

NFTS

NATIONAL FILM AND TELEVISION SCHOOL

REPORT & FINANCIAL STATEMENTS

1 January - 31 July 2014
Company Registration Number 981908

THURSDAY



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COMPANIES HOUSE

Recent NFTS award-winning highlights.



Best Short Fiction BAFTA for NFTS graduate



Best Short Animation BAFTA for NFTS film



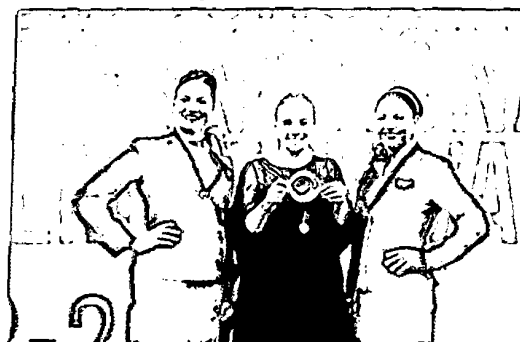
MPSE Verna Fields Award for Sound/Editing



RTS Award for Best TV Entertainment



Grierson Award for Best Student Doc.



Edinburgh Award for first year film

www.nfts.co.uk

Our credits tell the story.

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Statement from the Chair of the Board of Governors

The NFTS was saddened by the news that our President and Patron, Lord Richard ("Dickie") Attenborough KT CBE, had passed away on 26th August 2014.

Lord Attenborough was one of Britain's greatest screen legends, and his contribution to the School for over 40 years was immense. He was the NFTS's only President and was involved in every aspect of the School's activities - from fund-raising and teaching to presenting our annual graduation ceremony.

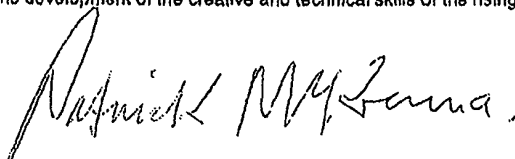
Sadly, "Dickie" had been very ill for some time. With his family's support we devoted the whole of our 2013 Gala to his life and work, though the great man was already too ill to attend. Hollywood director Steven Spielberg, actors Sir Ben Kingsley and Sir Michael Caine, producer Lord David Puttnam, former Prime Minister Sir John Major, Chelsea FC vice-captain Frank Lampard and son Michael Attenborough were among those who paid tribute during that memorable evening. Hosted by Stephen Fry, this Gala raised some £300,000 and launched the new Lord Attenborough NFTS Charitable Fund.

"Dickie" will be missed by the whole of the film industry and his loss is deeply felt by everyone at the School. He was a giant of the business without equal amongst his successors.

Moving on, and looking to the future, I am delighted by the progress being made by the School on all fronts. It is thus an exciting time to have taken on the chairmanship. The skills demonstrated by NFTS's graduates are undeniably impressive: the School makes a significant contribution to the continued growth of the UK's creative industries through the achievements of our alumni. I want us to build on this contribution.

One of this year's Honorary NFTS Fellowship recipients, Paul Greengrass, commented at the opening of last year's London Film Festival that "the British film industry has never been better". Over the last twelve months or so films in which NFTS graduates are involved have grossed over \$9 billion at the worldwide box-office, with diverse successes ranging from *Iron Man 3* to *Saving Mr. Banks*, and *Gravity* to *Captain Phillips*. This kind of continued success helps to cement the School's reputation both as a centre of excellence and as a cornerstone of the wider UK creative economy.

Finally, there is encouraging news on the facilities development front. I am delighted to report that the School has received an investment pledge of £2.1m from BFI/Creative Skillsset towards our plans to establish a Creative Industries Skills Academy (CISA) at Beaconsfield. An additional £5m has been committed by the Department for Culture, Media and Sport (DCMS). These are marks, I believe, of the industry's recognition of the School's stellar achievements, and an indication too of the government's confidence in our capacity to make a major contribution to the development of the creative and technical skills of the rising generation.



Patrick McKenna
Chair of the Board of Governors

Members of the Board of Governors	Patrick McKenna – Chair Stephen Louis – Deputy Chair Peter Barron Floella Benjamin OBE (resigned 24 June 2014) Tom Betts Professor Alan Cummings Neil Forster (appointed 1 April 2014) Michael Hamlyn (resigned 24 June 2014) Phil Harrison Duncan Kenworthy OBE Ian Lewis (appointed 16 September 2014) Steve Mertz Susan Moffat Tracey Price (appointed 16 September 2014) Simon Relph CBE (resigned 25 June 2014) David Sproxton CBE Donna Taberer Sophie Turner-Laing Piers Wenger
Company Secretary Clerk to the Board	Phil Doggett Dr Jonathan Wardle
Audit Committee	Steve Mertz – Chair Christine Corner Neil Forster Tracey Price
Finance and General Purposes Committee	Stephen Louis –Chair Tom Betts Robert Kingston Patrick McKenna Leon Morgan Ken Roberts
Governance, Appointments & Remuneration Committee	Duncan Kenworthy Stephen Louis Patrick McKenna Sophie Turner-Laing
Phase 2 Redevelopment Committee	Stephen Louis Patrick McKenna

Company Registration Number	981908
Registered Office	Station Road Beaconsfield Buckinghamshire HP9 1LG
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
Solicitors	Mills & Reeve Solicitors Francis House 112 Hills Road Cambridge CB2 1PH

Operating and Financial Review

Introduction

This report reviews the National Film and Television School's (the 'School') activities for the 7 months to July 31st 2014 in the context of the opportunities, challenges and risks within which it operates.

This has been an extraordinary time for the School culminating in the School being named by the leading film trade journal *The Hollywood Reporter* as the "No.1 International Film School". The period began with School's third Oscar nomination for a student film in 9 years. It then won all three of the International Association of Film and Television Schools (Centre International de Liaison des Ecoles de Cinéma et de Télévision – CILECT) awards causing *The Observer* newspaper to call the School the "No.1 Film School in the world". The School also won the 'student Oscar' awarded by the American Academy for the sixth time (more than any other film school). This was the first time that any animation film has come top in this award. At the 2013 Cannes Film Festival 2010 graduate Anthony Chen won the Camera D'Or, perhaps the world's most prestigious award for a first film. Earlier this year twelve School graduates were nominated for a BAFTA and both short film awards were won by the School. A fuller list of the achievements of School students is below.

In addition to its success on the field, the School has made major strides off the field by being successfully designated by the Department of Business, Innovation and Skills (BIS) as a Higher Education Institute (HEI). This gives the School access, for the first time, to both financial and other support from Higher Education Funding Council for England (HEFCE). The School has developed in many significant ways over this period: whilst remaining a Film, TV and Games school dedicated to serving the creative industries and arts, huge strides have also been made to improve governance, data collection and to improve the financial robustness of the organisation to the level required by our designation as an HEI.

The biggest single development over this period has been the development of plans to expand facilities on the Beaconsfield site known as The Creative Industries Skills Academy (CISA). CISA will launch new employer-led degree awards, CPD, knowledge exchange initiatives and graduate business incubation. CISA is not a single building but a programme of activity delivered via a suite of new facilities to be established at the heart of the School's 'Digital Village' initiative. It will establish facilities containing a state-of-the-art dubbing theatre, cinema, sound editing and design suites, new animation, visual effects and games studios and an incubation facility. At the time of writing, a planning application has been submitted and the School has raised £9m of the £15m required to develop the two buildings that form the centre-piece of this development.

The CISA project would enable the School to play a major and distinctive role in the new digital media industries and wider creative economy. This matches the work that the School currently does in film and television, with an emphasis on entrepreneurship across the creative industries. The School will extend its footprint into additional areas of the creative industries by developing new courses in, for example, Digital Content and Formats, Digital Imaging and Performance Capture.

The CISA project will facilitate a growth in facility square meterage, student numbers and income which is anticipated to allow the School to generate a significant financial surplus. It will also deliver a step change for the School in the advancement of the Government's and HEFCE's priorities in relation to postgraduate education, technical skills and employer engagement in the creative industries.

The School has launched several new courses in 2014, thus expanding its course footprint in the creative industries, and also graduated its first cohorts from the Games Development MA and the Entrepreneur for the Creative Industries diploma. The Games course was particularly important taking the school into a new part of the creative industries. It achieved immediate success with one of its graduation Games winning the audience award at the prestigious Develop Convention in Brighton while the course itself was a finalist in their Games innovation awards.

Major players continued to give masterclasses from directors like James Ivory of Merchant Ivory and David Fincher, and entrepreneurs like Richard Branson and Hollywood bosses like Jeffrey Katzenberg the head of Hollywood studio Dreamworks, and formerly head of Disney.

1 Statement of Public Benefit

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

Operating and Financial Review 7 months to 31st July 2014

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

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

Charities that have used the Schools facilities in 2013 included: The Beaconsfield and Jordans Rotary Club, Scannappeal, The Mayor of Beaconsfield Charity Appeal, Christian Aid, MacMillan, The Beaconsfield Society, Iain Rennie Hospice at Home, School Aid, Beaconsfield Friends of Cancer Research UK, and Gogos2Gogos.

1.1 Object, Vision and Values

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

Charitable objects

The charitable objects of the School are to:

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

The School's mission statement is:

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

The School, a Skillset Screen Academy, is the UK's national centre of excellence for education in film and television programme making. The students learn their craft in purpose-built studios that include two film stages, a separate large TV studio and post-production facilities rivaling those of many professional companies.

The School also provides a "Bridges to Industry" programme whereby students are provided with an opportunity to work on development projects with a number of broadcasters and independent production companies. The School also arranges screenings and master classes for the UK industry and distributes many student films to festivals and major competitions across the globe.

1.2 Outreach and Widening Participation

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

In 2014 the School did this in three principal ways:

- i) Scholarship and bursary support: the School raised and distributed over £700k in financial aid to students joining the School in January 2014. Over 85% of UK students received support.
- ii) Open Days: the School continued to run its course specific open days but has supplemented this through general open days on a Saturday, a regional open day in Bristol and through the delivery of bespoke individual school, college and HEI group visits.
- iii) BFI Film Academy: the School visited more than 40 regional film and arts centres, speaking to more than 900 young people across the UK about its Easter residential programme and opportunities to study at the School.

In 2013 the number of BAME students as a percentage of the student body was 14.38%. In 2014 it is more than 17%. This compares with the creative industry average of 5.3%.

1.3 Community Engagement

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

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The construction of the Oswald Morris Building has provided a facility that the wider Beaconsfield community can make use of whether for the screenings for the Beaconsfield Film Society or the many charitable groups in the area. The School is a strong supporter of community groups and charities in the local area and provides free use of its facilities to charitable groups and interests for fundraising activities. Over the course of the year it hosts an average of twelve charitable events.

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

1.4 Fundraising

Fundraising activities during 2013 and 2014 concentrated on two gala events, new scholarships, and funding for the CISA project.

The 2013 Gala was a celebration of the work and life of our Patron, Lord Attenborough. The event, sponsored by Ingenious Media and Virgin Atlantic raised £350k for the School. Donations to the value of £37k were made towards the NFTS Lord Attenborough Charitable Fund which will go towards supporting the development of the School. The 2014 gala was themed to celebrate diversity in the creative industries and was hosted by comedian and actor Lenny Henry. The evening raised a further £220k net of costs.

New scholarships confirmed included the new three year project grant for £100k a year from the Leverhulme Arts Scholarships programme. Further scholarships raised included Sky scholarships specifically for our Broadcast Production course, Discovery scholarships for our Factual Development course, and scholarships from major producers.

Fundraising from private sources for the CISA project started at the beginning of 2013. Garfield Weston gave £250k, The Wolfson Foundation gave £135k, Fidelity UK Foundation £200k and The Albert Broccoli Foundation pledged £1,000k of existing Foundation funds to the project. The Foyle Foundation was also approached during the year with decisions expected late 2014.

Creative skillset

In recent years substantial support has been obtained from the BFI via the Skills Investment Fund administered by Creative Skillset for new courses and activities. Creative Skillset have continued to help fund the School's operations in 2014 through the Course Enhancement and Outreach and Diversity contract. These agreements commit Creative Skillset's support for the School up to April 2015 and for a further two years in principle.

2 Strategy and Risk Analysis

2.1 Strategic Plan

To produce a 5 year strategy plan in such volatile times is a difficult task and must obviously include caveats which depend on external circumstances, global recovery from the current recession and the impact of major Government cuts across the UK.

Currently the School's management and governors are actively working to provide the School with greater clarity in its regular funding. This includes a pro-active effort to restore funding cuts and maintain current funding levels and an active campaign to secure the injection of much needed capital investment. This will allow the School to meet the following strategic objectives:

5 YEAR PLAN OBJECTIVES

Objective 1: Continuance of the School as a world class centre of excellence for film, television and new media education.

- a) *Current programmes*
 - Select students with the greatest potential.
 - Recruit the best teachers who are industry experts
 - Ensure curriculum and assessment systems continue to deliver opportunities for self-development and deep learning.
 - Ensure students work with high quality facilities which equip them to work in the industry.

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- Continue to produce excellent graduates who win awards, work at the top level of their crafts as well as opening doors to new graduates.
- b) *Programme development*
 - Expand the range of courses offered in the audiovisual field.
 - Work to improve the delivery of the education and training and the student learning experience.
 - Develop an applied research facility achievable through CISA enabling increased industry partnerships and advanced learning.
 - Expand CPD training by the Short Courses to meet rapidly changing training needs in relation to digital innovations.
 - Maintain and cement the School's status as one of the leading film, television and new media schools in the world, thereby maintaining the competitive skills base of the UK for film, television and new media production.

Objective 2: Provision of facilities which allow the continuation, growth and development of the School in line with its founding remit.

- Start the CISA rebuilding programme in order to create the capacity and facilities to meet the skills needs of the creative industries and Digital Britain.
- Renovate the old studio buildings at Beaconsfield to provide energy efficient, safe and pleasant accommodation accessible to all.
- Improve partnerships with industry and equipment manufacturers to encourage the development of an applied research facility based around the Digital Village.

Objective 3: Improved sustainable net revenues and efficiencies

- Create a more sustainable funding model for the School. The new facilities will enable the School to diversify its funding streams and generate additional revenues. It will allow the School to attract R&D funding, enter more industry partnerships, maintain and expand its current sponsorship arrangements and increase income from new courses.
- Examine all possible opportunities for raising income through additional fee income, research, joint venture revenue and commercial use of its facilities.
- Examine all possible efficiencies in the running of the School. Improvements to the existing old buildings should considerably reduce energy costs and the new building will utilise more environmental, low energy facilities.
- Through an enhanced fundraising strategy, increase the level of scholarships and bursaries to support talented students and enable them to attend the School regardless of their financial circumstances.

2.2 Key Performance Targets

		2012/13 (Benchmark)	2016/17 (Destination)
1.	FINANCE		
1.1	Surplus as a percentage of income	-6.10%	2.70%
1.2	Cost of delivery per student	£34,899	£28,150
1.3	Income from public sources as percentage of total income	33.76%	25.33%
1.4	Income from philanthropic sources (NFTS Gala, Foundations, Trusts, etc.)	4.83%	3.96%**
1.5	Income from industry sources	20.73%	15.47%**
1.6	Student fee income as percentage of total income	26.77%	42.36%**
2.	STUDENTS & LEARNING		
2.1	Applications per place	6.8	8
2.2	Student satisfaction, as measured by students rating their experience as excellent or very good	77%	85%
2.3	Students in graduate level jobs within six months of graduating	94%	95%
2.4	International students as percentage of student body	8%	8%
2.5	BAME students as percentage of student body	14.38%	20%
2.6	Female students as percentage of student body	45.8%	50%
3.	ENVIRONMENT		
3.1	Carbon emissions *	TBC	TBC
3.2	Energy costs and consumption as % of total income	1.98%	2.15%
4.	REPUTATION & IMPACT		
4.1	Student film award wins per year	105	120
4.2	Festival selections	264	275
4.3	Credits on broadcast TV (BBC, Channel 4, Sky, ITV etc.)	900	1250

* Carbon Trust currently undertaking Scoping Report to establish baseline data.

** Please note that income rises in these periods in absolute terms, while there may be relative percentage falls within some income categories.

2.3 Looking Forward

The Future plans for the School fall into three areas:

- To sustain what we do already do: 2013 and the first half of 2014 have been extraordinary in terms of student and graduate achievements, when measured by awards and the work undertaken - particularly recent graduates. The School's first priority must be to sustain that level of achievement which will be no mean feat. It will require maintaining the School's world-class education, training and global competitiveness as (according to *The Observer* newspaper and now the *Hollywood Reporter*) the "No.1 film school in the world". It will also mean maintaining the School accessible to all UK talent whatever their background by continuing to enhance the School's bursary and scholarship support. In addition it

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must maintain and develop current key partner and funders' support and explore new and more diverse funding streams.

- To expand the School's education choices by launching new courses. In 2013/14 the School launched six new or rebranded courses with industry. The School plans to add to these in a conservative manner each year until the completion of CISA. These courses will be mostly run off campus with industry partners and they address some of the high level skill demands of the creative industries. The School will continue to make Short Courses the premier provider of quality relevant short courses to the media industries while continuing to focus on delivering a Health & Safety regime at the School that is second to none.
- To deliver the CISA project on budget and schedule. The School has already raised more than half of the £15m budget and completed its outline plans for the project. This long overdue redevelopment of the School site will expand the School's capacity to provide additional courses and higher student numbers in order to make the School more competitive. This development will help the School provide maximum value to all stakeholders, Government, industry, partners, funders, donors, students and all patrons.

The outlook for the School is better than for many years:

- The demand for places at the School remains at a high
- The reputation of the School resulting from the success of the work of its students and graduates is also at an all-time high
- BIS have designated the School as an HEI giving the School access for the first time in its history to the support of HEFCE subject to completion of HEFCE compliance requirements by November 1st. We believe we have met these requirements
- The School has successfully expanded the number of courses and students despite continuing cuts
- The School has successfully raised half of the funds for the CISA project meaning that it is likely that the project will go ahead
- The School continues to accept many British students from disadvantaged backgrounds and continues to widen access to its provision

2.4 Risk Analysis

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

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

- The Board of Governors has responsibility for overseeing risk management within the institution as a whole and the Audit Committee will advise the Board of Governors as appropriate.
- The School will adopt an open and receptive approach to solving problems of risk.
- The School makes conservative and prudent recognition and disclosure of the financial and non-financial risks.
- Heads of Department are responsible for encouraging good risk management practice within their area.
- Key risk indicators will be identified and closely monitored on a regular basis.

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

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Risk-area	Risk appetite
Health and safety – students, staff, public, service users	Averse
Financial sustainability	Minimalist
Statutory and regulatory compliance	Averse
Academic standards and quality	Minimalist
Student experience	Open
Research	Hungry
Partnerships	Open
Commercial ventures	Cautious
Creative Innovation	High

The School is a relatively small institution, and therefore it is possible for major risks to be encapsulated in one risk register document, covering both high-level risks and school/department risks.

The risk register currently details 32 specific risks, grouped under eight 'super risk' headings, these are:

- Infrastructure;
- Systems;
- Accreditation and Regulation;
- Funding;
- People;
- Teaching and Learning;
- Sustainability;
- Reputation.

In addition to the Audit Committee's quarterly review of the risk register, the Board of Governors and the Finance and General Purposes Committee regularly review the key operational risks, including financial controls, cash flow, major funding agreements and health and safety practices.

From August 2014 the School's newly appointed internal auditors will be reviewing the School's work in this area and making recommendations for continued improvement.

3 Academic Review

3.1 Overview and Highlights

This period has been a game-changing one for the School with our alumni and recent graduates breaking all records by securing Oscar nominations, beating BAFTA records, winning at Cannes, dominating the Grierson Documentary Awards and becoming the first film school in history to win all three CILECT awards in one year – the film school equivalent of the Oscars.

In February 2013 we secured an Oscar nomination with *Head Over Heels* and then became the first film school to win the inaugural International Animated Film Society Annie Award for Best Student Film. We then followed that by winning the Student Academy Award for graduation film *Miss Todd* – our sixth win – more than any other film school in the world.

Recent graduates Paul Wright, Anthony Chen and Mahdi Fleifel have dominated the festival and award circuits with their first films, winning the Camera d'Or at Cannes, Edinburgh International Film Festival, The Sutherland Award, Four Golden Horse Awards, the Scottish BAFTA for Best Film, and the British Independent Film Award (BIFA) for Best New Director.

In the last twelve months our graduates have also broken our BAFTA records, securing 35 nominations from Best Short Film for graduation film *Sleeping with the Fishes* to Cinematography for *Skyfall*. In all, our graduates have now achieved an astonishing 310 BAFTA nominations and 102 wins.

Record breaking year for awards:

- *Head Over Heels* received an Oscar Nomination in 2013 for Best Animated Short Film and this year 5 short films directed by NFTS students or graduates are now eligible for the 2015 Oscar consideration
- *Miss Todd* won the Student Academy Award – Our 6th win (More than any other international film school) and we became the first Animation in history to win in this category. The School's first year film *North* was also a finalist this year

- NFTS student film *Sleeping With The Fishes* won a BAFTA nomination this year for Best British Animated Short this year while *Room 9*, directed by NFTS graduate JW Griffiths, won the BAFTA for Best Short Film
- *Head Over Heels* won the Cartoon d'Or
- NFTS films won three awards at Edinburgh Film Festival including the Virgin Atlantic Red film award for best short film
- The NFTS won all three CILECT Awards – the first time a film school has won all three in a single year (Fiction – *Mass of Men*, Documentary – *After*, Animation – *Head Over Heels*)
- The NFTS won all four Royal Television Society (RTS) Awards – Fiction – *Mass of Men*, Documentary – *The Betrayal*, Television – *Newton's Law*, Animation – *Head Over Heels*
- First major award for a NFTS student game was the prestigious audience award at Develop for NFTS student game *4pm* which has also now been made available commercially on Steam
- Graduation film *Z1* won at the BIFAs
- *Sodiq* won at the Grierson Awards. Including *Sodiq*, NFTS Graduates won 3 Grierson Awards this year including the critically acclaimed *The Year the Town Hall Shrank*
- *Boys* won at the Sheffield International Documentary Festival (Our 3rd win in four years)
- *Anything You Can Do* and *Killer Moves* won at the New York Television Festival.
- We had 114 graduate credits on Oscar and BAFTA nominated films
- NFTS graduate Roger Deakins was nominated for Best Cinematography Oscar, his 11th Nomination.
- NFTS graduate Anthony Chen soared to success with his debut film *Ilo, Ilo*, winning Four Golden Horse Awards – The Asian equivalent of the Oscars
- *Ilo, Ilo* also won the Camera d'Or at Cannes and the Sutherland Award at the London Film Festival.
- Paul Wright won Best Film at the Scottish BAFTAs for his film *For Those In Peril*, he then went on to win Best Debut Director at the BIFAs and was nominated for a British BAFTA
- NFTS graduate Ula Pontikos won Best International Cinematography at Sundance

3.2 Learning and Teaching

Activity: Two year MA Courses - 2014

The School runs more behind-the-camera courses than any other film school in the world. Currently there are thirteen two-year Masters programmes and eight diploma courses. 2014 saw the school substantially develop and grow its diploma portfolio. The diploma courses were also reoriented to ensure that, wherever possible, major television or film companies partnered with the school on course delivery.

2013 also saw the School launch a new qualification type – three-month certificates in sub head of department craft and production team roles. Our first course of this type was a Character Animation certificate course with Aardman Animations, which is now on its second cycle of delivery. In Spring 2014, the School launched its second certificate course in Entertainment Format Development in partnership with the BBC Academy.

In June 2014 the School was reviewed by the Quality Assurance Agency (QAA) as part of its Review of Educational Oversight. The School was found to be making commendable progress in enhancing its academic standards and the quality of its learning opportunities. This is the highest judgement possible under the terms of the review method.

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

Activity: Two Year MA Courses – 2014

- Animation Direction
- Cinematography
- Composing for Film & Television
- Documentary Direction
- Editing
- Fiction Direction
- Producing
- Producing & Directing TV Entertainment
- Production Design
- Screenwriting
- Sound Design
- Digital Effects
- Games Design and Development

Activity: One Year to 18-Month Diploma Courses – 2014

- Production Sound Recording for Film & Television (in partnership with the BBC)
- Production Management - Film & TV
- Script Development (part-time)
- Creative Business for Entrepreneurs and Executives (in partnership with Ingenious Media)
- Broadcast Production (in partnership with Sky)
- Writing and Producing Comedy (part time) – new 2014 (in partnership with Channel 4)
- Factual Development and Production (part time) – new 2014 (in partnership with Discovery Networks International)
- Producing Digital Content and Formats (part time) – new January 2015 (in partnership with Sky)

Short Courses and Diplomas

Since January, Short Courses have run 44 courses, training over 320 people. Short Courses have also run four bespoke courses for Aardman, Care Inspectorate and the BFI, with another bespoke camera course due to run in October for Mac TV. As well as training freelancers, course participants have come from Redbull Media, UKTV, BECTU (the media and entertainment trade union), Producers Alliance for Cinema and Television (PACT), ITV, BBC, and BskyB. Participants have also come from independents such as Renegade Pictures, Young Films, Snapper Productions, Wellington Films and Brickwall.

The focus in the last few months has been on student recruitment for the next intake of part-time diplomas. Script Development 2014/2015 has a new cohort of twenty one students and interviews for the Comedy and Factual diplomas will take place in October. The three month certificate course for Character Animation in partnership with Aardman enrolled eleven participants and started in September and the three month Entertainment Format Certificate course in partnership with the BBC took over the summer and finished in August 2014.

Short Courses are running new courses in the coming months (Sizzle Reels, Where Do Ideas Come From), and have secured Creative Skillset funding for a commissioned training piece called 'TV – Creating The Bible' which is scheduled for January 2015.

Curriculum, recruitment and access

The School continues to be attractive to potential applicants. In 2013 applications increased on 2012 like-for-like by 17%. Application statistics for 2013 show 53% (45% last year) of applicants were from UK, 33% (40%) from EU and 14% (15%) from Overseas.

Male / Female applicant percentages at 64% / 36% were in line with previous years. The School has continued to increase its student numbers modestly – 12% more students enrolled in January 2014 than in 2013 - through the introduction of new courses.

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

We have added two new diploma pathways (Writing and Producing Comedy in partnership with Channel 4 and Factual Development and Production in partnership with Discovery Networks International) both of which build on our strengths in existing areas and recruited strongly for 2014 entry. We have also introduced a new strand of 'Certificate' courses, including Character Animation with Aardman Animations and Entertainment Format Development with the BBC Academy.

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

2013 saw the completion of the thirteenth group of MA Film and Television graduates from the National Film and Television School validated through the RCA. 100 students were awarded the MA.

- In the Overall Assessment, 16 students were awarded an Excellent (compared with 29 in 2012), 51 a Very Good Pass and 28 a Good Pass. There were also 5 Passes.
- On the Dissertation/Research project, there were 11 Distinctions, 23 Commendations, 32 Good Passes and 32 Passes with 2 referrals.
- Seven students achieved an Excellent in their Overall Assessment and a Distinction in their Dissertation.

3.3 Bridges to Industry and Masterclasses

In 2013, the School's students benefitted from 8 'Bridges to Industry' opportunities; 22 Masterclasses with BAFTA and Oscar winning producers and directors; 46 external events including Q&As with Oscar-winning actors and film makers organised by BAFTA, the BFI and the ICA - and 65 Cinema Club film screenings.

Students were privileged to hear from, among others: Oscar and BAFTA winning director Bernardo Bertolucci (*The Last Emperor*, winner of 9 Oscars); writer-director Guillermo del Toro (*Pan's Labyrinth*); multi BAFTA winning writer Graham Linehan (*Father Ted*); James Ivory whose films with Ismail Merchant include the 6 Oscar winning *A Room with a View*; Oscar winning cinematographer of *Ghandi*, Billy Williams BSC; writer-director Edgar Wright (*Shaun of the Dead*); producer Jeremy Thomas (*Sexy Beast*); director Rian Johnson (*Looper*); German New Wave cinema master Wim Wenders (*Paris, Texas*); Oscar winning screenwriter Simon Beaufoy (*Slumdog Millionaire*); *Doctor Who* and *Sherlock* writer Steven Moffat with *Sherlock* and *Vicar of Dibley* producer Sue Vertue and double BAFTA winning, triple Oscar nominated director Alfonso Cuarón with his latest film, *Gravity* – nominated for 11 BAFTAs and 10 Oscars.

Specialist genre days provide students with insights into working in particular areas of the industry. A recent Fantasy Day held at Channel 4 featured, among others, *Game of Thrones* production designer Gemma Jackson, *Merlin* and *Doctor Who* director Jeremy Webb, *Torchwood* composer, NFTS graduate, Ben Foster and Tom Green, NFTS graduate, director of the forthcoming *Monsters: Dark Continent*. A Commercials Day, with speakers including top commercials director Dougal Wilson, helps prepare students for the Kodak Commercials Competition.

4 Corporate Responsibility

4.1 Staff

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

The School engages with staff in a number of ways, including the Director's attendance at departmental meetings and for the first time the staff have elected a staff member to be their staff governor on the board of governors.

Teaching Staff

Teaching staff at the School are regularly supported to attend festivals, conferences and events and are accommodated if they wish to undertake a sabbatical in order to deliver a paid professional project. Each department is required to report on their staff development activity as part of the Annual Course Evaluation process.

Non-Teaching Staff

The School operates a formal appraisal system for non-teaching staff, which as part of the process considers individual staff development and progression. Appraisals typically take place in March of each year and therefore much of the functional training and operational development identified through the appraisal process typically takes place in the first few months of the calendar year.

Staff Policies

We have comprehensive staff policies which cover everything from adoption leave, equal opportunities, grievance procedures and whistle blowing.

4.2 Environmental Sustainability

In July 2014 the School commissioned the Carbon Trust to complete a review of the School's activities and to establish benchmark data on which a future environmental plan can be developed.

The School acknowledges the need to reduce carbon emissions to help mitigate climate change and to be a more environmentally sustainable Institution. By working with the Carbon Trust, the School is strategically reviewing all carbon emissions and is planning carbon reduction in line with Government targets.

The Carbon Trust scoping report will be completed by September 2014 and will include baseline data and suggested areas for improvement to devise a comprehensive Carbon Management Plan. Once the baseline data is in place the management team will put in place an Environment and Sustainability Policy.

4.3 Equality and Diversity

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.

Operating and Financial Review 7 months to 31st July 2014

In 2014 the School's Equality and Diversity Policy was refreshed and reapproved by the Board of Governors. This policy document is now available from the School's website.

5 Financial

5.1 Financial Strategy for Sustainability

The School has prepared a new financial strategy as part of its designation as a HEI, the primary purpose being to ensure that the School remains financially viable and that long-term success and sustainability are achieved in line with our goals. The current financial strategy contains a number of targets to be achieved within the life of the strategy, with progress to be achieved by 31st July 2015 provided in the table below:

National Film and Television School 5 year Vision/Objectives and 1 year Goals/Strategies		
Vision	To be widely recognised as best school in the world serving the audio-visual part of the creative industries	
5 YR OBJECTIVES	GOALS BY 31 ST JULY 2015	KEY TASKS BY 31 ST JULY 2015
FACILITIES 'More space for more students'	<ul style="list-style-type: none"> Building is underway on 'The Lodge'. Funding of £14.5m secured 10% of conditions survey work completed (refurbishment) 10 yr Estates Strategy signed off by the Board 	<ol style="list-style-type: none"> Secure Planning Permission Secure £5.5m of Catalyst Funding from HEFCE Appoint Contractors for Phase 2 works Commission Work package 1 of the Condition Survey works
COURSES 'Develop the course portfolio so it serves the wider creative industry'	<ul style="list-style-type: none"> Launched three new courses <ol style="list-style-type: none"> Performance Capture (start April 15 with 12 students) Sports Production (start Sep 15 with 12 students) Film Studies (start Jan 16 with 16 students) Have grown MA student numbers by 12 Launched International Summer School and have recruited 54 students 	<ol style="list-style-type: none"> Secure top media company partners for the Sports course and the Performance Capture course by September 2014 Finalise course structure/content outlines and launch outline Secure RCA approval for the Film Studies course Finalise Summer School offer, launch on website and recruit 54 students Devise Course Promotion Campaigns for all courses/summer schools
ACCREDITATION & STANDARDS 'Ensure the school has robust controls and processes in place'	<ul style="list-style-type: none"> Meet conditions of BIS designation Revalidate the MA Film and TV for a further 5 yr period with the RCA Achieve confirmation that Governance is robust via an Effectiveness Review 	<ol style="list-style-type: none"> Complete HEFCE Assurance Review Action Plan by November 2014 Prepare revalidation paperwork for MA Film and TV Commission external Governance Effectiveness Review in January 2015
PARTNERSHIPS & ALLIANCES 'Cement position as the 'National' Film and TV school'	<ul style="list-style-type: none"> Deliver online MOOC course Develop future vision for NFTS in the regions with key partners (DCMS, BFI, BBC) 	<ol style="list-style-type: none"> Secure finance from BFI for MOOC and launch on Future Learn by February 2015 Hold meetings with key partners to discuss options for NFTS expansion regionally.

5.2 Financial Review of the 7 months to 31st July 2014

Total incoming resources or gross income for the School for the period ended 31st July 2014 were £6,103k - see income and expenditure account (p23).

The income included a Gala event in June which generated over £220k net of costs, and pro-rata increased student fees from higher fees and additional courses.

The School maintained its significant student financial support programme through bursaries and scholarships. The combined scholarship and bursary support for the period was £447k, and this represented 21% of the total student fee income for the period to 31st July 2014. The School's bursaries are mainly funded by industry

Operating and Financial Review 7 months to 31st July 2014

partners, 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 to 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 expenditure for the period was £6,607k - see income and expenditure account (p23).

Thanks to effective cost and budgetary control, all departments operated again within agreed budgets and targeted cost savings were achieved during the period. Effective cost control and the lower than expected interest payments on the loan facility, (1.2%), meant that the School's net deficit (before any FRS17 pension actuarial losses) was limited to a deficit of £207k for the period to 31st July 2014 which compares to a net deficit of £344k in the previous year. Note the £207k deficit includes a significant non cash depreciation charge of £411k (2013 - £696k) and provisions totalling £415k.

The cash flow statement on page 27 shows that the School generated a negative net cash flow from operating activities of £393k in the period, after capital expenditure. The net decrease in cash for the period after loan repayments was £472k (2013 - £243k). The cash balance at 31st July 2014 was £707k (31st December 2013 - £1,178k). The higher cash balance in 2013 mainly related to the collection of student fees for courses starting in January 2014.

The School's reported net movement in reserves for the period was a surplus of £2,383k - this is after taking account of an increase in the FRS17 Pension Deficit valuation, an actuarial loss of £27k and a revaluation surplus of £2,714k on the land and buildings. The revised FRS17 pension deficit is now at £2,889k.

The balance sheet on page 25 shows the School net assets as £11,275k on 31st July 2014 compared to £8,340k at 31st December 2013.

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. To ensure that the Senior Management team and the Board of Governors can effectively monitor the School's performance, the Board of Governors recently agreed a new set of KPI's across four key areas, namely Finance, including, income and cost of delivery, Students and Learning, including, applications per place and student satisfaction, Environment, including, Carbon Emissions and Energy Costs, and Reputation and Impact, including, award, festival success and credits.

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

5.3 Investments

The School uses predominantly a cash management service to manage its treasury cash. All surplus funds are invested for a maximum period of time to improve return.

The NFTS Foundation board manages the School's long term investments.

5.4 Payment of Creditors

The policy of the School is to pay its creditors in accordance with agreed terms. In the absence of any agreement to the contrary, it is the intention of the School to pay suppliers invoices within 30 days following the end of the month in which the invoice is received.

5.5 Accounting Systems

The School's finance system Paprika has been recently modified to improve security at the School. A review of financial controls will be undertaken by the recently appointed internal auditors and the accounting systems will be part of this review.

5.6 Post Balance Sheet Events

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

6 Corporate Governance

6.1 Legal Status

The School is a charity limited by guarantee (Company number 981908) and registered as a charity (Charity Number: 313429). It has existed since 1971, and was granted status as a higher education institution in November 2013, under section 129 of the Education Reform Act 1988.

6.2 Statement of Corporate Governance

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

The 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 charity faces each financial year, and have developed systems to monitor and control these risks to mitigate any impact that they may have on the School in the future. The major risks that the School is 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, also meets four times a year and reviews the annual plan, the five-year corporate plan and updated financial estimates and monitors health and safety practice and policies at the school. An Audit Committee has been established as a result of the School's designation as a HEI by BIS and has now started quarterly meetings at which it reviews external audit management letters, internal auditors reports, value for money arrangements and other matters set out in their terms of reference. The NFTS has updated the terms of reference for all the sub committees of the Board of Governors to upgrade the School's governance to the levels required by the School's new status as a HEI.

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

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

6.3 Statement of Responsibilities of the Members of the Board of Governors

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

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 School's management team. Governors are also provided with relevant Charity Commission updates on the responsibilities of trustees.

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

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

Within the terms and conditions of the Financial Memorandum (from the 1st August 2014 the Financial Memorandum has been replaced by the Memorandum of Assurance and Accountability) agreed between HEFCE and the School, the Management team prepares financial statements for each financial year in accordance with the Statement of Recommended Practice:

Operating and Financial Review 7 months to 31st July 2014

Accounting for Further and Higher Education. Under company law the Board of Governors must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the School and of its surplus or deficit for that period. In preparing the financial statements the Board of Governors is required to:

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

The Board of Governors also gives a report in the financial statements, which includes the legal and administrative status of the School. The Board of Governors is responsible for the keeping of adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the School, and which enable it to ensure that the financial statements are prepared in accordance with its Articles of Association, the Accounts Direction issued by HEFCE, the Statement of Recommended Practice: Accounting for Further and Higher Education and applicable UK law and financial reporting standards, as well as reflecting best practice in public sector corporate governance. The Board of Governors is responsible for taking steps that are reasonably open to it in order to safeguard the assets of the School and to prevent and detect fraud and other irregularities.

Members of the Board of Governors are responsible for ensuring that funds from HEFCE are used only in accordance with the Financial Memorandum with the Funding Council and any other conditions that the Funding Council may prescribe from time to time. Members of the Board of Governors also ensure that appropriate financial and management controls are in place in order to safeguard public and other funds and to ensure they are used properly. In addition, Members of the Board of Governors are responsible for securing economical, efficient and effective management of the School's resources and expenditure, so that the benefits that should be derived from the application of public funds by the Funding Council are not put at risk.

6.4 Disclosure of Information to Auditors

At the date of making this report, the board of governors confirms that:

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

6.5 Statement of the School's Structure of Corporate Governance

The governors, who are also trustees of the charity and directors of the company for the purposes of the Companies Act, present their report together with the audited financial statements for the period ended 31 July 2014. The governors have adopted the provisions of the Statement of Recommended Practice on Accounting for Further and Higher Education (FE & HE SORP 2007) in preparing the report and financial statements.

Governor Induction and Training

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

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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.

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 period and has not been consolidated on the basis that it is immaterial.

Powers of investment and investment policy

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

The School plans major curricular activities on a 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 an interest bearing account with Allied Irish Bank. The interest earned in the seven months to 31st July 2014 was £11k (2013 - £28k). The board is satisfied with the return on investment which is in line with its policy.

6.6 Internal Control

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

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

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

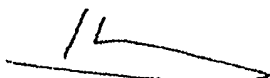
The governors are responsible for keeping adequate accounting records that show and explain the charity's transactions, disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006.

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.

Operating and Financial Review 7 months to 31st July 2014

Signed on behalf of the Board of Governors

A handwritten signature consisting of a stylized 'P' and 'D' followed by a horizontal line.

Phil Doggett

Company Secretary to the Board of Governors

A handwritten signature featuring a large, circular loop followed by a horizontal line.

Dr Jonathan Wardle

Clerk to the Board of Governors

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

We have audited the financial statements of National Film and Television School (The) for the period ended 31st July 2014 which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Statement of Historical Cost Surpluses and Deficits, 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 company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 124B of the Education Reform Act 1988. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the School's Governing Body and Auditors

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

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

Scope of the audit of the financial statements

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

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

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the School's affairs as at 31st July 2014 and of the income and expenditure for the period 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, the Education Reform Act 1988 and the Statement of Recommended Practice: "Accounting for Further and Higher Education Institutions".

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

In our opinion, in all material respects:

- income has been applied in accordance with the School's statutes and where appropriate with the applicable Financial Memorandum with the Higher Education Funding Council for England.
- funds from whatever source administered by the institution for specific purposes have been properly applied to those purposes and, if relevant, managed in accordance with relevant legislation.
- funds provided by HEFCE have been applied in accordance with the Financial Memorandum and any other terms and conditions attached to them.

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Board of Governors including the Strategic Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

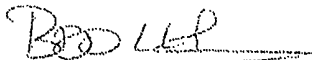
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- the School has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the School 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matter where the Higher Education Funding Council for England Audit Code of Practice requires us to report to you if, in our opinion:

- the statement of Internal Control (included as part of the Corporate Governance Statement) is inconsistent with our knowledge of the School.



James Aston, Senior Statutory Auditor
for and on behalf of BDO LLP, Statutory Auditor
Galwick
United Kingdom
Date: 26 November 2014

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

Financial Statements

Income and Expenditure Account

	Note	2014 7 month period ended 31 July 2014 £	2013 Year ended 31 December 2013 £
Incoming resources			
Funding body income/grants	3	2,425,987	3,956,422
Tuition fees and education contracts	4	2,148,142	3,101,145
Other income	5	1,517,434	2,505,387
Endowment and investment income	6	11,244	27,804
		<u>6,102,807</u>	<u>9,590,758</u>
Expenditure			
Staff costs	7	2,483,657	4,074,676
Other operating expenses	9	3,676,412	5,429,086
Depreciation	10	410,741	696,297
Interest and other finance costs	11,12	36,486	75,418
		<u>6,607,296</u>	<u>10,275,477</u>
Total expenditure			
		<u>6,607,296</u>	<u>10,275,477</u>
Deficit after depreciation of tangible fixed assets at valuation and before tax		(504,489)	(684,719)
Taxation		-	-
Deficit after depreciation of tangible fixed assets at valuation and tax but before exceptional items		(504,489)	(684,719)
Profit on disposal of fixed assets	13	-	4,733
Deficit on continuing operations after depreciation of assets at valuation and disposal of assets and tax		(504,489)	(679,986)
Surplus for the period/year transferred from accumulated income in endowment funds	27	297,966	336,350
Deficit for the period/ year retained within general reserves		(206,523)	(343,636)

The notes on pages 28 to 46 form part of these financial statements

Statement of Total Recognised Gains and Losses

	Note	2014 7 months £	2013 12 months £
Deficit on continuing operations after depreciation of assets at valuation and disposal of assets and tax		(504,489)	(679,986)
Unrealised surplus on revaluation of fixed assets (land revaluation)		2,713,750	-
Endowment additions (new endowments)	27	510,800	377,598
Actuarial loss in respect of pension schemes	12,31	(124,000)	(356,000)
Total recognised gains relating to the year		2,596,061	(658,388)

Reconciliation

	2014 at 31 July £	2013 at 31 December £
Opening reserves and endowments	7,823,368	8,481,756
Total recognised gains/(losses) for the year	2,596,061	(658,388)
Closing reserves and endowments	10,419,429	7,823,368

Statement of historical cost surpluses and deficits

	2014 at 31 July £	2013 at 31 December £
Deficit on continuing operations after depreciation and taxation	(504,489)	(679,986)
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	136,084	233,287
Historical cost deficit for the period after taxation	(368,405)	(446,699)

The notes on pages 28 to 46 form part of these financial statements

Balance sheet

<i>Company number 981908</i>	Note	2014 at 31 July £	2013 at 31 December £
Fixed assets			
Tangible assets	15	15,265,317	12,368,886
Investments	16	1,304,277	1,293,033
Investment in subsidiary undertaking	17	2	2
		<hr/>	<hr/>
		16,569,596	13,661,921
		<hr/>	<hr/>
Endowment assets	18	254,082	41,248
Current assets			
Stocks	19	23,591	20,428
Debtors	20	1,474,621	2,132,665
Cash at bank and in hand		706,680	1,178,160
		<hr/>	<hr/>
		2,204,892	3,331,253
Creditors: amounts falling due within one year	21	(3,048,582)	(4,334,932)
		<hr/>	<hr/>
Net current (liabilities)		(843,690)	(1,003,679)
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	22,23	(1,400,940)	(1,497,372)
Provisions for liabilities	24	(415,000)	-
		<hr/>	<hr/>
Total net assets excluding pension scheme liability		14,164,048	11,202,118
Pension scheme liability	31	(2,889,000)	(2,862,000)
		<hr/>	<hr/>
Total net assets including pension scheme liability		11,275,048	8,340,118
		<hr/>	<hr/>
Deferred capital grants	26	855,619	516,750
Expendable endowment funds	27	254,082	41,248
Reserves			
Revaluation reserve	28	9,800,276	7,086,526
Pension reserve	31	(2,889,000)	(2,862,000)
General reserves	29	3,254,071	3,557,594
		<hr/>	<hr/>
Total reserves		10,165,347	7,782,120
		<hr/>	<hr/>
Total funds		11,275,048	8,340,118
		<hr/>	<hr/>

Balance sheet (continued)

The financial statements were approved by the Board, authorised for issue on behalf by:

and signed on its

Patrick McKenna



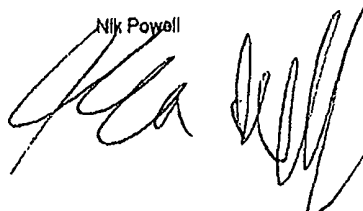
Chairman

Stephen Lous



Governor

Nik Powell



Director

The notes on pages 25 to 46 form part of these financial statements

Cash flow statement			
	Note	2014 at 31 July £	2013 at 31 December £
Net cash outflow from operating activities	32	(500,890)	(182,185)
Returns on investments and servicing of finance			
Interest received		11,244	27,804
Interest paid		(9,486)	(20,418)
Interest paid on finance leases		(10,141)	(17,385)
Income from endowments		-	-
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	15	(593,422)	(575,303)
Receipts from sale of tangible fixed assets		-	4,733
Purchase of investments and other transactions	16	(11,244)	(27,804)
Cash realised from investments		-	396
Deferred capital grants received	26	423,045	348,000
Endowments received	27	510,800	377,598
Endowments movement	27	(212,834)	(41,248)
Cash outflow before financing		(392,928)	(85,792)
Financing			
Bank loan drawdown	33	(78,552)	(157,104)
Decrease in cash	33,34	(471,480)	(242,896)

The notes on pages 28 to 46 form part of these financial statements

Notes to the Financial Statements 7 months to 31st July 2014

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 in accordance with applicable accounting standards, the Companies Act 2006 and the Statement of Recommended Practice on Accounting for Further and Higher Education (FE & HE SORP 2007). They conform with the 2013/14 Accounts Direction by the Higher Education Funding Council for England (HEFCE).

The comparatives for the year ended 31st December 2013 have been restated with the FE & HE SORP 2007 from their original presentation under the Charity SORP. The effect of the restatement on the deficit for the prior year is £102,902, with £nil effect on the reserves as at 31st December 2013.

Basis of consolidation

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

The following principal accounting policies have been applied:

(a) Recognition of Income

Income from grants, donations, contracts and other services rendered is included to the extent of the completion of the related expenditure, contract or service concerned. Income is deferred when School fees or performance related grants are received in advance of the courses or event to which they relate.

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.

Recurrent grants from HEFCE are recognised in the period in which the School is entitled to the funds.

Non-recurrent grants from HEFCE or other government bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets.

All income from short-term deposits and endowments is credited to the income and expenditure account in the period in which it is earned. Income from restricted endowments not expended in accordance with the restrictions of the endowment is transferred from the income and expenditure account to restricted endowments.

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

(b) Expenditure

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

2 Principal accounting policies (*continued*)

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

(c) *Taxation*

The School is a registered charity and is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 (CTA 2010) (formally enacted in Section 505 of the Income and Corporation Taxes Act 1988 (ICTA)) or Section 256 of the Taxation of Chargeable gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes.

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

(d) *In kind funding*

The School benefits from companies, organisations and individuals providing assets for use towards the running of the school without charge. During the period the School received assets worth £Nil (2013 - £Nil).

(e) *Endowment Funds*

Where charitable donations are to be retained for the benefit of the School as specified by donors, these are accounted for as endowments. There are three main types:

1. Unrestricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream for the general benefit of the Institution.
2. Restricted expendable endowments – the donor has specified a particular objective other than the purchase or construction of tangible fixed assets, and the institution can convert the donated sum into income.
3. Restricted permanent endowments – the donor has specified that the fund is to be permanently invested to generate an income stream to be applied to a particular objective.

(f) *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 and fittings teaching block	-	over 10 years straight line
Plant, machinery, technical equipment	-	over 5 or 10 years straight line
Motor vehicles	-	over 4 years straight line

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

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

2 Principal accounting policies (continued)

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 recognised in the statement of total recognised gains and losses and revaluation reserve.

Assets under construction

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

(g) Investments

Investments are stated at their market value at the balance sheet date. The statement of total recognised gains and losses 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.

(h) Stock

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

(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 (contribution in the seven months was £124k). 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 income and expenditure account in the year in which they become payable.

(j) Operating leases

Rentals applicable to operating leases are charged to the income and expenditure account 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 income and expenditure account.

2 Principal accounting policies (continued)

(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 note 31 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 income and expenditure account and statement of total recognised losses and gains in accordance with FRS 17.

3 Funding body income/grants

	2014 7 months £	2013 12 months £
HEFCE teaching grant	91,133	201,850
DCMS Deferred capital grant released	84,176	160,846
DCMS	1,582,510	2,666,253
Creative Skillset	668,168	927,665
	<hr/>	<hr/>
Total funding body income/grants	2,425,987	3,956,422
	<hr/>	<hr/>

4 Tuition fees and education contracts

	2014 7 months £	2013 12 months £
Home post graduate fees	1,242,558	1,986,892
Overseas post graduate fees	285,250	295,000
Diploma and graduate fees	306,217	386,432
Other fees – i.e. Short Courses, Inside Pictures	314,117	432,821
	<hr/>	<hr/>
	2,148,142	3,101,145
	<hr/>	<hr/>

Notes to the Financial Statements 7 months to 31st July 2014

5 Other income

	2014 7 months £	2013 12 months £
Grants from platinum partner sponsors	175,000	300,000
Grants from key partner sponsors	426,666	715,000
Donations from NFTS Foundation*	-	82,000
David Lean Foundation	24,250	36,000
Fundraising events	374,903	511,904
Other income	516,615	860,483
	<u>1,517,434</u>	<u>2,505,387</u>

* During the period, £23k of endowed scholarships were received from NFTS Foundation (2013 – £120k)

6 Endowment and investment income

	2014 7 months £	2013 12 months £
Interest receivable on investments	11,244	27,804
	<u>11,244</u>	<u>27,804</u>

7 Staff costs

	2014 7 months £	2013 12 months £
Staff costs consist of:		
Wages and salaries	2,127,850	3,541,208
Social security costs	210,439	333,116
Pension and other costs		
- defined benefit scheme contributions	124,000	203,000
- defined contribution scheme contributions	145,368	200,352
- FRS 17 adjustments (see note 12)	(124,000)	(203,000)
	<u>2,483,657</u>	<u>4,074,676</u>

Included within wages and salaries for the period are costs relating to complimentary tutors of £128k (2013 - £224k).

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

Notes to the Financial Statements 7 months to 31st July 2014

7 Staff costs (continued)

	2014 12 months	2013 12 months
£150,001 - £160,000	1	1
Director's emoluments:		
	2014 7 months	2013 12 months
Salary	85,147	142,267
Benefits in kind	1,210	1,732
Employer pension contributions	7,787	13,349
	<u>94,144</u>	<u>157,348</u>

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

	2014 7 months	2013 12 months
Curriculum; Production Support, Short Courses	63	63
Fundraising	4	4
Finance, Registrar, Personnel, I.T.	17	17
	<u>84</u>	<u>84</u>

8 Governors' emoluments

The School's Memorandum and Articles enable governors to be engaged as tutors. No governors received payments during the period (2013 - £Nil).

During the period, none of the governors received any reimbursement for meeting expenses (2013 - £Nil).

9 Other operating expenses

	2014 7 months £	2013 12 months £
Curriculum, Productions & Short Courses	1,447,145	2,494,351
Curriculum support and accreditation	70,672	100,902
Bursaries	149,633	365,785
Scholarships	297,967	336,350
Production support and facilities departments	146,232	177,917
Administrative departments – Finance, Registrar, Personnel, I.T.	733,492	624,180
Directorate	21,375	70,427
Premises	599,128	1,036,424
Fundraising	165,768	179,250
External audit fees	45,000	43,500
	<u>3,676,412</u>	<u>5,429,086</u>

Notes to the Financial Statements 7 months to 31st July 2014

10 Depreciation

	2014 7 months £	2013 12 months £
The depreciation charge has been funded by:		
Deferred capital grants released	84,716	160,646
General income	326,025	535,651
	<u>410,741</u>	<u>696,297</u>

11 Interest and other finance costs

	2014 7 months £	2013 12 months £
Interest on long term loans	9,486	20,418
Pension finance costs	27,000	55,000
	<u>36,486</u>	<u>75,418</u>

12 Pension Costs

The charge to expenditure within the Income and Expenditure account for the financial period in respect of FRS 17 comprised the following:

	2014 7 months £	2013 12 months £
Other finance costs:		
Expected return on pension scheme assets	(202,000)	(325,000)
Interest on pension scheme liabilities	229,000	380,000
Past service cost	-	-
	<u>27,000</u>	<u>55,000</u>
Net charge	27,000	55,000
	<u>27,000</u>	<u>55,000</u>
Total charge to income and expenditure account	27,000	55,000

The total charge to resources expended in the period of £27k (2013 - £55k) has been offset by employer contributions paid over to the scheme trustees in the period which amounted to £124k (2013 - £203k). These contributions have been credited to staff costs "pension and other costs". The "net" charge to expenditure in the period, amounted to a credit of £97k (2013 - £148k). In addition actuarial losses on the pension scheme of £124k (2013 - £356k) have been recognised in the Statement of Total Recognised Gains and Losses in accordance with FRS 17.

The total movement in the pension scheme deficit during the period amounted to £27k (2013 - £208k).

Notes to the Financial Statements 7 months to 31st July 2014

13 Profit/loss on disposal of fixed assets	2014	2013
	7 months	12 months
	£	£
	-	4,733
	<hr/>	<hr/>
14 Net expenditure	2014	2013
	7 months	12 months
	£	£
This is arrived at after charging/(crediting):		
Depreciation	410,741	696,297
Auditors' remuneration		
- audit services	45,000	43,500
- other services	1,320	14,250
Operating lease rentals - plant and equipment	45,792	61,035
Profit on sale of tangible fixed assets	-	(4,733)
	<hr/>	<hr/>

Notes to the Financial Statements 7 months to 31st July 2014

15 Tangible assets

	Freehold land and buildings £	Assets under construction	Oswald Morris Buildings £	Fixtures, fittings and office equipment £	Plant, machinery and technical equipment £	Motor vehicles £	Total £
<i>Cost or valuation</i>							
At beginning of period	5,100,000	45,250	8,900,000	1,162,050	2,789,774	26,848	16,023,922
Additions	-	332,765	-	30,498	230,159	-	593,422
Revaluation	(200,000)	-	1,800,000	-	-	-	1,600,000
Disposals	-	-	-	-	-	-	-
At end of period	4,900,000	378,015	8,700,000	1,192,548	3,019,933	26,848	18,217,344
<i>Depreciation</i>							
At beginning of period	420,000	-	632,000	632,012	2,126,884	23,530	3,065,030
Provided for the period	61,250	-	80,500	66,804	200,251	1,936	410,741
Revaluation	(481,250)	-	(632,500)	-	-	-	(1,113,750)
Disposals	-	-	-	-	-	-	-
At end of period	-	-	-	599,416	2,327,145	26,400	2,952,027
<i>Net book value</i>							
At 31 July 2014	4,900,000	378,015	8,700,000	593,132	692,788	1,382	15,265,317
At 31 December 2013	4,680,000	45,250	6,348,000	629,438	662,880	3,318	12,369,886

The School's freehold land and buildings were revalued on 31st July 2014 on the basis of Existing Use Value by external valuers, Doolittle LLP. This valuation was undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Standards. The Governors are not aware of any material changes since the valuation.

Notes to the Financial Statements 7 months to 31st July 2014 (*continued*)

15 Tangible assets (*continued*)

The net book value of fixed assets includes an amount of £43k (2013 - £61k) in respect of assets held under finance leases and assets under the course of construction of £378k relating to the Phase 2 Digital Village development. The depreciation charged in the period on finance leases was £18k (2013 - £31k).

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

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

	2014 at 31 July £	2013 at 31 December £
Cost brought forward	302,009	302,009
Accumulated depreciation based on historical cost	(106,843)	(97,130)
Historical cost net book value	195,166	204,879

16 Fixed asset investments

	2014 at 31 July £	2013 at 31 December £
Cash deposits held on 1 st January 2014	1,293,033	1,265,625
Investment income (interest)	11,244	27,804
Disposal of investments	-	(390)
Cash deposits held on 31 st July 2014	1,304,277	1,293,033

17 Investment in subsidiary undertakings

	2014 at 31 July £	2013 at 31 December £
Cost at 1 st January 2014 and 31 st July 2014	2	2

Name	Country of or Incorporation or registration %	Proportion of ordinary share capital held £	Share capital and reserves at 31 July 2014
NFTS Enterprises Limited	England and Wales	100%	2

During the period ended 31st July 2014 there was no trading activity through NFTS Enterprises Limited (2013 - profit £Nil).

Notes to the Financial Statements 7 months to 31st July 2014 (*continued*)

18 Endowments Assets

	2014 at 31 July £	2013 at 31 December £
Balance at 1 st January 2014	41,248	-
Additions	510,800	377,598
Expenditure	(297,966)	(336,350)
Balance at 31st July 2014	254,082	41,248

19 Stocks

	2014 at 31 July £	2013 at 31 December £
Film and video stock, production and post-production consumables	23,591	20,428

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

20 Debtors

	2014 at 31 July £	2013 at 31 December £
Trade debtors	957,221	1,695,580
Other debtors	426	6,728
Prepayments and accrued income	516,974	430,357
	1,474,621	2,132,665

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

21 Creditors: amounts falling due within one year

	2014 at 31 July £	2013 at 31 December £
Trade creditors	393,270	190,222
Taxation and social security	225,661	94,052
Other creditors	82,085	52,034
Accruals and deferred income	2,169,811	3,804,869
Finance lease obligation	30,651	30,651
Loan capital repayments	157,104	157,104
	3,048,582	4,334,932

Notes to the Financial Statements 7 months to 31st July 2014 (continued)

21 Creditors: amounts falling within one year (continued)

The movement on deferred income during the period has been analysed below:

	2014 at 31 July £	2013 at 31 December £
Balance at 1 st January 2014	3,581,396	3,229,943
Released to the income and expenditure account	(3,557,520)	(3,202,242)
New sources of deferred income	1,950,908	3,553,695
	<hr/>	<hr/>
Balance at 31 st July 2014	1,974,784	3,581,396
	<hr/>	<hr/>

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

22 Creditors: amounts falling due after more than one year

	2014 at 31 July £	2013 at 31 December £
Bank loan (secured)	1,374,690	1,453,242
Finance lease obligation	26,250	44,130
	<hr/>	<hr/>
Balance at 31 st July 2014	1,400,940	1,497,372
	<hr/>	<hr/>

23 Creditors: amounts falling due after more than one year

Maturity of debt

	Bank £	Finance leases £	Total 2014 at 31 July £	Total 2013 at 31 December £
In more than one year but not more than two years	157,104	26,250	183,354	187,755
In more than two years but not more than five years	628,416	-	628,416	641,895
In more than five years	589,170	-	589,170	667,722
	<hr/>	<hr/>	<hr/>	<hr/>
	1,374,690	26,250	1,400,940	1,497,372
	<hr/>	<hr/>	<hr/>	<hr/>

A £3m long term loan facility repayable over 17 years was arranged with Allied Irish Bank (GB) in March 2007. This required the NFTS to register a fixed charge on its freehold land and buildings as security for this loan facility. The loan balance outstanding (£1,532k) represents 22% of the cost of the new building. The interest rate charge on this loan during the period was 1.2%.

Notes to the Financial Statements 7 months to 31st July 2014 (continued)

24 Provisions for liabilities

	2014 at 31 July £	2013 at 31 December £
Balance at 1 st January 2014	-	-
Additions	415,000	-
Released to income and expenditure	-	-
	<hr/>	<hr/>
Balance at 31 st July 2014	415,000	-
	<hr/>	<hr/>

The provisions relate to a £390k VAT provision and a £25k MEDIA provision.

25 Related party transactions

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

During the period the NFTS Foundation made donations to the School totalling £23k for endowed scholarships (2013 - £120k).

26 Deferred capital grants

	2014 at 31 July £	2013 at 31 December £
Balance at 1 st January 2014	516,750	304,900
Additions	423,045	348,000
Released to income and expenditure	(84,176)	(136,150)
	<hr/>	<hr/>
Balance at 31 st July 2014	855,619	516,750
	<hr/>	<hr/>

27 Expendable endowment funds

	2014 at 31 July £	2013 at 31 December £
Balance at 1 st January 2014	41,248	-
Additions	510,800	377,598
Expenditure	(297,966)	(336,350)
	<hr/>	<hr/>
Balance at 31 st July 2014	254,082	41,248
	<hr/>	<hr/>

28 Revaluation reserves

	2014 at 31 July £	2013 at 31 December £
Balance at 1 st January 2014	7,086,526	7,086,526
Land and buildings revaluation (revalued 31 st July)	2,713,750	-
	<hr/>	<hr/>
Balance at 31 st July 2014	9,800,276	7,086,526
	<hr/>	<hr/>

Notes to the Financial Statements 7 months to 31st July 2014 (*continued*)

29 General reserves (income and expenditure)

	2014 at 31 July £	2013 at 31 December £
Balance at 1 st January 2014	3,557,594	4,049,230
Deficit for the period (<i>net movement for the funds</i>)	(206,523)	(343,636)
Actuarial loss on pension scheme liability	(124,000)	(356,000)
Transfer to pension reserves	27,000	208,000
Balance at 31st July 2014	3,254,071	3,557,594

30 Indemnity insurance

During the period, insurance costing £1k (2013 - £1k) was purchased to indemnify the governors and officers against default on their part.

31 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 31st March 2000 and closed to accrual on 1st September 2006.

The full actuarial valuation has been updated by a qualified actuary to 31st July 2014 and the major assumptions used were as follows:

	2014 at 31 July £'000	2013 at 31 December £'000	2012 at 31 December £'000
Rate of increase in salaries	N/A	N/A	N/a
Discount rate	4.30% p.a.	4.60% p.a.	4.60% p.a.
Inflation assumption	3.20% p.a.	3.40% p.a.	3.00% p.a.

Notes to the Financial Statements 7 months to 31st July 2014 (continued)

31 Pension scheme (continued)

The assets in the scheme and the expected rate of return at 31st July 2014 were:

	Long term rate of return expected At 31 July 2014	Value At 31 July 2014 £'000	Long term rate of return expected At 31 December 2013	Value At 31 December 2013 £'000	Long term rate of return expected At 31 December 2012	Value At 31 December 2012 £'000
Equities and property	7.7%	2,852	8.0%	2,759	7.9%	2,579
Bonds and Gilts	3.6%	3,256	4.0%	3,066	3.2%	3,139
Cash	0.5%	36	0.5%	28	0.5%	38
Total market value of assets		6,144		5,853		5,756
Present value of scheme liabilities		(9,033)		(8,715)		(8,410)
Net pension deficit on an FRS 17 basis		(2,889)		(2,862)		(2,654)

Notes to the Financial Statements 7 months to 31st July 2014 (*continued*)

31 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 1st 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:

	2014 at 31 July £'000	2013 at 31 December £'000	2012 at 31 December £'000
Deficit in scheme at beginning of period	(2,862)	(2,654)	(2,583)
Current service cost	-	-	-
Other investment income	(27)	(55)	(114)
Actuarial losses	(124)	(356)	(158)
Contributions paid	124	203	201
Past service costs	-	-	-
	<hr/>	<hr/>	<hr/>
Deficit in scheme at end of period	(2,889)	(2,862)	(2,654)

Analysis of the amounts charged to the income and expenditure account under FRS 17:

	2014 at 31 July £'000	2013 at 31 December £'000	2012 at 31 December £'000
<i>Operating charge:</i>			
Past service cost	-	-	-
<i>Other finance costs:</i>			
Expected return on pension scheme assets	(202)	(325)	(272)
Interest on pension scheme liabilities	229	380	386
	<hr/>	<hr/>	<hr/>
Pension cost charged to the income and expenditure account	27	55	114

Analysis of the actuarial gains and losses charged to the statement of total recognised gains and losses under FRS 17:

	2014 at 31 July £'000	2013 at 31 December £'000	2012 at 31 December £'000
Actual return less expected return on pension scheme assets	128	(149)	106
Experience gains and losses arising on the scheme liabilities	-	-	32
Changes in assumptions underlying the present value of the scheme liabilities	(252)	(207)	(296)
	<hr/>	<hr/>	<hr/>
Actuarial loss charged to the statement of total recognised gains and losses	(124)	(356)	(158)

Notes to the Financial Statements 7 months to 31st July 2014 (*continued*)

31 Pension scheme (*continued*)

	2014 at 31 July £'000	2013 at 31 December £'000	2012 at 31 December £'000
History of experience gains and losses			
Difference between the expected and actual return on scheme assets:			
Amount (£'000)	128	(149)	106
Percentage of scheme assets	2%	(3)%	2%
Experience gains and losses on scheme liabilities:			
Amount (£'000)	-	-	32
Percentage of the present value of the scheme liabilities	0%	0%	0%
Total amount recognised in the Statement of Finance Activities			
Amount (£'000)	(124)	(356)	(158)
Percentage of the present value of the scheme Liabilities	1%	4%	2%
Reconciliation of fair value of plan assets – Actuarial gain/(loss)			
	2014 at 31 July £'000	2013 at 31 December £'000	
At the beginning of the period	5,853	5,756	
Expected rate of return on plan assets	202	325	
Actuarial gain	128	(149)	
Contributions by company	124	203	
Benefits paid	(163)	(282)	
At the end of the period	<u>6,144</u>	<u>5,853</u>	
Reconciliation of present value of plan liabilities			
	2014 at 31 July £'000	2013 at 31 December £'000	
At the beginning of the period	8,715	8,410	
Interest cost	229	380	
Actuarial loss	252	207	
Benefits paid	(163)	(282)	
At the end of the period	<u>9,033</u>	<u>8,715</u>	

The cumulative amount of actuarial gains and losses recognised since 2002 is (£2,642k).

Notes to the Financial Statements 7 months to 31st July 2014 (continued)

32 Reconciliation of operating deficit to net cash flow from operating activities

	2014 at 31 July	2013 at 31 December
	£	£
Deficit on continuing operations after depreciation of assets	(504,489)	(679,986)
Depreciation	410,741	696,297
Profit on disposal of fixed assets	-	(4,733)
Increase in pension liability	27,000	208,000
Increase in stocks	(3,163)	(617)
Increase/(decrease) in debtors	658,044	(51,435)
Decrease in creditors/provisions	(1,013,230)	(203,540)
Release of capital grants	(84,176)	(136,150)
Investment income	(11,244)	(27,804)
Interest paid	9,486	20,418
Finance leases	10,141	17,385
Net cash outflow from operating activities	(500,890)	(162,165)

33 Reconciliation of net cash flow to movements in net debt

	2014 at 31 July	2013 at 31 December
	£	£
Change in net debt resulting from cash flows	(471,480)	(242,896)
Increase in endowment asset cash balances	-	41,248
Bank loan	78,552	157,104
Opening net debt at 1 st January 2014	(390,938)	(346,394)
Closing net debt at 31 st July 2014	(783,866)	(390,938)

34 Analysis of net debt

	At 1 January 2014 £	Cash flows £	At 31 July 2014 £
Cash at bank and in hand	1,178,160	(471,480)	706,680
Endowment assets cash balance	41,248	-	41,248
Debt due within one year	(112,974)	(17,880)	(130,854)
Debt due after more than one year	(1,497,372)	96,432	(1,400,940)
Total	(390,938)	(392,928)	(783,866)

Notes to the Financial Statements 7 months to 31st July 2014 (*continued*)

35 Commitments under operating leases

As at 31st July 2014, the School had annual commitments under non-cancellable operating leases as set out below:

	2014 at 31 July Land and buildings £	2014 at 31 July Other £	2013 at 31 December Land and buildings £	2013 at 31 December Other £
Operating leases which expire:				
Within one year	-	-	-	-
In two to five years	-	60,501	-	57,201
	<u> </u>	<u> </u>	<u> </u>	<u> </u>