, the DCMS funding agreement has been renewed until 2014/15.

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 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 Schools Management Team. Governors are also provided with relevant Charity Commission updates on the responsibilities of trustees.

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 Company.

National Film and Television School (The)

Report of the governors for the year ended 31 December 2012 (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 generous financial contributions 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 together with the DCMS 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 year ending 31st December 2012 and has not been consolidated on that basis.

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 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 a high interest bearing account with Lloyds TSB Bank Plc. The interest earned in the year was £36k (2011 - £32k). The board is satisfied with the return on investment which is in line with its policy.

Governance and internal control

The governors are responsible for preparing 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 then apply them consistently,
- make judgements and estimates that are reasonable and prudent,

National Film and Television School (The)

Report of the governors for the year ended 31 December 2012 (*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 Charity 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

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 governors 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 as the Audit Committee reviews external 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

Objectives & Activities

The main objective of the year was to maintain and develop the world class education and training of all NFTS students and to secure and enhance the Schools funding in order to achieve this objective

National Film and Television School (The)

Report of the governors for the year ended 31 December 2012 (*continued*)

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 and Media 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 studios that include two film stages, a separate large TV studio and post production facilities rivaling those of many professional companies.

The NFTS also 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 master classes for the UK industry and distribute many student films to festivals and major competitions across the globe.

Main Activities, Achievements and Performance Highlights for 2012

Chairman's Foreword

The year to December 2012 was another exciting and successful year for the NFTS, a year which saw the launch of its new **Games Design & Development** MA course validated by the RCA, the development of 2 new Diploma courses starting in January 2013 – **EPCRI** (*Entrepreneurial Producing for the Creative Industries*, supported by Ingenious Media and Richard Branson) and **Broadcast Production** (partnership with Sky). The NFTS also successfully launched a new part time Script Development course with a central London base in September 2012.

The School continued to enhance its reputation as a global centre of excellence by achieving another incredible batch of industry awards and nominations during the year, including an Oscar nomination for **Head over Heels** the only student film to be nominated at the 2013 Oscars.

As the recently published **Film Policy Review** (2011) and BFI's **Film Forever** (2012) highlights, the development of skills and talent provides the backbone which underpins the success of the entire film sector in the UK. According to a recent study (*Economic Impact of the UK Film Industry*) the total economic impact of the UK film industry is outperforming the economy as a whole and contributed over £4.6 billion to UK GDP in 2011 and supported a total of 117,400 Full Time Equivalent (FTE) jobs. This is a growing sector with BFI research showing that cinema admissions reached 173 million in 2012, the second highest level in history, bringing in over £1 billion alone at the box office.

This success was partly due to British blockbusters such as the Bond film **Skyfall** shot in the UK, which was the overall UK box office leader. A substantial number of NFTS graduates were involved in the making of **Skyfall** including Oscar nominated Cinematographer Roger Deakins and Sound Mixer Stuart Wilson. According to a mapping study conducted by strategy consultants OC&C, the School's graduates worked on 13 of the top 20 UK box office films in 2011 and on average participated on 85% of all inward investment films with budgets over £50m.

National Film and Television School (The)

Report of the governors for the year ended 31 December 2012 (*continued*)

Chairman's Foreword (continued)

It's clear that NFTS graduates are one of the UK's most valuable assets helping to attract foreign investment for film and television and other productions in the UK as well to meeting the challenges of Digital Britain. This contribution has been recognised by the BFI which is setting up a special capital building fund to which the NFTS can apply for in 2013. The BFI also selected the NFTS to run the BFI film Academy for 16-19 year olds this Easter at Beaconsfield Studios.

I would like to thank all our **Key Partner Sponsors and Funders** including the **DCMS, Skillset, BBC, Channel 4, ITV, Sky** and the **FDA** for their continued investment in emerging film and television programme makers. I would also like to especially thank **Google/YouTube** and **Ingenious Media** our new sponsor from 2012 and the many other scholarship donors and funders for helping us ensure that the most talented students can attend the School regardless of their background.

Directors Report and Highlights for 2012

At the NFTS we let our credits tell the story and having celebrated its 40th Anniversary in 2011 the School can look back at another extraordinary year in 2012. NFTS graduates have had 10 individual Oscar and Bafta nominations in 2012/13. The School had 127 key graduate credits on 24 films nominated for Oscars and BAFTAs and an additional 17 graduate credits on 3 Golden Globe award-winning films, ***Les Misérables*, *Skyfall*** and ***Game Change***.

Our recent graduation films have won over 150 awards including the Oscar-nominated short animated film ***Head over Heels***, and BAFTA-nominated ***Abuelas***, which have won over 100 awards between them, a BIFA (Best Short Film) for ***Volume***, 3 Royal Television Society awards, a Grierson Award (Sky Arts Award for Best Student Documentary) for ***The Betrayal***, which also won awards at the Sheffield International Documentary Festival and IDFA (International Documentary Film Festival Amsterdam), and Best Short Film wins for ***The Mass of Men*** at San Sebastian International Film Festival and the Locarno International Film Festival.

Winning prizes is a valuable way to gain recognition from the film industry and open doors to future success for our students. However, our Television department has also broken new ground by fast-tracking students into the Industry by another route. So far **five TV show formats** developed in the last two years by our students on our Producing and Directing TV Entertainment MA have been snapped up and optioned by the big television companies who are keen to develop new talent.

Warner Brothers and **Channel 5** are now keen to establish long-term relationships with the School and for students to pitch their ideas annually. This is positive proof that our TV students are developing and producing entertainment pilots that can match the professional sector.

So when Film and Television students leave the NFTS, we are proud to say that they have the high level skills, experiences, contacts and accomplishments and most importantly character to walk straight into the Industry and not only find work but make an impact wherever they work.

I want to thank everybody who is part of making the achievements of our graduated students possible – the government and the Industry of course, but also the NFTS governors, the NFTS staff and most importantly the fulltime and visiting teachers who pass on their knowledge and encouragement to all those who have been students at the NFTS.

National Film and Television School (The)

Report of the governors for the year ended 31 December 2012 (continued)

Record breaking year for awards

The last 12 months have been a record-breaking year for the NFTS, with the school winning over 150 awards internationally and earning NFAS and Oscar nominations. It began with graduation documentary *The Betrayal* winning the prestigious IDFA (International Documentary Film Festival) Student Award before it had even been finished! This was shortly followed by the announcement that *Abuelas* had received a BAFTA nomination for Best Animated Short – our 8th nomination in the category.

The NFTS won the **Verna Fields Awards** at the Golden Reels in LA for Outstanding Sound Editing (our 28th nomination and we remain the most awarded film school in the world in this field), *The Mass of Men*, directed by one of this year's graduating fiction directors, Gabriel Gauchet, won the Locarno and Sans Sebastian Film Festivals, *Back of Beyond*, directed by graduate Michael Lennox, won the *Premio Pianific* at the Locarno Film Festival and went on to be nominated for a European Film Award, *Volume*, directed by 2012 graduate Mahalia Belo, won the British Independent Film Award and our Television department scooped up prizes at the **Royal Television Society Awards**. In December, *The Betrayal* capped off its award winning year by winning the Sky Arts award at the Greirsons, the first time the NFTS has won in this highly competitive category.

Most recently, we received news that *Head over Heels*, directed by 2012 graduate Timothy Reckart, had not only won an **Annie Award** (International Animation Society) with the NFTS becoming the first film school in the world to win in this category, but that the film had been **nominated for an Oscar for Best Animated Short**. This was the only student film in contention for an Oscar this year.

Masterclasses

Guests in the past year include directors **Paul Thomas Anderson** (The Master, There will be blood), **Guy Ritchie** (Holmes, Lock, Stock and Two Smoking Barrels), **Ken Loach** (Kes, The Wind that Shakes the Barley), and NFTS graduate **David Yates** (Harry Potter and the Deathly Hallows, Sex Traffic), producers **Graham King** (The Departed, Gangs of New York) **Allison Abbate** (Frankenweenie, The Corpse Bride) and **Paul Webster** (Anna Karenina, Atonement) and cinematographer **Sean Bobbit** (Hunger, Shame). The legendary Korean director **Im Kwon Taek** (Drunk on Poetry and Women) also visited the school in 2012.

Activity: Two Year MA Courses – 2012 / 2013

The NFTS currently offers 13 two year MA programmes, having added a new **Games Design & Development** MA course in January 2012 and restructured the Digital Post Production and SFX/VFX MA courses into one "Digital Effects" MA course starting in January 2013. In addition the School runs three established Diploma programmes, one part-time (Script Development) and has developed and launched a further two Diplomas courses in January 2013, namely EPCRI (supported by Ingenious Media) and Broadcast Production (supported by Sky). All the MA courses are subject to the RCA's Annual Review and Course Evaluation by the Academic Standards Committee. In addition, every course has an Industry Advisory Panel who meet once a year to look at the course and discuss how it should be developed in the light of industry developments.

- 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 Design
- 12 - Digital Post-Production (now "Digital Effects" from Jan 2013)
- VFX & SFX (now "Digital Effects" from Jan 2013)
- 13 - Games Design and Development - new January 2012

National Film and Television School (The)

Report of the governors for the year ended 31 December 2012 (continued)

Activity: Two Year MA Courses – 2012 / 2013 (continued)

One Year to 18 Month Diploma Courses – 2012

- | | | |
|---|---|---|
| 1 | - | Sound Recording for Film & Television |
| 2 | - | Production Management – Film & TV |
| 3 | - | Script Development (part-time) |
| 4 | - | EPCRI – new January 2013 |
| 5 | - | Broadcast Production – new January 2013 |

Short Courses

NFTS Short Courses continued to consolidate its position in the training sector for film and television over the course of the year. Short Courses provided training for almost 300 individuals which was in line with the previous year, including successfully training disabled presenters for the **2012 Paralympics** for **Channel 4**. In addition the unit also provided bespoke training on a variety of disciplines including online media for **Nude Fish Media**, training on the 5D camera for **Channel 4 Creative** and advanced sound recording for the digital agency **Somethin' Else**.

The strategy to expand into long-running, higher income courses continued last year with the acquisition of the **Script Development Diploma** course, which previously had been run by partner The Script Factory. This course is the cornerstone of our further development plans. For next year we have a further three certificate courses to be developed including production co-ordination, camera assistants and location management.

Short Courses also re-branded its offering of camera courses adding a specialist Focus Pulling one into the **Camera Series**, allowing people in the camera department a variety of courses at a set time during the year. This sits alongside our Directors' Series (a four-week training course) which continued to prove successful this year. We have also added a number of courses around documentary shooting for self-operating producers/directors.

Short Courses continues to attract tutors with big-name appeal who are instrumental in drawing in students including **Angus Finney**, **Peter Ansorge** and **Nic Morris**.

Over the course of the year, Short Courses provided over 1,200 training days which was in line with last year.

Curriculum, Recruitment and Access

Total student applications during 2012 for courses starting in 2013 remained as strong as the previous year. Higher student fees and deteriorating student finances pose a challenge for the future but we hope to grow student applications in 2013 through the introduction of additional courses.

Thanks to the enormous amount of donor and key partner funder support the School provides a significant amount of financial support for all UK students in terms of bursaries and scholarships. This ensures that the most talented students can attend the School regardless of background.

Application statistics for 2012 show **45%** (47% last year) applicants were from UK, **40%** (38%) from EU and **15%** (15%) from Overseas. Male / Female applicant percentages at 69 % / 31% were in line with previous years.

Following the rigorous selection process which includes industry professionals, **107** (102 last year) applicants were offered a place on the MA programme with a further 7 on the Sound Recording diploma and 8 on the Production Management Diploma course. Of the successful entrants for 2012, **58%** (55% last year) were UK, **34%** (35%) EU and **8%** (10%) from overseas while 66% of entrants were male and 34% female, statistics which are again in line with the previous year.

National Film and Television School (The)

Report of the governors for the year ended 31 December 2012 (continued)

Curriculum, Recruitment and Access (continued)

In February 2012, the eleventh group of MA Film and Television graduates (101 students) were awarded their MA with a further 19 receiving Diplomas from fulltime courses and 22 receiving Diplomas from the part time Script Development course. In the Overall MA Assessment, 29 students were awarded an Excellent and on the Dissertation/Research project, there were 19 Distinctions. Eight students achieved an Excellent in their Overall Assessment and a Distinction in their Dissertation.

Financial Review

Total incoming resources or gross income for the School for the year ended 31st December 2012 were **£8,777k** and represented a **£210k** or **2%** decrease on the previous year – see Statement of Financial Activities (SOFA p15)

The reduction in income was mainly due to the School having no major fundraising event or GALA in 2012, fundraising efforts were redirected to capital funds and foundations. In the previous year the School held a GALA celebrating its 40th Anniversary which generated over £380k in income and a net surplus of £200k. The income shortfall was thankfully partly offset by increased support from current funders (ITV) and new funders (Google/Tube and Ingenious Media) and increased student fees from higher fees and additional courses eg new Video Games Design MA course which started in January 2012.

Despite the reduced income in the year the School still managed to maintain its significant student financial support programme through bursaries and scholarships. The combined scholarship and bursary support for the year was £655k which was in line with the previous year and represented almost 25% of the total student fee income for the year. The School's bursaries are mainly funded by Creative Skillset (£250k) while the scholarship funds are generated from over 50 individual scholarship donors. These scholarships and bursary funds are critical to enabling the most talented students attend the School, regardless of background.

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

Total resources expended or expenditure in the period was **£9,148k**, and represented a **£302k** or **3%** increase on the previous year – see Statement of Financial Activities (SOFA p15)

The majority of this increased expenditure related to increased staff costs (£207k) the annual payroll RPI increase, costs related to the new Video Games Design course, set up costs for two new diploma courses starting in January 2013 (EPCRI & Broadcast Production), increased Health and Safety expenditure on new storage facilities and rigging on stages, fees incurred on UKBA's QAA visit (passed with flying colours) and an application to HEFCE for Higher Education Institute (HEI) designation.

Thanks to effective cost and budgetary control, all departments operated again within agreed budgets and targeted cost savings were achieved during the year. Effective cost control and the lower than expected interest payments on the loan facility (1.2%), meant that the School's net income for the year (before any FRS17 pension actuarial losses) was limited to a deficit of **£372k** which compares to a net surplus of £140k in the previous year.

Note the £372k deficit includes a significant non cash depreciation charge of £727k (£671k last year) – the depreciation charge being higher this year due to increased H&S capex and also additional capex for the new and restructured courses (Video Games & Digital Effects).

The cash flow statement on page 18 shows that the School generated net cash flow from operating activities of **£414k** positive in the year (£695k in 2011), after capital expenditure and loan repayments the net decrease in cash for the year was £248k (£156k positive in 2011). The cash balance at 31st December 2012 was £1.4m (£1.7m last year) and mainly related to the early collection of student fees for courses starting in January 2013.

The School's reported Net Movement in Funds for the year was a **deficit of £530k** – this is after taking account of an increase in the FRS17 Pension Deficit valuation and an actuarial loss of £158k during the year, this was significantly better than last year when the actuarial loss was £493k. The revised FRS17 pension deficit is now at **£2,654k** up from £2,583k in the previous year.

National Film and Television School (The)

Report of the governors for the year ended 31 December 2012 (continued)

Financial Review (continued)

The balance sheet on page 17 shows the School net assets as **£8,787k** on 31 December 2012 compared to £9,316k at 31 December 2011

The School's operating results are monitored and controlled by monthly management accounts and a rolling 5 Year Financial Plan that reflects the normal income streams and expenditure levels at the School. In addition, the School's four KPI's of efficiency (cost per student), quality (3rd party assessments), industry recognition (awards and film credits) and graduate employment statistics are closely monitored and reviewed on a regular basis.

The School's results more than meet the financial covenant tests set out in the AIB loan agreement.

Pension Deficit – Funding Valuation

The FRS17 pension deficit valuation is prepared by the School's actuaries First Actuarial plc and audited as part of the financial statements. The FRS 17 Pension Valuation at 31 December 2012 was £2,654k and represented a net increase of £71k during the year (see note 9).

The defined final salary scheme was closed to accrual from **1st September 2006**. The School had a Pension Deficit Funding Agreement commitment to pay £173k pa indexed linked for 15 years to clear the **Pension Deficit Funding Valuation of £2.1m** as at 1st April 2005. This Pension Deficit Funding Valuation is reviewed every 3 years and it increased to **£2.6m** at 1st April 2008 and then **£2.8m** at 1st April 2011. The Pension Trustees and the School have agreed a new **Recovery Plan** which is to maintain the current level of annual deficit funding (£203k pa indexed linked) but to stretch these payments over 16 years to 2028. The Pension Regulator has agreed to this new Pension Deficit Funding Agreement.

The School has made over £1m in pension deficit payments in the 6 years to April 2011 and the deficit still stands at £2.8m.

Fixed Assets

Investments in fixed assets in the year were £524k and mainly related to technical equipment purchases and further investment in health and safety resources. Total net book value of fixed assets at 31st December 2012 was £12.5m and represented a decrease of £203k during the year. Land and buildings were revalued in 2009 on an existing use basis resulting in a revaluation gain of £2.3m. Further details are provided in note 12 "Tangible Assets" to the financial statements, see page 29 for further details.

Building Funding & Loan Facility

The new teaching block (Phase 1) was opened in January 2008 and 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, The David Lean Foundation and the numerous donors and sponsors who contributed to the "Flash Forward" and GB Movie Event. The balance of the funding was secured by arranging a long term loan facility (17 years) in March 2007 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 2012 was **£1,767k**, having been reduced by £157k in loan repayments during the year. The interest rate charged on the loan during the year was 1.2%.

Creative Skillset

In recent years substantial new support has been obtained from the UK Film Council (now merged within the BFI) via the Skills Investment Fund administered by Skillset for new courses and activities. Two significant Skillset contracts continued to help fund the School's operations in 2012 namely, Skillset Bursary and Course Enhancement and Outreach contracts. These agreements commit Skillset's support for the School up to March 2013. The Skillset monies are core funding for the School and management expects these monies to be renewed at the expiry of the existing contract in March 2013.

National Film and Television School (The)

Report of the governors for the year ended 31 December 2012 (*continued*)

Future Plans and Outlook

While the Schools finances remained fragile due to reductions in government and other funding, the NFTS managed largely to **achieve its financial targets for the year** thanks largely to the continued support of its core sponsors, in particular the restoration of previous cuts by both **Channel 4 and Sky** and the **return of ITV as a core funder** as well as of course the support of the staff in accepting a cut in real wages over the last five years

With the NFTS also having to raise student fees each year, **the importance of scholarships and bursaries** become even more so in order for the NFTS to accept students from all backgrounds whatever their financial circumstances which is critical to our future success and competitiveness

The challenges ahead are manifold but essentially,

- To maintain the Schools world class education, training and global competitiveness as (according to the Hollywood Reporter this year) one of the Top 15 film schools in the world,
- To continue to provide a stimulating, relevant and flexible post graduate level teaching and training curriculum for film, television and screen media industries,
- To keep the NFTS accessible to all UK talent whatever their background by continuing to enhance the Schools bursary and scholarship support,
- To respond to the needs of the film, television and screen media industries and curriculum advisory groups,
- To introduce new courses (eg Comedy Writing and Producing course in 2013/14), to continually update existing courses/modules (eg 3D) and add an applied research capability,
- To maintain and develop current key partner and funders support and explore new and more diverse funding streams for the School,
- To continue to focus on delivering a Health & Safety regime at the NFTS that is second to none,
- To continue to make Short Courses the premier provider of quality relevant short courses to the media industries,
- With limited resources our future capital development plans are limited and focused to secure capital funding to carry out the long overdue Phase 2 ("Digital Village") redevelopment of the site, to expand NFTS capacity and student numbers and further build on the success of Phase 1 (completed without any government funding),
- Provide maximum value to all stakeholders, government, industry, partners, funders, donors, students and all patrons

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 can be seen in the public access to the Schools world class facilities. The School provides a significant amount of student support to talented students regardless of background in terms of bursaries and scholarships more than 10% of student fee income is allocated to student bursaries and scholarships.

The NFTS 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 regularly, without charge.

Charities that have used the NFTS facilities in 2012 included Butlers Court PTA, MacMillan Cancer Support, Iain Rennie Hospice at Home, Cure Parkinson's Disease and Beaconsfield and Jordans Rotary Club. The School hosted a training day for secondary school media teachers (Creative Junction teacher training) and was used as a venue for the Short Cuts Film Festival and the Wooburn Festival. The School's new cinema is also used twice monthly by the Beaconsfield Cinema Club.

National Film and Television School (The)

Report of the governors for the year ended 31 December 2012 (continued)

Reserves policy

At 31 December 2012, the actual reserves of The National Film and Television School are as follows

	2012	2011
Unrestricted funds - General (deficit)/ funds	(11,335)	255,450
Unrestricted funds - Designated funds	8,797,993	9,061,024
Restricted funds	-	-

Free reserves

The free reserves held by the School at 31 December 2012 were £796k (2011 - £334k)

The free reserves have been calculated from total net funds by excluding fixed assets (£13,756k), the net current assets held in restricted funds (£nil), and the net current assets held in designated funds (£166k). 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 £1,685k in respect of the bank loan and finance leases and £2,654k 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% (£439k) 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 £1,266k 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.

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.

National Film and Television School (The)

Report of the governors for the year ended 31 December 2012 (*continued*)

Price, credit, liquidity and cash flow risk

The main price and credit risk to the Schools operating income is the increase in student fees and the ability of talented students to pay these fees, this risk is addressed by the Schools significant bursary and scholarship support to help these students

Liquidity and cash flow risks from delayed sponsor and partner funding is mitigated by the early collection of student fees at the beginning of term and the Schools overdraft facility

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 LLP have expressed their willingness to continue in office. Under the Companies Act 2006 section 487(2) they will be automatically re-appointed as auditors 28 days after these accounts are sent to the members, unless the members exercise their rights under the Companies Act 2006 to prevent their re-appointment

On behalf of the Board of Governors

Simon Shaps

Chairman

Date 01/05/13

National Film and Television School (The)

Independent auditor's report

TO THE MEMBERS OF NATIONAL FILM AND TELEVISION SCHOOL (THE)

We have audited the financial statements of National Film and Television School (The) for the year ended 31 December 2012 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement 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 charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of governors and auditor

As explained more fully in the Statement of Governors' Responsibilities, the governors (who are also the directors of the 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 and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB'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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the charity's affairs as at 31 December 2012 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

National Film and Television School (The)

Independent auditor's report (continued)

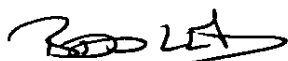
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the governors' 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

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



James Aston (Senior Statutory Auditor)
for and on behalf of BDO LLP, Statutory Auditor
Gatwick, West Sussex
United Kingdom
Date 1 May 2013

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

National Film and Television School (The)

Statement of financial activities for the year ended 31 December 2012

	Note	Un- Restricted Funds £	Designated funds £	Restricted funds £	Total 2012 £	Total 2011 £
Income and expenditure account						
Incoming resources						
Incoming resources from generated funds:						
Voluntary income						
Grants and donations	3	3,175,950	-	283,950	3,459,900	3,508,815
Activities for generating funds						
Fundraising events	4	-	-	-	-	383,057
Investment income	5	-	35,867	-	35,867	32,194
		<u>3,175,950</u>	<u>35,867</u>	<u>283,950</u>	<u>3,495,767</u>	<u>3,924,066</u>
Incoming resources from charitable activities:						
Operation of the School	6	3,538,813	11,659	1,601,384	5,151,856	4,895,640
Donations from NFTS Foundation	6	-	-	120,000	120,000	120,000
Other incoming resources	6	9,134	-	-	9,134	46,978
		<u>6,723,897</u>	<u>47,526</u>	<u>2,005,334</u>	<u>8,776,757</u>	<u>8,986,684</u>
Total incoming resources						
Resources expended						
Costs of generated funds:						
Costs of generating voluntary income		45,779	-	-	45,779	41,356
Fundraising costs		45,779	-	-	45,779	217,648
	9	<u>91,558</u>	<u>-</u>	<u>-</u>	<u>91,558</u>	<u>259,004</u>
Charitable activities						
Operation of the School	9	6,612,816	259,000	2,005,334	8,877,150	8,450,667
Governance costs	9	43,560	-	-	43,560	44,768
Other resources expended	9	-	22,305	-	22,305	24,175
Pension costs	9,23	114,000	-	-	114,000	68,000
		<u>6,861,934</u>	<u>281,305</u>	<u>2,005,334</u>	<u>9,148,573</u>	<u>8,846,614</u>
Total resources expended						

The notes on pages 19 to 41 form part of these financial statements

National Film and Television School (The)

Statement of financial activities for the year ended 31 December 2012 *(continued)*

	Note	Un- Restricted Funds £	Designated funds £	Restricted funds £	Totals 2012 £	Totals 2011 £
Income and expenditure account						
Net (outgoing) / incoming resources before transfers		(138,037)	(233,779)	-	(371,816)	140,070
Transfers between funds	21	29,252	(29,252)	-	-	-
Net (expenditure) / income		(108,785)	(263,031)	-	(371,816)	140,070
Actuarial loss on defined benefit pension scheme	23	(158,000)	-	-	(158,000)	(493,000)
Gains on land and buildings revaluation	21	-	-	-	-	-
Net movement in funds		(266,785)	(263,031)	-	(529,816)	(352,930)
Fund balances brought forward at 1 January 2012	21	255,450	9,061,024	-	9,316,474	9,669,404
Fund balances carried forward at 31 December 2012	21	(11,335)	8,797,993	-	8,786,658	9,316,474

All recognised gains and losses are included in the Statement of Financial Activities

All amounts relate to continuing activities

The notes on pages 19 to 41 form part of these financial statements

National Film and Television School (The)

Balance sheet
as at 31 December 2012

Company Number 981908

	Note	2012 £	2011 £
Fixed assets			
Tangible assets	12	12,489,880	12,692,493
Investments	13	1,265,625	1,262,242
Investment in subsidiary undertaking	14	2	2
		<u>13,755,507</u>	<u>13,954,737</u>
Current assets			
Stocks	15	19,811	25,470
Debtors	16	2,081,230	1,547,501
Cash at bank and in hand		1,421,056	1,669,601
		<u>3,522,097</u>	<u>3,242,572</u>
Creditors: amounts falling due within one year	17	(4,151,819)	(3,384,953)
Net current liabilities		<u>(629,722)</u>	<u>(142,381)</u>
Creditors, amounts falling due after more than one year	18	(1,685,127)	(1,872,882)
Provision for liabilities	19	-	(40,000)
		<u>11,440,658</u>	<u>11,899,474</u>
Total net assets excluding pension scheme liability			
Pension scheme liability	23	(2,654,000)	(2,583,000)
		<u>8,786,658</u>	<u>9,316,474</u>
Total net assets including pension scheme liability			
The funds of the charity			
Restricted funds	21	-	-
Designated funds			
- Designated revaluation reserve	21	4,827,277	4,932,277
- Designated other reserves	21	3,970,716	4,128,747
Unrestricted funds			
General funds	21	2,642,665	2,838,450
Pension reserve	21	(2,654,000)	(2,583,000)
		<u>(11,335)</u>	<u>255,450</u>
Total unrestricted funds			
		<u>8,786,658</u>	<u>9,316,474</u>
Total charity funds			

The financial statements were approved by the Board, authorised for issue on 01/01/13 and signed on its behalf by


Simon Shaps
Chairman


Stephen Louis
Governor


Nik Powell
Associate Director

The notes on pages 19 to 41 form part of these financial statements

National Film and Television School (The)

Cash flow statement for the year ended 31 December 2012

	Note	2012 £	2012 £	2011 £	2011 £
Net cash inflow from operating activities	25		430,955		744,290
Returns on investments and servicing of finance					
Interest received			35,867		32,194
Interest paid			(22,305)		(24,175)
Interest paid on finance leases			(17,385)		(17,385)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(524,324)		(557,285)	
Receipts from sale of tangible fixed assets		9,134		46,978	
Purchase of investments and other transactions		(35,867)		(32,194)	
Cash realised from investments		32,484		151,690	
			(518,573)		(421,888)
Cash outflow before financing			(91,441)		313,036
Financing					
Bank loan drawdown			(157,104)		(157,104)
(Decrease) / increase in cash	26,27		(248,545)		155,932

The notes on pages 19 to 41 form part of these financial statements

National Film and Television School (The)

Notes forming part of the financial statements for the year ended 31 December 2012

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 (other than its subsidiary) which are included at market value. The financial statements have been prepared in accordance with applicable accounting standards, the Companies Act 2006 and the Statement of Recommended Practice, "Accounting and Reporting by Charities" (SORP 2005) issued in March 2005.

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 as it has not traded in the year and has remained dormant. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The following principal accounting policies have been applied:

(a) 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, legacies 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.

National Film and Television School (The)

Notes forming part of the financial statements for the year ended 31 December 2012 *(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.

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.

(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 2012 the School received assets worth £Nil (2011 – £Nil).

National Film and Television School (The)

Notes forming part of the financial statements for the year ended 31 December 2012 *(continued)*

2 Principal accounting policies *(continued)*

(e) Tangible fixed assets and depreciation

Tangible fixed assets costing more than £1k 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
Teaching block	-	over 50 years straight line
Fixtures, fittings and office equipment	-	over 3 years straight line
Fixtures & 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

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 external valuation every five years

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

(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

National Film and Television School (The)

Notes forming part of the financial statements for the year ended 31 December 2012 (*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 18 years at a rate of £178k 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.

Contributions to the charity's defined contribution pension scheme are charged to the statement of financial activity in the year in which they become payable.

(j) Operating leases

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

(k) Finance leases

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

(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 SOFA.

(m) Defined benefit pension scheme

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.

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.

National Film and Television School (The)

Notes forming part of the financial statements
for the year ended 31 December 2012 *(continued)*

3 Voluntary income - grants and donations

	2012 £	2011 £
<i>Key Partner Funders</i>		
Department for Culture Media and Sport	2,868,732	2,866,265
Independent Production Training Fund	-	-
Higher Education Funding Council for England	257,218	284,050
Scholarships – restricted fund	283,950	358,500
Ingenious Media	50,000	-
	<hr/>	<hr/>
Total voluntary income	3,459,900	3,508,815
	<hr/>	<hr/>

4 Incoming resources from generated funds

	2012 £	2011 £
Fundraising events - unrestricted funds	-	383,057
	<hr/>	<hr/>
	-	383,057
	<hr/>	<hr/>

5 Investment income

	2012 £	2011 £
Interest receivable on fixed interest securities - designated funds	35,867	32,194
	<hr/>	<hr/>

National Film and Television School (The)

Notes forming part of the financial statements
for the year ended 31 December 2012 (*continued*)

6 Incoming resources from charitable activities	2012 £	2011 £
Operation of the Film and Television School		
<i>Unrestricted funds</i>		
Grants from key partner sponsors		
British Broadcasting Corporation	450,000	450,000
Independent Television Companies	100,000	50,000
Channel 4	241,000	241,000
Film Distributors' Association (includes Warner Bros)	100,000	100,000
Other - Endemol & AllMedia 3	10,000	20,000
	901,000	861,000
Income/fees from courses and workshops	2,637,813	2,346,501
Total unrestricted funds	3,538,813	3,207,501
<i>Designated funds</i>		
Hardship fund	11,659	10,544
<i>Restricted funds</i>		
Creative Skillset	867,991	844,205
BSkyB	150,000	150,000
David Lean Foundation	35,000	36,000
Income/fees from courses	102,510	110,059
Other donations	445,883	537,331
	1,601,384	1,677,595
Donations received from NFTS Foundation (see below*)	120,000	120,000
Total restricted funds	1,721,384	1,797,595
Other incoming resources (profit on sale of fixed assets)	9,134	46,978
Total incoming resources from charitable activities	5,280,990	5,062,618

* During the year, funds of £120k (2011 - £120k) were received from NFTS Foundation. The restricted donations represent £79k towards bursaries and curriculum costs, £41k to fund a number of annual scholarships.

National Film and Television School (The)

**Notes forming part of the financial statements
for the year ended 31 December 2012 (continued)**

7 Employees

	2012 £	2011 £
Staff costs consist of		
Wages and salaries	3,235,661	3,060,708
Social security costs	325,007	310,321
Pension and other costs		
- defined benefit scheme contributions	201,000	193,000
- defined contribution scheme contributions	195,301	178,143
- FRS 17 adjustments (see notes 9 and 10)	(201,000)	(193,000)
	<u>3,755,969</u>	<u>3,549,172</u>

Included within wages and salaries for the year is costs relating to complimentary tutors of £118k (2011 - £120k)

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

	2012 Number	2011 Number
£60,001 - £70,000	1	1
£70,001 - £80,000	-	1
£80,001 - £90,000	1	1
£130,001 - £140,000	1	1

In respect of staff paid over £60k there were contributions paid for the provision of defined contribution schemes and retirement benefits accruing under defined contribution schemes of £33k (2011 - £44k)

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

	2012 Number	2011 Number
Curricular activity, Short Courses @ NFTS	59	54
Fundraising	2	2
Marketing, registrar, personnel, and accounts	19	19
	<u>80</u>	<u>75</u>

8 Governors' emoluments

The School's Memorandum and Articles enable governors to be engaged as tutors. No governors received payments during the year (2011 - £Nil)

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

National Film and Television School (The)

Notes forming part of the financial statements
for the year ended 31 December 2012 (continued)

9 Resources expended

	Direct costs £	Support costs** £	Total 2012 £	Total 2011 £
<i>Costs of generated funds</i>				
Fundraising costs	91,558	-	91,558	259,004
<i>Charitable expenditure</i>				
Curricular activities*	5,787,562	2,782,655	8,570,217	8,074,983
Short Courses @ NFTS	222,635	84,298	306,933	375,684
Costs incurred in the operation of the School	6,010,197	2,866,953	8,877,150	8,450,667
Governance costs	-	43,560	43,560	44,768
Other resources expended				
Beaconsfield redevelopment	22,305	-	22,305	24,175
Pension costs	114,000	-	114,000	68,000
Total resources expended	6,238,060	2,910,513	9,148,573	8,846,614

* Curricular activities - see note 10 (page 28)

NOTE: Support costs **

	Curricular activities £	Short Courses @NFTS £	Governance costs £	Total 2012 £	Total 2011 £
Distribution costs	57,053	-	-	57,053	60,603
Marketing, personnel & accounts	771,606	23,865	-	795,471	731,858
Directorate	225,838	6,985	-	232,823	285,325
Premises	1,023,029	31,640	-	1,054,669	1,000,129
Depreciation	705,129	21,808	-	726,937	671,184
Audit fees	-	-	43,560	43,560	44,768
	2,782,655	84,298	43,560	2,910,513	2,793,867

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.

National Film and Television School (The)

Notes forming part of the financial statements for the year ended 31 December 2012 (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

	2012 £	2011 £
Curricular activities staff costs (pension and other costs -note 7)		
Current service cost	-	-
Other finance costs other direct costs		
Expected return on pension scheme assets	(272,000)	(330,000)
Interest on pension scheme liabilities	386,000	398,000
Past service cost		-
Net return	114,000	68,000
Total charge to resources expended in the SOFA	114,000	68,000

The total charge to resources expended in the year of £114k (2011 - £68k) has been offset by employer contributions paid over to the scheme trustees in the year which amounted to £201k (2011 - £193k). These contributions have been credited to curricular activities staff costs "pension and other costs".

The "net" charge to resources expended in the SOFA in the year, amounted to a credit of £87k (2011 - £125k). In addition actuarial losses on the pension scheme of £158k (2011 - £493k) 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 £71k (2011 - £368k).

National Film and Television School (The)

Notes forming part of the financial statements
for the year ended 31 December 2012 (*continued*)

10 Curricular activities

	2012 £	2011 £
Teaching department costs	1,452,580	1,443,018
Curriculum and productions	1,936,327	1,669,450
Curriculum planning and support	516,060	484,375
Accreditation	87,558	68,812
Student bursaries	331,250	258,691
Scholarships	324,950	397,500
Library	62,119	64,974
Production Support, Transport and Health & Safety	378,739	367,432
Engineering support	697,979	652,287
Support costs (includes FRS 17 employer contributions £201k)	2,782,655	2,668,444
	<hr/> 8,570,217 <hr/>	<hr/> 8,074,983 <hr/>

11 Net resources expended

	2012 £	2011 £
This is arrived at after charging/(crediting)		
Depreciation	726,937	671,184
Auditors' remuneration		
- audit services	43,560	44,768
- taxation services	-	6,000
- other services (pension, HEFCE HEI application & compliance audit)	43,140	5,160
Operating lease rentals- plant and equipment	65,044	46,767
Profit on sale of tangible fixed assets	(9,134)	(46,978)
	<hr/>	<hr/>

National Film and Television School (The)

Notes forming part of the financial statements
for the year ended 31 December 2012 (*continued*)

12 Tangible assets

	Freehold land and buildings £	Oswald Morris Buildings £	Fixtures, fittings and office equipment £	Plant, machinery and technical equipment £	Motor vehicles £	Total £
<i>Cost or valuation</i>						
At beginning of year	5,100,000	6,900,000	2,145,842	11,212,000	26,848	25,384,690
Additions	-	-	204,746	319,578	-	524,324
Revaluation	-	-	-	-	-	-
Disposals	-	-	(1,490,659)	(8,374,733)	-	(9,865,392)
At end of year	5,100,000	6,900,000	859,929	3,156,845	26,848	16,043,622
<i>Depreciation</i>						
At beginning of year	210,000	276,000	1,823,221	10,369,977	12,999	12,692,197
Provided for the year	105,000	138,000	85,892	392,779	5,266	726,937
Revaluation	-	-	-	-	-	-
Disposals	-	-	(1,490,659)	(8,374,733)	-	(9,865,392)
At end of year	315,000	414,000	418,454	2,388,023	18,265	3,553,742
<i>Net book value</i>						
At 31 December 2012	4,785,000	6,486,000	441,475	768,822	8,583	12,489,880
At 31 December 2011	4,890,000	6,624,000	322,621	842,023	13,849	12,692,493

The Schools' freehold land and buildings were revalued on 2 November 2009 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 valuation.

National Film and Television School (The)

Notes forming part of the financial statements for the year ended 31 December 2012 (continued)

12 Tangible assets (continued)

The net book value of fixed assets includes an amount of £92k (2011 - £123k) in respect of assets held under finance leases. The depreciation charged in the year on finance leases was £31k (2011 - £31k).

The disposals in the year of £9,865,392 relate to a clear down of the fixed asset register for those items that are fully depreciated and no longer in use.

The surplus arising on revaluation of £2.28m in 2009 was credited to a land and buildings revaluation reserve, which is disclosed within designated funds (see also notes 1 and 21). All other tangible fixed assets are stated at historical cost.

The historical cost net book value of land and buildings is

	2012 £	2011 £
Cost brought forward	302,009	302,009
Accumulated depreciation based on historical cost	(87,417)	(77,704)
Historical cost net book value	214,592	224,305

13 Fixed asset investments

	2012 £	2011 £
<i>Designated funds</i>		
Cash deposits held on 1 January 2012	1,262,242	1,381,738
Investment income (interest)	35,867	32,194
Investment income (new donations)	-	-
Disposal of investments	(32,484)	(151,690)
Cash deposits held on 31 December 2012	1,265,625	1,262,242

National Film and Television School (The)

**Notes forming part of the financial statements
for the year ended 31 December 2012 (continued)**

14 Investment in subsidiary undertakings

	2012 £	2011 £
Cost at 1 January 2012 and 31 December 2012	2	2

Name	Country of incorporation or registration %	Proportion of ordinary share capital held £	Share capital and reserves at 31 December 2012
NFTS Enterprises Limited	England and Wales	100%	2

During the year ended 31 December 2012 there was no trading activity through NFTS Enterprises Limited (2011 - profit £Nil)

15 Stocks

	2012 £	2011 £
Film and video stock, production and post-production consumables	19,811	25,470

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

National Film and Television School (The)

Notes forming part of the financial statements
for the year ended 31 December 2012 (continued)

16 Debtors

	2012 £	2011 £
Trade debtors	1,506,167	978,045
Other debtors	128,580	101,170
Amounts due from related undertaking	-	-
Prepayments and accrued income	446,483	468,286
	<u>2,081,230</u>	<u>1,547,501</u>

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

17 Creditors: amounts falling due within one year

	2012 £	2011 £
Trade creditors	267,646	127,812
Taxation and social security	215,547	106,456
Other creditors	27,837	25,579
Accruals and deferred income	3,453,034	2,937,351
Finance lease obligation	30,651	30,651
Loan capital repayments	157,104	157,104
	<u>4,151,819</u>	<u>3,384,953</u>

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

	2012 £	2011 £
Balance at 1 January 2012	2,622,795	2,566,228
Released to the SOFA	(2,666,847)	(2,529,274)
New sources of deferred income	3,273,995	2,585,841
	<u>3,229,943</u>	<u>2,622,795</u>

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

18 Creditors: amounts falling due after more than one year

	2012 £	2011 £
Bank loan (secured)	1,610,346	1,767,450
Finance lease obligation	74,781	105,432
	<u>1,685,127</u>	<u>1,872,882</u>

National Film and Television School (The)

Notes forming part of the financial statements
for the year ended 31 December 2012 (continued)

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

Maturity of debt

	Bank £	Finance leases £	Total 2012 £	Total 2011 £
In more than one year but not more than two years	157,104	30,651	187,755	187,755
In more than two years but not more than five years	628,416	44,130	672,546	703,197
In more than five years	824,826	-	824,826	981,930
	<u>1,610,346</u>	<u>74,781</u>	<u>1,685,127</u>	<u>1,872,882</u>

A £3m long term loan facility repayable over 17 years was arranged with Allied Irish Banks (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 (£1,767k) represents 26% of the cost of the new building. The interest rate charge on this loan during the year was 1.2%.

19 Provision for liabilities

	2012 £	2011 £
Balance at 1 January 2012	40,000	150,000
Released to the SOFA	(7,060)	(111,746)
Utilised in the year	(32,940)	(38,254)
Charged to the SOFA	-	40,000
	<u>-</u>	<u>40,000</u>
Balance at 31 December 2012	-	40,000

The previous year's provision of £40k related to reorganisation costs.

20 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 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 bursaries, and donations towards the running costs of the curriculum. At 31 December 2012 an amount of £Nil (2011 - £Nil) was owed by the NFTS Foundation to the School (see note 16). During the year NFTS Foundation made total donations to the School of £120k (2011 - £120k).

National Film and Television School (The)

Notes forming part of the financial statements
for the year ended 31 December 2012 *(continued)*

21 Statement of funds

	At 1 January 2012 £	Income £	Expenditure £	Transfers £	At 31 December 2012 £
Restricted funds					
Skillset grants & Curriculum	-	1,416,384	(1,416,384)	-	-
Bursaries and scholarships	-	283,950	(283,950)	-	-
David Lean Foundation	-	35,000	(35,000)	-	-
BSkyB	-	150,000	(150,000)	-	-
Donations received from NFTS Foundation	-	120,000	(120,000)	-	-
Total restricted funds	-	2,005,334	(2,005,334)	-	-
Designated funds					
Beaconsfield Redevelopment and Investments (contingency)	3,977,214	35,867	(176,305)	(32,484)	3,804,292
Land and Buildings revaluation reserve	4,932,277	-	(105,000)	-	4,827,277
Hardship fund	151,533	11,659	-	3,232	166,424
Total designated funds	9,061,024	47,526	(281,305)	(29,252)	8,797,993
Unrestricted funds					
General funds	2,838,450	6,723,897	(6,948,934)	29,252	2,642,665
Pension reserve (deficit)	(2,583,000)	-	(71,000)	-	(2,654,000)
Total unrestricted funds	255,450	6,723,897	(7,019,934)	29,252	(11,335)
Total funds	9,316,474	8,776,757	(9,306,573)	-	8,786,658

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

Total designated funds of £8.8m mainly represent the School's land and buildings fixed assets, revaluation reserve and cash investments. Designated funds form part of the overall unrestricted funds of the charity.

National Film and Television School (The)

Notes forming part of the financial statements for the year ended 31 December 2012 (continued)

21 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 2009, as detailed in note 12 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 represent the movement of all funds on which restrictions have been met and the designation of all property assets including the related revaluation reserves. During the year £32,484 was withdrawn from the School's investments (see note 13)

22 Indemnity insurance

During the year, insurance costing £1k (2011 - £1k) was purchased to indemnify the governors and officers against default on their part

23 Pension scheme

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 full actuarial valuation has been updated by a qualified actuary to 31st December 2012 and the major assumptions used were as follows:

	31 December 2012	31 December 2011	31 December 2010
Rate of increase in salaries	N/A	N/A	N/A
Rate of increase for pensions in payment	3.10% p.a.	3.20% p.a.	3.60% p.a.
Discount rate	4.60% p.a.	4.90% p.a.	5.30% p.a.
Inflation assumption	3.00% p.a.	3.10% p.a.	2.90% p.a.

National Film and Television School (The)

Notes forming part of the financial statements
for the year ended 31 December 2012 (continued)

23 Pension scheme (continued)

The assets in the scheme and the expected rate of return at 31 December 2012 were

	Long term rate of return expected At 31 December 2012	Value At 31 December 2012 £'000	Long term rate of return expected At 31 December 2011	Value At 31 December 2011 £'000	Long term rate of return expected At 31 December 2010	Value At 31 December 2010 £'000
Equities & property	7.9%	2,579	7.0%	2,365	7.5%	2,808
Bonds & Gilts	3.2%	3,139	3.6%	3,048	4.7%	2,413
Cash	0.5%	38	0.5%	13	0.5%	64
Total market value of assets		5,756		5,426		5,285
Present value of scheme liabilities		(8,410)		(8,009)		(7,500)
Net pension deficit on an FRS 17 basis		(2,654)		(2,583)		(2,215)

National Film and Television School (The)

Notes forming part of the financial statements
for the year ended 31 December 2012 *(continued)*

23 Pension scheme *(continued)*

Overall expected rate of return on plan assets is based upon historical returns of the investment performance adjusted to reflect expectations of future long-term returns by asset class

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 £173k pa index linked for 15 years in order to clear the £2.65m deficit.

Movement in balance sheet deficit in the year under FRS 17

	2012 £'000	2011 £'000	2010 £'000
Deficit in scheme at beginning of year	(2,583)	(2,215)	(2,046)
Current service cost	-	-	-
Other investment income	(114)	(68)	(94)
Actuarial losses	(158)	(493)	(274)
Contributions paid	201	193	199
Past service costs	-	-	-
	<hr/>	<hr/>	<hr/>
Deficit in scheme at end of year	(2,654)	(2,583)	(2,215)
	<hr/>	<hr/>	<hr/>

National Film and Television School (The)

Notes forming part of the financial statements
for the year ended 31 December 2012 *(continued)*

23 Pension scheme *(continued)*

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

	2012 £'000	2011 £'000	2010 £'000
<i>Operating charge</i>			
Past service cost	-	-	668
<i>Other finance costs</i>			
Expected return on pension scheme assets	(272)	(330)	(313)
Interest on pension scheme liabilities	386	398	407
 Pension cost charged to the Statement of Financial Activities	 <u>114</u>	 <u>68</u>	 <u>94</u>

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

	2012 £'000	2011 £'000	2010 £'000
Actual return less expected return on pension scheme assets	106	22	74
Experience gains and losses arising on the scheme liabilities	32	151	84
Changes in assumptions underlying the present value of the scheme liabilities	(296)	(666)	(432)
 Actuarial loss recognised in the Statement of Financial Activities	 <u>(158)</u>	 <u>(493)</u>	 <u>(274)</u>
 History of experience gains and losses			
Difference between the expected and actual return on scheme assets			
Amount (£'000)	106	22	74
Percentage of scheme assets	2%	0%	1%
Experience gains and losses on scheme liabilities			
Amount (£'000)	32	151	84
Percentage of the present value of the scheme liabilities	0%	2%	1%
Total amount recognised in the Statement of Financial Activities			
Amount (£'000)	(158)	(493)	(274)
Percentage of the present value of the scheme Liabilities	2%	6%	4%

National Film and Television School (The)

Notes forming part of the financial statements for the year ended 31 December 2012 (continued)

23 Pension scheme (continued)

Reconciliation of fair value of plan assets

	2012 £'000	2011 £'000
At the beginning of the year	5,426	5,285
Expected rate of return on plan assets	272	330
Actuarial gain	106	22
Contributions by company	201	193
Benefits paid	(249)	(404)
	<hr/>	<hr/>
At the end of the year	5,756	5,426

Reconciliation of present value of plan liabilities

	2012 £'000	2011 £'000
At the beginning of the year	8,009	7,500
Interest cost	386	398
Actuarial loss	264	515
Benefits paid	(249)	(404)
	<hr/>	<hr/>
At the end of the year	8,410	8,009

The cumulative amount of actuarial gains and losses recognised in the SOFA for the last 5 years is (£2,412k)

24 Analysis of net assets between funds

Fund balances at 31 December 2012 are represented by

	Unrestricted funds £	Designated funds £	Restricted funds £	Total 2012 £
Tangible fixed assets	3,513,590	8,976,290	-	12,489,880
Investments	2	1,265,625	-	1,265,627
Current assets	3,355,673	166,424	-	3,522,097
Current liabilities	(4,151,819)	-	-	(4,151,819)
Long term liabilities	(74,781)	(1,610,346)	-	(1,685,127)
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets excluding pension scheme liability	2,642,665	8,797,993	-	11,440,658
Defined pension scheme liability	(2,654,000)	-	-	(2,654,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total net (liabilities) / assets including pension scheme liability	(11,335)	8,797,993	-	(8,786,658)
	<hr/>	<hr/>	<hr/>	<hr/>

National Film and Television School (The)

Notes forming part of the financial statements
for the year ended 31 December 2012 (*continued*)

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

	2012 £	2011 £
Net (outgoing) / incoming incoming resources	(529,816)	(352,930)
Depreciation	726,937	671,184
Profit on sale of tangible fixed assets	(9,134)	(46,978)
Increase in pension liability	71,000	368,000
Decrease in stocks	5,659	8,321
Increase in debtors	(533,729)	(74,447)
Increase in creditors	696,215	130,697
Investment income	(35,867)	(32,194)
Interest paid	22,305	24,175
Interest paid on finance leases	17,385	17,385
Net cash inflow from operating activities	430,955	713,213

26 Reconciliation of net cash flow to movements in net debt

	2012 £	2011 £
Change in net debt resulting from cash flows	(248,545)	155,932
Bank loan	157,104	157,104
Opening net debt	(254,953)	(567,989)
Closing net debt	(346,394)	(254,953)

27 Analysis of net debt

	At 1 January 2012 £	Cash flows £	At 31 December 2012 £
Cash at bank and in hand	1,669,601	(248,545)	1,421,056
Debt due after more than one year	(1,924,554)	157,104	(1,767,450)
Total	(254,953)	(91,441)	(346,394)

National Film and Television School (The)

Notes forming part of the financial statements
for the year ended 31 December 2012 (*continued*)

28 Commitments under operating leases

As at 31 December 2012, the School had annual commitments under non-cancellable operating leases as set out below

	2012 Land and Buildings £	2012 Other £	2011 Land and Buildings £	2011 Other £
Operating leases which expire				
Within one year	-	-	-	-
In two to five years	-	56,678	-	40,447
	<u> </u>	<u> </u>	<u> </u>	<u> </u>