



**London
Film
School
Limited**

**Annual Report and Financial
Statements**

31 August 2021

Company Limited by Guarantee
Registration Number
01197026 (England and Wales)

Charity Registration Number
270302

Contents

Reports

Reference and administrative information	1
Chair's introduction	3
Governor's report	4
Statement of corporate governance and internal control	16
Independent auditor's report	22

Financial statements

Statement of financial activities	28
Balance sheet	29
Statement of cash flows	30
Principal accounting policies	31
Notes to the financial statements	35

Reference and administrative information

Governors	Gregory Dyke (Chair) Amanda Nevill CBE (Vice Chair – appointed 17/12/2020) Kemal Akhtar Peter Armstrong (resigned 14/10/2021) Suzy Black (appointed 17/12/2020) Helen Dudley CBE (retired 31/12/2020) Professor Diana Green (Vice Chair – retired 14/10/2020) Diane Herbert (appointed 17/12/2020, resigned 15/09/2021) Peter Hogenson (Student Governor, resigned 31/07/2021) Rhys Holland (appointed 01/08/2021) Peter Holliday (appointed 23/10/2019) Nick Humby Olivier Kaempfer William MacPherson (appointed 17/12/2020) Moshe Nitzani (Staff Governor, retired 25/9/2020) Cindy Rampersaud (appointed 17/12/2020) Joan Watson (appointed 17/12/2020) Sophia Wellington (Staff Governor, appointed 28/09/2020)
Management Team	Gisli Snaer (Director and Chief Executive Officer) Femi Kolade (Director of Studies) Dan Lawson (Chief Operating Officer) Veronique Fricke (Head of Marketing & Student Recruitment) Robin Graham (Secretary to the Board) Tiana Harper (MA Filmmaking Course Leader) Michele Maher (Academic Registrar) Anita O'Connor (Financial Controller) Victoria Thomas (MA International Film Business Course Leader) Caroline Ward (Head of HR) Sophia Wellington (MA Screenwriting Course Leader)
Company Secretary	Robin Graham
Principal address and registered office	24 Shelton Street London WC2H 9UB
Telephone	0207 836 9642
Facsimile	0207 497 3718
Website	www.lfs.org.uk
E-mail	info@lfs.org.uk
Company registration number	01197026 (England and Wales)

Reference and administrative information

Charity registration number 270302

Auditor Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Bankers Royal Bank of Scotland
London Drummonds Branch
49 Charing Cross
London
SW1A 2DX

Solicitors Pinsent Masons LLP
30 Crown Place
London
EC2A 4ES

Chair's introduction

Chair's Introduction to Annual Report and Financial Statements, 31 August 2021

These accounts for London Film School cover the year ending 31st August 2021. In that year COVID-19 has tested our School like no other event in its long history but thankfully our students, staff, actors and visiting lecturers have risen to the challenge magnificently.

With considerable efforts on the part of our teaching staff and visiting industry professionals, all of our practical film productions have been carried out under industry-led 'COVID-safe' protocols, with no compromise in their usual outstanding quality. On top of that at least 60% of our scheduled teaching was delivered in-person, even as the UK cautiously emerged from the long lockdown in the first half of 2021.

Our MA Screenwriting and MA International Film Business continued with both online and in-person elements, before resuming in-person delivery in autumn 2021.

The essential adaptations we made to make our operations 'COVID-safe' have come at a financial cost. These included hiring external studio facilities, doubling teaching time for smaller groups, higher direct production costs, and providing hardship support to students impacted by the pandemic. In all, since the pandemic began early in 2020 we estimate that COVID has cost the School more than £2m in exceptional costs and lost income, and of course there was a physical and mental challenge to both staff and students who were constantly asked to adapt to new and unpredictable circumstances.

We believe very strongly that it was right to prioritise delivering practical education for our students whilst ensuring a safe environment for all. Now, with the UK's successful vaccination programme and improving health outcomes, we hope to return more of our teaching and production to normal operations.

Despite the challenges, our graduates once again enjoyed outstanding successes with over 200 film screenings at international film festivals including Locarno, Clermont-Ferrand, Aspen and Berlin, garnering over 40 awards along the way.

Looking to the future, our focus is now on developing a new, post-pandemic strategic plan. I'm pleased to have welcomed a number of new Governors to our board in the past year to help us on that journey, and we look forward to sharing our plans in due course.

Once again, on behalf of the Governors, I extend our thanks and admiration to the staff and students for their continued commitment to the long-term success of LFS.

Greg Dyke

February 2022

The Governors present their annual report together with the financial statements of London Film School Limited for the year ended 31 August 2021.

The financial statements have been prepared in accordance with the accounting policies set out on pages 31 to 34 and comply with the charitable company's memorandum and articles of association, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), effective from accounting periods commencing 1 January 2015 or later.

Governance, structure and management

Constitution

London Film School Limited ("LFS" or "the School") is a registered charity (Charity Registration No. 270302) and a company limited by guarantee (Company Registration No. 01197026). The charitable company's memorandum and articles of association dated 20 January 1975 (as amended by special resolution of 21 July 1975 and 21 March 2002) are its primary governing documents.

Members' liability

The liability of the members in the event of winding up is limited to 50 pence per member.

Governors

The Governors of the School also constitute directors of the charitable company for the purposes of company law and trustees for charity law. This report is also a directors' report as required by section 415 of the Companies Act 2006. The Governors who held office during the financial year and at the date of signing this report are set out on page 1.

Governors are appointed by election at the Annual General Meeting (AGM). The Student Governor is elected by students and the Staff Governor is elected by the staff.

Members of the Management Team, as set out on page 1, cannot be appointed as Governors of the School.

The size of the Governing Body is set between 8 and 25 Governors. Approximately one third of the Governing Body retire annually, by rotation in order of seniority, and can offer themselves for re-election at the AGM.

Governance, structure and management (continued)

Governors (continued)

The Nominations Committee undertakes a skills analysis of the Governing Body and role profiles are agreed, against which the School recruits new Governors. Governors must have empathy with film and the creative industries. Newly appointed Governors receive a full induction to the School, bespoke to their needs. The Governing Body regularly holds an away day, joined by members of the Management Team.

Organisation

Under normal circumstances the Governing Body meets six times a year, although since the onset of the global pandemic in March 2020 it has met more regularly in order to ensure the School's response has been effective and timely.

Its governance structure includes four committees:

- ◆ a Nominations Committee to oversee the appointment, induction and development of its governors;
- ◆ a Remuneration Committee to make senior appointments, decide and agree the remuneration for the Director and senior members of staff, and consider recommendations from the Director on pay and reward more generally across the School;
- ◆ an Audit & Risk Committee to advise on risk, internal control, governance and promoting value for money; and
- ◆ a Relocation Committee, to review the School's estates strategy and oversee progress on renewing its facilities.

The Governing Body also receives minutes from the Academic Board as a line of sight on all academic matters.

The day-to-day running of the School is delegated to the Director and the Management Team.

Key management personnel

The key management personnel of the School comprise the Governors and the Management Team.

The Management Team are a dedicated team of management personnel that have the authority and responsibility of planning, directing and controlling the activities of the School, directly or indirectly. Within the School this includes the Director, Director of Studies, Chief Operating Officer, Head of Marketing & Student Recruitment, Academic Registrar, Financial Controller and Head of HR. Since September 2021, Course Leaders for each of the MA programmes have also joined the Management Team, ensure greater visibility of academic matters and greater academic inclusion. The Management Team meets formally on a fortnightly basis, with minutes of each meeting shared with all staff.

Governance, structure and management (continued)

Statement of governors' responsibilities

The Governors (who are also directors of The London Film School Limited for the purposes of company law) are responsible for preparing the governors' report and financial statements in accordance with applicable law and 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 affairs of the charitable company and of the income and expenditure of the charitable company for that period. In preparing these financial statements, the Governors are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102);
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable UK accounting standards have been followed, subject to any material 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 charitable company will continue in operation.

The Governors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company 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 charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Governors confirms that:

- ◆ as far as they are aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- ◆ they have taken all the steps that they ought to have taken as a governor in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Governance, structure and management (continued)

Risk management

The Governors have assessed the major risks to which the charity is exposed, in particular those relating to the specific operational areas of the School and its finances. The Governors believe that by monitoring reserves levels, by ensuring controls exist over key financial systems, and by examining the operational and business risks faced by the School, they have established effective systems to mitigate those risks. Our keys risks include:

COVID-19

The academic year 2020-21 was again defined by the ongoing global coronavirus pandemic, and in common with other Higher Education Providers, London Film School continued to adapt its delivery with a primary focus on ensuring as much face-to-face teaching could safely take place, whilst ensuring the health and safety of staff and students. The School again enjoyed tremendous commitment, dedication and resilience amongst staff and students.

In particular, the UK-wide lockdown of January 2021 presented a significant challenge as Higher Education Providers were advised to cease all in-person teaching. This meant rapidly replanning the delivery of the intensely practical MA Filmmaking course, whilst other programmes could resume online delivery.

A by no means exhaustive list of key elements of the School's COVID-19 response in 2020/21 includes:

- ◆ taking a balanced and risk-based approach to resuming in-person teaching activities across the Filmmaking and Screenwriting programmes, with an average of 60% of scheduled teaching activity taking place in person by the summer term of 2021;
- ◆ rescheduling the delivery of the MA Filmmaking course in response to the UK government's lockdown of January 2021, compressing the spring, summer, and autumn terms into a 9-month period to ensure no lost learning for students across the remainder of the calendar year
- ◆ continuing our expansive programme of exclusive masterclasses and other activities to keep students engaged with the School during the lockdown periods;
- ◆ making judicious use of off-site studio facilities to ensure film production could safely continue throughout the academic year; and
- ◆ extending the COVID-19 Relief Fund to alleviate hardship amongst students whose financial circumstances had changed dramatically and unexpectedly due to the effects of the pandemic.

In 2020 the School reintroduced a means-tested bursary scheme which benefits UK and EU students. It continues to be in a position to offer a small number of scholarships to students from other countries where access to film education is limited. The School receives funding from The Leverhulme Trust to provide bursaries to students and allocates London Film School and Leverhulme bursaries according to students' needs.

Governance, structure and management (continued)

Risk management (continued)

Student Recruitment

Despite early and sector-wide concerns as to the impact of COVID-19 on student recruitment, particularly amongst international students, interest and applications from the international market remained strong for LFS' MA programmes since the start of the pandemic. In common with other UK Higher Education Providers, London Film School experienced reductions in demand from the EEA markets.

The diversity of an international cohort brings many unique benefits to LFS and continues to be one of the School's unique selling points. With the School now registered with the Office for Students, UK students are now able to access postgraduate loan support towards their studies, which we expect to be particularly impactful on the MA Screenwriting course. The MA Screenwriting course benefited from a 42% application increase in 2021 from August 2019. Across the three MA Filmmaking intakes, MA Filmmaking had an average application increase of 86% from 2020.

London Film School participates in the William D. Ford Direct Student Loan Program authorised by the US Education Department to help with student recruitment from the USA.

Regulatory Environment

As a registered Higher Education Provider under the Office for Students, LFS is subject to considerable regulatory oversight aimed at ensuring its courses offer high levels of quality and value for money. In order to ensure ongoing compliance with the new regulatory environment the School has made further progress in reviewing and updating the School's policy frameworks, with an emphasis on quality assurance, and regular internal monitoring and reviews.

LFS' continued membership of CILECT, the confederation of international film schools, and now also of GuildHE, ensures it has a supportive network of providers in the same field with whom to share and learn best practice.

Relocation

The School has a longstanding ambition to refresh its premises and facilities to ensure they continue to offer a peerless learning environment to match the high-quality teaching across our programmes.

In the 2019/20 statutory accounts, development costs incurred to date on the London City Island (LCI) project were written down, reflecting the worsening outlook for capital fundraising in the early stages of the coronavirus pandemic.

At the time of preparing these accounts, that picture has not improved materially and the LCI project remains on hold. The Governors and Management Team expect to revisit the question of suitable facilities for the School's long-term future as we emerge from the immediate challenges of the global pandemic.

Governance, structure and management (continued)

Fundraising

The School's fundraising approach is to engage only with trusts, foundations and other grant making institutions.

During the course of the year, we were awarded Leverhulme Trust Arts Scholarships to the amount of £185,016 in their latest round of funding which will be available from September 2022, enabling talented students without the financial means to access both our MA Filmmaking and MA Screenwriting programmes, and we continued our partnership with The Saïd Foundation supporting students of Syrian, Jordanian, Lebanese or Palestinian nationality to study at the School at no cost.

Due to COVID-19, the School has not actively sought funds from the general public, and therefore is not yet subscribed to any fundraising regulation schemes or standards. External fundraising support for the capital project has paused since the onset of COVID-19 and will be reviewed from 2022 as plans for renewing LFS' facilities progress while internal fundraising resources refocused efforts on supporting bursaries, scholarships, and hardship funds during the pandemic.

There have not been any complaints arising as a result of the School's fundraising activities in the year.

Relationship with other organisations

In pursuit of its objectives, the School works with a number of other organisations including ScreenSkills, the University of Exeter, the University of Warwick, the Deutsche Film und Fernsehakademie Berlin (DFFB) and UGC Series Mania. Other partners across a range of our projects have included the British Film Institute, Film London's Equal Access Network, Creative England's iFeatures scheme, the British Council and many more.

Objectives and activities

The School's principle purpose is the provision of professional level training in the art and technique of film production and feature film screenwriting. Our core provision includes a two-year MA Filmmaking degree covering all of film's craft and interpretive departments, and a one-year MA in Screenwriting. The MA in International Film Business continues in partnership with Exeter University, as does a successful PhD by Practice programme.

The School also offers over 50 short course workshops for film and television professionals each year. Since 2016, the School has also offered an expanding programme of outreach projects, bringing filmmaking training and education to audiences who could not normally access such opportunities for reasons of cost or geography.

The Governors confirm that they have referred to the Charity Commission's general guidance on public benefit when reviewing the School's objectives and aims and in planning future activities.

Objectives and activities (continued)

The School's main objectives for the year were:

- ◆ Ensure that the School is appropriately resourced and situated in contemporary facilities, matching the excellence in our teaching and delivering a peerless learning experience
 - ◇ As described above, the relocation project has been paused during the global pandemic due to financing challenges. The Governing Body and Management Team expect to revisit the pressing issue of suitable facilities as we emerge from the immediate challenges of the pandemic.
- ◆ Ensure our film education is accessible to all UK students irrespective of background or income
 - ◇ Since registering with the Office for Students in 2019, all LFS' postgraduate programmes qualify for postgraduate loan support. New bursaries were introduced in 2020 to support UK students on both MA Filmmaking and MA Screenwriting programmes, and a COVID-19 Relief Fund was also introduced to support students experiencing unexpected hardship as a direct result of the global pandemic.
 - ◇ The School resumed the development of a new Equality, Diversity, and Inclusion (EDI) strategy after the events of summer 2020, recognising that LFS needed to do more to improve access to film education and to promote an anti-racist approach in our work. Developments to date include the formation of an EDI working group comprising staff and students; a review of our existing recruitment approaches and HR policies, and a programme of decolonising the curriculum. A specialist consultant has been engaged to work proactively with the Management Team and staff body more generally to review and update policies and lay the foundations for a new Culture Strategy to guide the School's progress.
- ◆ Maintain our excellent international profile, exporting best-practice around the world and bringing new global perspectives to our pedagogy
 - ◇ The School remained a member of CILECT (the International Association of Film and Television Schools), including attendance at the annual congress in Moscow in 2019, and its regional division GEECT (European Grouping of Film and Television Schools). As can be seen below, LFS graduation work once more enjoyed a year of wide international exposure at festivals and award ceremonies around the world.
- ◆ Ensure our film education offer continues to be among the best in the world and is relevant to the film and wider creative industries of today, and tomorrow.
 - ◇ Our Director of Studies interminably worked closely with the academic team to continue improving quality monitoring and the process by which student feedback is captured, listened and responded to. Our short course and outreach work now comes under the Director of Studies' remit bringing better synergies and sharing of best practice across the full gamut of LFS' educational programmes.

Objectives and activities (continued)

- ◆ Build new and lasting partnerships and collaborations with industry and relevant institutions
 - ◇ We continued to build strong links with local industry partners including the BFI, Film London, ScreenSkills, and more. We were especially pleased to continue our partnership with Film London's Equal Access Network.

Achievements and performance

LFS filmmakers garnered accolades in a range of festivals and competitions, receiving recognition globally from industry for the quality of their work.

For the second year running, LFS is once again globally recognised as a top filmmaking school through its inclusion in the prestigious 2021 The Hollywood Reporter Top Film Schools list.

Festivals

225 films created at London Film School have screened at 191 global film festivals, winning 43 awards and receiving 15 nominations. Film festivals such as the prestigious Locarno Film Festival awarded the graduate film after a room with the Swiss Silver Pardino. BAFTA eligible ASFF screened Skarbnik, and The Beast won Best Comedy.

Clermont-Ferrand International Short Film Festival screened two graduate films, Transit and Some Manifestations of the South. Oscar-eligible Aspen Shortfest screened Summer Shade, Cinematographer ET Ng won the British Society of Cinematographers Awards. Filipiñana, which screened at 19 festivals and won 10 awards including the Silver Bear Jury Prize Short Film at the Berlinale International Film Festival in 2020 and won the Best Film and George Lucas Prix Best in Show at the Academy-eligible Short Shorts Film Festival & Asia winning the third place at the International Association of Film and Television School (CILECT) Prize and screened at the Edinburgh International Film Festival. The film continued to win: London Film Critics Circle Awards, Grand Prix, Best of British at Encounters where two other grad films were screened also: Walter the Dog and WE ALL JUST WANT TO BE MAD. Macchiato was shortlisted at the GSA BAFTA Student Film Award. The London Short Film Festival also screened Filipiñana and grad films Calladita, Garças, after a room, Some Manifestations of the South.

Annual Graduate Showcase

As is customary, London Film School celebrates the work created by the students and supported by staff, launches the latest crop of filmmaking talent into the industry. Due to COVID, instead of in-person event, a bespoke microsite was built to showcase the work to the industry.

Over 1,800 people logged into the online Graduate Showcase between 18-23 January 2021, an increase of 360% on 2020's in person event at the BFI compared to an increase of 16% of 2019 to 2020.

Achievements and performance (continued)

Annual Graduate Showcase (continued)

From those that registered in advance of the event, (about 60% our total audience) we know that:

- ◆ 27% were friends and family
- ◆ 41% were students and staff
- ◆ 32% were industry

On the Films page, viewers spent an average of 10 mins, and our recording of the MA Screenwriting students' scripts was viewed 1,200 times over six days. Our highest proportions of visitors came from the UK (40%), the USA (16%) and China (7%), followed by Papa New Guinea (5%), Portugal (4%) and Australia (3.5%).

Event attendance for the three masterclasses and networking session were up 220% on the previous year and were described by attendees as 'enlightening' and 'inspiring'.

Honorary Associates

Honorary Associates are announced at LFS's annual Graduate Showcase, held each year at the end of January.

Kasi Lemmons is an award-winning director/ writer/ producer/ actor and professor. Her acclaimed 1997 feature directorial debut, *Eve's Bayou*, was recently inducted into the National Film Registry and is considered among the first to showcase the beauty of African American Southern culture.

Her fifth feature film, *Harriet*, a powerful drama based on the life of American icon Harriet Tubman, received Academy Award nominations. Other directing work included *Luke Cage*, *Self-Made: Inspired by the Life of Madam C.J. Walker*. As an actor, Lemmons appeared in such notable films as Jonathan Demme's *Silence of the Lambs*, John Woo's *Hard Target* and Spike Lee's *School Daze*.

Marianne Jean-Baptiste is an award-winning actor/director/writer/composer, known for *Without a Trace*, *Secrets & Lies* and *Spy Game*. She gained international acclaim following the success for Mike Leigh's social drama *Secrets & Lies*, for which she received acclaim and earned nominations for the Academy Award for Best Supporting Actor, the Golden Globe and BAFTA Award in the same category.

As writer and composer, Jean-Baptiste recorded an album of jazz songs and composed the musical score for Leigh's 1997 film *Career Girls*. As an actor, Jean-Baptiste has starred in many tv series and films such as Tom Clancy's *Jack Ryan*, *Without a Trace*, *Blindspot*, *Homecoming*, *Broadchurch*, *Edge of Tomorrow*, *Spy Game*, *Robocop*. Jean-Baptiste was praised for her stage performance in the 2013 National Theatre production of James Baldwin's play *The Amen Corner*, directed by Rufus Norris.

Achievements and performance (continued)

Annual Graduate Showcase (continued)

Honorary Associates (continued)

Our Honorary Associate Marianne Jean-Baptiste wrote to congratulate 'the standard and individuality' of the films.

Past Honouree's span all areas of the screen industry and in the course of the school's rich history, have included Abi Morgan, Amma Asante, Asif Kapadia, Stephen Frears, Jim Broadbent, Christine Langan, Tessa Ross, Philip French, Ralph Fiennes, Ken Loach and Lynne Ramsay, alongside the diverse graduates of the School's film programmes.

The Associates remain an integral part of the School's wide-ranging pool of industry experts and student mentors for years to come. The School's Honouree programme is possible with the generous assistance of the School's Graduation sponsors: Panalux, Sargent-Disc and Final Draft. As part of the Honorary Associate role, they will visit the School during the coming year as part of its long-running Masterclass programme, an exclusive series of industry and alumni-focused events dedicated to the School's filmmaking students.

Students described the Showcase as 'fantastic', 'beautifully made' 'really, really appreciated', 'a stellar showcase'. Industry described the platform as 'truly magnificent...enjoyable and intuitive'.

Financial review

A summary of the year's results can be found on page **Error! Bookmark not defined.** of the attached financial statements. Total income for the year was £5,561,877 (2020 – £4,281,728). The majority of the income is from MA tuition fees.

Total expenditure for the year amounted to £5,983,135 (2020 – £5,607,840).

The net movement in funds for the year was a deficit of £421,258 (2020 – deficit £424,430).

Reserves policy and financial position

In light of post-pandemic recovery planning and a wider review of the strategic plan for the School going forward, the reserves policy for the School is under review and will be further developed in the coming year. In devising a new reserves policy, Governors will have regard to the School's future plans, liquidity requirements, and proportionate contingency funds against unexpected adverse events.

Previously, Governors have considered that a free reserves level (i.e. those unrestricted funds not invested in tangible fixed assets, designated for specific purposes or otherwise committed) of approximately six months' annual expenditure on unrestricted funds has been appropriate given the nature of the Schools' work.

Financial review (continued)

Reserves policy and financial position (continued)

On 31 August 2021, the School had total funds of £658,138 (2020 – £1,079,396). Included in total funds is an amount of £20,406 (2020 – £15,406) which is restricted. These monies have either been raised for, and their use restricted to specific purposes, or they comprise donations subject to donor-imposed conditions. Full details of these restricted funds can be found in note 13 to the financial statements together with an analysis of movements in the year.

Unrestricted funds of the charity at 31 August 2021 amounted to £637,732 (2020 – £1,063,990), which are net of a £1.5m CBILS loan. These funds include tangible fixed assets with a net book value of £223,551 (2020 – £115,550) as well as other funds designated for specific projects of £nil (2020 – £794,487). Free reserves of the School at 31 August 2021, were £414,181 (2020 – £153,953).

While the free reserves are below the level of 6 months' expenditure stated above, the policy is kept under review. As a contingency and in order to support the School through any further uncertainty in the coming year, the School has also arranged a £1.5m loan facility through the Coronavirus Business Interruption Loan Scheme (CBILS).

Plans for the future

The School is now four years into its five-year strategic plan, approved by the Board of Governors in 2018, which sets the key strategic objectives as:

- ◆ Ensure that LFS is appropriately resourced and situated in contemporary facilities, matching the excellence in our teaching and delivering a peerless learning experience
- ◆ Ensure our film education is accessible to all UK students irrespective of background or income
- ◆ Maintain our excellent international profile, exporting best practice around the world and bringing new global perspectives to our pedagogy

Ensure our film education offer continues to be among the best in the world and is relevant to the film and wider creative industries of today, and tomorrow

- ◆ Build new and lasting partnerships and collaborations with industry and relevant institutions.

Whilst COVID-19 continues to present immediate and future challenges for all providers of practical film education, the School's attentions are also turning to a post-pandemic future, including reviewing the impact of the pandemic on our delivery and taking the opportunity to evaluate those adaptations that may become permanent improvements to our activities.

Plans for the future (continued)

Key projects for the coming year will include a new Strategic plan from 2023; resuming work on the School's longstanding ambition to renew its teaching facilities; continuing to remove barriers to entry for UK students through financial support from postgraduate loans and increasing our bursaries and scholarships funds; continuing to support the development of our students and their future successes on the national and international stage; and continuing to develop new outreach and short course programmes that complement our existing provision and contribute to our vision of LFS as a distinctive global leader in contemporary, practice-based film education and research.

Approved by the Governing Body and signed on its behalf by:



Governor Gregory Dyke

Approved by the Governors on: 24 February 2022

Statement of corporate governance and internal control

The following statement is provided to enable readers of the annual report and financial statements of London Film School Limited to obtain a better understanding of its governance and legal structure. The statement covers the period from 1 September 2020 to 31 August 2021 and up to the date of the approval of the annual report and financial statements.

The School endeavours to conduct its business:

1. Having due regard to the UK Corporate Governance Code 2018 in so far as it is applicable to the Higher Education Sector; and
2. Complying with Office for Students on-going conditions or regulations and terms of conditions of funding as well as other regulatory responsibilities.

We have adopted the UK Corporate Governance Code. We have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code that we consider relevant to the Higher Education Sector.

The Governors recognise that the School, as a body entrusted with both public and private funds, has a particular duty to observe the highest standards of corporate governance at all times.

Legal Status

The London Film School is a Registered Charity and a Private Limited Company by guarantee without share capital.

The Governors confirm that they have due regard for the Charity Commission's guidance on public benefit and that the required statement appears elsewhere within these financial statements.

Statement of corporate governance and internal control

Governors

The members who served as Governors during the year and up to the date of signature of this report are listed below.

Governor	Appointed/Resigned
Greg Dyke (Chair)	
Amanda Nevill (Vice Chair)	Appointed 17 December 2020
Kemal Akhtar	
Peter Armstrong	Resigned 14 October 2021
Suzy Black	Appointed 17 December 2020
Helen Dudley CBE	Retired 31 December 2020
Professor Diana Green CBE (Vice Chair)	Retired 31 December 2020
Diane Herbert	Appointed 17 December 2020, resigned 15 September 2021
Peter Hogenson (Student Governor)	Retired 31 July 2021
Rhys Holland (Student Governor)	Appointed 1 August 2021
Peter Holliday	Appointed 23 October 2019
Nick Humby	
Olivier Kaempfer	
William MacPherson	Appointed 17 December 2020
Moshe Nitzani (Staff Governor)	Retired 25 September 2020
Cindy Rampersaud	Appointed 17 December 2020
Joan Watson	Appointed 17 December 2020
Sophia Wellington (Staff Governor)	Appointed 28 September 2020

Governors' interests

Governors are shown above and except for any instance mentioned above have served throughout the year. None of the Governors have any interests within the company.

Meeting procedures

Formal agendas, papers and reports are supplied to the Governors in a timely manner, prior to Governing Body meetings. Briefings are also provided on an ad hoc basis. Reports include overall financial performance of the School together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety issues. The Governing Body met 8 times in 2020/21.

The Governing Body receives advice on the conduct of its business from five committees. Each committee has its own terms of reference which have been approved by the Governing Body. These committees are: Audit and Risk; Nominations; Remuneration; Relocation; and the Academic Board.

London Film School has a strong and independent non-executive element, and no individual or group dominates its decision-making process. The School considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate.

Statement of corporate governance and internal control

Appointment to the Governing Body

The Nominations Committee undertakes a skills analysis of the Governing Body and role profiles are agreed, against which the School recruits new Governors. New Governors must have empathy with film and creative art industries. Their induction includes a tour of the School, screenings and from time to time an away day attended by the Governing Body, the principal officers and the wider Management Team. An information pack about the School is also given to each new Governor.

Governing Body performance

The Governing Body has made a strong contribution to the improvements made in 2020/21 through the setting of challenging targets with regular scrutiny of performance. There is strong performance management at Governing Body meetings. The Governors provide robust scrutiny and challenge. Governors are pro-active in their oversight of the School and are involved in the planning and discharging of Governing Body business.

Committees

Audit and Risk Committee

The Audit and Risk Committee is responsible to the Governing Body in discharging its responsibilities for monitoring the integrity of the Institute's financial statements, the effectiveness of financial controls with regard to internal risk assessment and the performance and objectivity of external auditors.

The members who served on the committee during the year and up to the date of signature of this report are listed below.

Governor	Appointed/Resigned
Professor Diana Green CBE	Retired 31 December 2020
Peter Holliday	
Nick Humby	
Cindy Rampersaud (Committee Chair)	Appointed 17 December 2020
Tamsin Ashmore (co-opted member)	Appointed 23 October 2019
William McPherson	Appointed 17 December 2020
Joan Watson	Appointed 17 December 2020

The Audit & Risk Committee has appointed its first co-opted member, who has particular expertise in finance and audit. The Committee is responsible for the following:

- ◆ To appoint external auditors and agree the audit fee, meet with the external auditors to discuss the scope and nature of the audit and to discuss the findings included within the management letter and management responses.
- ◆ To satisfy itself that all public funds received by the Institute are managed in line with regularity, propriety, and value for money.
- ◆ To satisfy itself that satisfactory arrangements are in place to promote best value, and to monitor other performance as shall be deemed to be reliable and appropriate measures of effectiveness.

Statement of corporate governance and internal control

Internal Control

Scope of responsibility

The Governing Body is ultimately responsible for the organisations' system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Governing Body has delegated the day-to-day responsibility to the Director & CEO, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the organisations policies, aims and objectives, whilst safeguarding the public funds and assets. The Accounting Officer is also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure and can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of organisation policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at the organisation for the year ended 31 August 2021 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Governors have reviewed the key risks to which the organisation is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governors are of the view that there was a formal on-going process for identifying, evaluating and managing the School's significant risks that had been in place for the year ended 31 August 2021 and up to the date of approval of the annual report and financial statements.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. It includes:

- ◆ comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Governors
- ◆ regular reviews by the Governing Body of periodic and annual financial reports which indicate financial performance against forecasts
- ◆ setting targets to measure financial performance
- ◆ the adoption of formal project management disciplines, where appropriate.

Statement of corporate governance and internal control

Internal Control (continued)

Review of effectiveness

The Accounting Officer delegates to the Financial Controller the responsibility for reviewing the effectiveness of the system of internal control. The Financial Controller's review of the effectiveness of the system of internal control is informed by:

- ◆ the work of the external auditors;
- ◆ the work of the senior managers within the organisation who have responsibility for the development and maintenance of the internal control framework; and
- ◆ comments made by the organisation's financial statements and regularity auditors in their management letters and other reports.

There are no significant internal control weaknesses reported for the period.

The Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments. The Management Team and the Audit and Risk Committee also receive regular reports, which include recommendations for improvement.

The Audit and Risk Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Governors' agenda includes a regular item for consideration of risk and control and receives reports thereon from the Management Team and the Audit and Risk Committee.

The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 16th December 2021 meeting, the governors carried out the annual assessment for the year ended 31 August 2021 by considering documentation from the Management Team and taking account of events since 31 August 2020.

Based on above and reports by the Director & CEO, the Governing Body is of the opinion that the organisation has an adequate and effective framework for governance, risk management and control to manage the achievements of the School's objectives for the year ended 31 August 2021 and it has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the safeguarding of their assets".

Statement of corporate governance and internal control

Regularity, propriety, and compliance

The School has considered its responsibility to notify the Office for Students of material irregularity, impropriety and non-compliance with Office for Students terms and conditions of funding.

We confirm, on behalf of the School, that after due enquiry and to the best of its knowledge, the Governing Body believes it is able to identify any material irregularity or improper use of funds by the School, or material non-compliance with terms and conditions of funding under the organisations financial regulations. As part of our consideration we have had due regard to our financial regulations. We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement these will be notified to the Office for Students.

Going Concern

Details on Governors' going concern assessment are set out on page 31.

Approved by the Governing Body and signed on its behalf by:



Chair Gregory Dyke



Director & CEO (Accounting Officer) Gisli Snaer

Date: 24 February 2022

Independent auditor's report to the members of The London Film School Limited

Opinion

We have audited the financial statements of The London Film School Limited (the 'charitable company') for the year ended 31 August 2021 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- ◆ give a true and fair view of the state of the charitable company's affairs as at 31 August 2021 and of its income and expenditure, changes in reserves and cash flows for the year then ended;
- ◆ have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006;
- ◆ where applicable, funds from whatever source administered by the provider for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- ◆ where applicable, funds provided by the OfS and by Research England have been applied in accordance with the relevant terms and conditions; and
- ◆ meet the requirements of the Office for Student's Accounts Direction 2019/20.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the members of the Governors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Governors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- ◆ the information given in the Governors' report, which is also the directors' report for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the Governors' report, which is also the directors' report for the purposes of company law, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Governors' report.

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

- ◆ adequate accounting records have not been kept; or
- ◆ the financial statements are not in agreement with the accounting records and returns; or
- ◆ certain disclosures of Governors' remuneration specified by law are not made; or
- ◆ we have not received all the information and explanations we require for our audit; or
- ◆ the Governors were not entitled to take advantage of the small companies' exemptions from the requirement to prepare a strategic report.

We have nothing to report in respect of the following matter in relation to which the OfS Accounts Direction 2019/20 requires us to report to you if, in our opinion:

- ◆ the charitable company's grant and fee income, as disclosed in note 1 to these Financial Statements has been materially misstated.

Responsibilities of governors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- ◆ the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- ◆ we identified the laws and regulations applicable to the charitable company through discussions with management, and from our knowledge and experience of the sector;
- ◆ we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the charitable company, including the Charities SORP FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011, the OfS Accounts Direction, data protection legislation, anti-bribery, safeguarding, employment, health and safety legislation;
- ◆ we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- ◆ identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the charitable company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- ◆ making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- ◆ considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

Auditor's responsibilities for the audit of the financial statements (continued)

To address the risk of fraud through management bias and override of controls, we:

- ◆ performed analytical procedures to identify any unusual or unexpected relationships;
- ◆ tested journal entries to identify unusual transactions; and
- ◆ assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias;

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- ◆ agreeing financial statement disclosures to underlying supporting documentation;
- ◆ reading the minutes of Board of Governors meetings;
- ◆ enquiring of management as to actual and potential litigation and claims; and
- ◆ reviewing any available correspondence with HMRC and the charitable company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the Governors' and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Shachi Blakemore (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date: 25 February 2022

Statement of financial activities Year to 31 August 2021

		Unrestricted funds	Restricted funds	2021 Total funds	Unrestricted funds	Restricted funds	2020 Total funds
	Notes	£	£	£	£	£	£
Income from:							
Donations	1	10	—	10	—	—	—
Charitable activities	2	5,281,246	60,767	5,342,013	4,110,664	115,142	4,225,806
Investments		298	—	298	5,169	692	5,861
Other income							
. Surplus on disposal of equipment	9	150,000	—	150,000	—	—	—
. Miscellaneous income		69,556	—	69,556	50,061	—	50,061
Total income		5,501,110	60,767	5,561,877	4,165,894	115,834	4,281,728
Expenditure on:							
Raising funds	3	40,340	—	40,340	65,183	613	65,796
Charitable activities							
. Provision of education	4	5,887,028	55,767	5,942,795	4,535,951	104,825	4,640,776
. Write down of capitalised assets	9	—	—	—	901,268	—	901,268
Total expenditure		5,927,368	55,767	5,983,135	5,502,402	105,438	5,607,840
Net (expenditure) income before transfers	6	(426,258)	5,000	(421,258)	(1,336,508)	10,396	(1,326,112)
Transfer between funds	13	—	—	—	18,543	(18,543)	—
Net (expenditure) income and net movement in funds		(426,258)	5,000	(421,258)	(1,317,965)	(8,147)	(1,326,112)
Reconciliation of funds							
Fund balances brought forward at 1 September		1,063,990	15,406	1,079,396	2,381,955	23,553	2,405,508
Fund balances carried forward at 31 August		637,732	20,406	658,138	1,063,990	15,406	1,079,3

There is no difference between the net movement in funds stated above and the historical cost equivalent.

All of the charitable company's activities are derived from continuing operations during the above two financial periods.

The charitable company has no recognised gains and losses other than those shown above.

Balance sheet 31 August 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Tangible fixed assets	9		223,551		115,550
Current assets					
Debtors	10	582,193		584,566	
Cash at bank and in hand		3,347,133		2,967,505	
		3,929,326		3,552,071	
Liabilities					
Creditors: amounts falling due within one year	11	(2,094,739)		(2,588,225)	
Net current assets			1,834,587		963,846
Total assets less current liabilities			2,058,138		1,079,396
Creditors: amounts falling due after more than one year	12		(1,400,000)		—
Net assets			658,138		1,079,396
The funds of the charity					
Restricted funds	13		20,406		15,406
Unrestricted funds					
. General fund			414,181		153,953
. Tangible fixed assets fund	14		223,551		115,550
. Designated funds	15		—		794,487
Total funds	16		658,138		1,079,396

Approved by the governors
and signed on their behalf by:



Governor Gregory Dyke

Approved on: 24 February 2022

Company Limited by Guarantee
Registration Number 01197026 (England and Wales)

Statement of cash flows 31 August 2021

	Notes	2021 £	2020 £
Cash flows from operating activities:			
Net cash provided by operating activities	A	395,725	606,821
Cash inflow from investing activities:			
Investment income		298	5,861
Payments to acquire tangible fixed assets		(16,395)	(237,305)
Net cash used in investing activities		(16,097)	(231,444)
Change in cash and cash equivalents in the year		379,628	375,377
Cash and cash equivalents at 1 September	B	2,967,505	2,592,128
Cash and cash equivalents at 31 August	B	3,347,133	2,967,505

Notes to the statement of cash flows for the year ended 31 August 2021

A Reconciliation of net movement in funds to net cash provided by operating activities

	2021 £	2020 £
Net movement in funds (as per the statement of financial activities)	(421,258)	(1,326,112)
Adjustments for:		
Depreciation and impairment of assets	58,394	944,765
Surplus on disposal of equipment	(150,000)	—
Investment income	(298)	(5,861)
Decrease in debtors	2,373	173,282
Increase in creditors	906,514	820,747
Net cash inflow from operating activities	395,725	606,821

B Analysis of changes in net debt

	2020 £'000	Cash flows £'000	2021 £'000
Cash at bank and in hand	2,967,505	379,628	3,347,133
Short term deposits (less than three months)	—	(1,500,000)	(1,500,000)
Total net debt	2,967,505	(1,120,372)	1,847,133

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

Basis of preparation

These financial statements have been prepared for the year to 31 August 2021 and are presented in sterling and are rounded to the nearest pound.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) (Charities SORP FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

The charity constitutes a public benefit entity as defined by FRS 102.

Critical accounting estimates and areas of judgement

Preparation of the financial statements requires the Governors and management to make significant judgements and estimates.

The items in the financial statements where these judgements and estimates have been made include:

- ◆ estimating the useful economic life of tangible fixed assets;
- ◆ determining the provision for bad and doubtful debts;
- ◆ determining the value of provisions for liabilities;
- ◆ determining the point from which costs incurred in relation to the development project should be capitalised and the likelihood of completion of the project; and
- ◆ estimating the impact of COVID-19 on the School's income and expenditure flows for the purpose of preparing cash flow forecasts and budgets to assist in the assessment of going concern

Assessment of going concern

The Governors have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The Governors have made this assessment in respect to a period of one year from the date of approval of these financial statements.

Assessment of going concern (continued)

In February 2021 the Governing Body considered a range of downside scenarios to stress-test the School's going concern assessment, in the context of a full UK-wide lockdown and deep uncertainty as to the short to medium term future for the School.

At that time, it was demonstrated that in extremis, and conditional on the completion of loan documentation for the £1.5m CBILS loan (which was subsequently completed), the School could withstand full closure for up to a further two terms.

Upon considering the same question this year, circumstances are markedly improved. The successful rollout of the UK's vaccination programme has dramatically altered the calculus with the pandemic and made a future full lockdown forcing the School's closure less likely.

Despite another loss-making year with significant COVID-related costs in 2020/21, and a roughly break-even year projected for 21/22 accounting for further COVID uncertainty in the near term, future projections for the School are healthy and show a return to profitability and net cash generation in 2022/23, even retaining the CBILS loan as a safety cushion and/or for strategic future investment.

On the basis of the above the Governors have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern.

Income recognition

Income is recognised in the period in which the charity has entitlement to the income, the amount of income can be measured reliably and it is probable that the income will be received.

Income comprises grants and donations, tuition fees and charges, interest received and other income.

Donations are recognised when the charity has confirmation of both the amount and settlement date. In the event of donations pledged but not received, the amount is accrued for where the receipt is considered probable. In the event that a donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that those conditions will be fulfilled in the reporting period.

Income from charitable activities includes tuition fees and grants. The income is generally recognised in the period to which the fees or grants relate.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis and includes attributable VAT which cannot be recovered.

Expenditure comprises the costs of charitable activities including expenditure on the provision of education and associated support and governance costs.

Tangible fixed assets

All assets costing more than £2,000 and with an expected useful life exceeding one year are capitalised.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided to write off the cost less estimated residual value of each asset on a straight line basis over its expected useful life as follows:

- ♦ Cinema equipment - five years
- ♦ Fixtures, fittings and equipment - five years

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt.

Financial instruments

The School only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the School and their measurement basis are as follows:

Financial assets – other debtors are basic financial instruments and are debt instruments measured at amortised cost. Listed investments are a basic financial instrument as detailed above. Prepayments are not financial instruments.

Cash at bank – classified as a basic financial instrument and is measured at face value.

Financial liabilities – accruals and other creditors are financial instruments, and are measured at amortised cost.

Pension costs

Contributions by the School in respect to a defined contribution pension scheme are charged to the statement of financial activities in the period in which they are payable.

Leased assets

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged on a straight-line basis over the lease term.

Fund structure

Restricted funds comprise monies raised for, or their use restricted to, a specific purpose, or contributions subject to donor imposed conditions.

Designated funds comprise those resources which may be used towards meeting the charitable objectives of the School, but which have been set aside out of the general funds and designated for specific purposes by the Governors.

The tangible fixed assets fund comprises non-liquid funds represented by the net book value of tangible fixed assets.

The unrestricted general fund represents those monies which are freely available for application towards achieving any charitable purpose that falls within the School's charitable objects.

1 Donations

	Unrestricted funds £	Restricted funds £	Total funds 2021 £
2021 Total funds: Donations for development project	10	—	10
<i>2020 Total funds: Donations for development project</i>	<i>—</i>	<i>—</i>	<i>—</i>

2 Income from charitable activities

	Unrestricted funds £	Restricted funds £	2021 Total funds £
Tuition fees and charges	5,399,120	—	5,399,120
Less: bursaries awarded	(117,874)	—	(117,874)
	5,281,246	—	5,281,246
Grant income from the Office for Students	—	44,116	44,116
Other grants	—	16,651	16,651
	5,281,246	60,767	5,342,013

	Unrestricted funds £	Restricted funds £	Total funds 2020 £
<i>Tuition fees and charges</i>	<i>4,157,767</i>	<i>—</i>	<i>4,157,767</i>
<i>Less: bursaries awarded</i>	<i>(47,103)</i>	<i>—</i>	<i>(47,103)</i>
	<i>4,110,664</i>	<i>—</i>	<i>4,110,664</i>
<i>Grant income from the Office for Students</i>	<i>—</i>	<i>61,529</i>	<i>61,529</i>
<i>Other grants</i>	<i>—</i>	<i>53,613</i>	<i>53,613</i>
<i>2020 Total funds</i>	<i>4,110,664</i>	<i>115,142</i>	<i>4,225,806</i>

During the year ended 31 August 2021, 9 (2020 – 40) students received a bursary to support their tuition fees. The amounts shown above include £55,433 (2020 - £2,882) directly from the School, in 2021, and £62,441 (2020 - £44,221) from funding received from the Leverhulme Trust.

3 Expenditure on raising funds

	Unrestricted funds £	Restricted funds £	2021 Total funds £
Staff costs	40,340	—	40,340
Fundraising costs	—	—	—
2021 Total funds	40,340	—	40,340

	Unrestricted funds £	Restricted funds £	Total funds 2020 £
Staff costs	35,918	338	36,256
Fundraising costs	29,265	275	29,540
2020 Total funds	65,183	613	65,796

External fundraising support for the capital project has been paused since the onset of COVID-19 and will be reviewed as plans for renewing LFS' facilities progress. Internal fundraising resources have been refocussed on support for bursaries, scholarships and hardship funds.

4 Expenditure on charitable activities – provision of education

	Unrestricted funds £	Restricted funds £	2021 Total funds £
Direct costs			
. Staff costs	1,695,671	17,364	1,713,035
. Visiting lectures	770,058	7,886	777,944
. Premises	427,024	4,195	431,219
. Production allowances and costs	268,335	3,595	271,930
. Repairs and technical maintenance	111,885	1,196	113,081
. Depreciation	57,670	724	58,394
. IT costs	123,909	—	123,909
. Marketing costs	59,779	—	59,779
. Other costs	882,730	8,246	890,976
	4,397,061	43,206	4,440,267
Support costs			
. Staff costs	1,068,501	6,735	1,075,236
. Legal and professional	20,082	510	20,592
. Other costs	302,514	4,599	307,113
. Governance costs (note 5)	98,870	717	99,587
	1,489,967	12,561	1,502,528
2021 Total funds	5,887,028	55,767	5,942,795

4 Expenditure on charitable activities – provision of education (continued)

	Unrestricted funds £	Restricted funds £	2020 £
<i>Direct costs</i>			
. Staff costs	1,421,938	84,078	1,506,016
. Visiting lecturers	335,521	3,085	338,606
. Premises	392,862	3,771	396,633
. Production allowances and costs	378,461	4,459	382,920
. Repairs and technical maintenance	123,721	1,163	124,884
. Depreciation	43,034	463	43,497
. IT costs	134,064	—	134,064
. Marketing costs	79,645	—	79,645
. Other costs	285,107	2,630	287,737
	<u>3,194,353</u>	<u>99,649</u>	<u>3,294,002</u>
<i>Support costs</i>			
. Staff costs	970,780	—	970,780
. Legal and professional	54,663	458	55,121
. Other costs	239,339	4,052	243,391
. Governance costs (note 5)	76,816	666	77,482
	<u>1,341,598</u>	<u>5,176</u>	<u>1,346,774</u>
2020 Total funds	<u>4,535,951</u>	<u>104,825</u>	<u>4,640,776</u>

Adaptations to delivery, particularly on the MA Filmmaking programme, made during the year to enable teaching to continue in a COVID-safe way led to considerable exceptional costs in the year which would be expected to fall away in future years. Notable examples include external studios (shown as Premises above), £427k (2021) vs £67k (2019); and Visiting Lecturers £770k (2021) vs £410k (2019).

5 Governance costs

	Unrestricted funds £	Restricted funds £	2021 Total funds £
Audit and advisory fees	29,129	211	29,340
Other professional costs	69,741	506	70,247
2021 Total funds	<u>98,870</u>	<u>717</u>	<u>99,587</u>

	Unrestricted funds £	Restricted funds £	Total funds 2020 £
Audit and advisory fees	22,782	198	22,980
Other professional costs	54,034	468	54,502
2020 Total funds	<u>76,816</u>	<u>666</u>	<u>77,482</u>

6 Net movement in funds

This is stated after charging:

	2021 £	2020 £
Depreciation – owned assets	58,394	43,497
Operating lease rentals – Land and buildings	322,927	282,727
Operating lease rentals – Equipment hire	314,123	46,058
Auditor's remuneration (including VAT)		
. Statutory audit	21,000	19,200
. Other services	6,000	3,780
Staff costs (including visiting lecturers) (note 7)	3,606,555	2,851,658

7 Staff costs

	2021 £	2020 £
Wages and salaries	2,540,243	2,245,997
Social security costs	230,663	208,680
Pension costs	57,705	58,375
	2,828,611	2,513,052

In addition to the staff costs disclosed above, the amount paid to visiting lecturers used by the School in year was £7,944,777 (2020 – £338,606).

The average number of employees, excluding visiting lecturers and temporary staff, during the year was as follows:

	2021 Number	2020 Number
Provision of education		
. Academic staff	42	38
. Support staff	20	18
	62	56

The number of employees who earned £60,000 per annum or more (including taxable benefits but excluding employer pension contributions) during the year was as follows:

	2021 Number	2020 Number
£60,001 - £65,000	1	1
£75,001 - £80,000	1	—
£80,001 - £85,000	—	1
£90,001 - £95,000	1	—
£95,001 - £100,000	1	—
£100,001 - £105,000	—	1
	4	3

7 Staff costs (continued)

The key management personnel of the charity in charge of directing and controlling, running and operating the charity comprise the governors and the Management Team. The total remuneration (including taxable benefits and employer's pension contributions) of the key management personnel for the year was £597,905 (2020 – £484,167).

During the year, staff governors received remuneration only in relation to their roles as staff members. No member(s) of the governing body received any remuneration in respect of their services as governors during the year (2020 – £nil).

No expenses were reimbursed to the governing body members during the year (2020 - £nil).

Remuneration of Director and Chief Executive Officer

	2021 £	2020 £
Basic salary	95,950	102,500
Bonus	—	—
Pension contribution	1,316	1,315
	97,266	103,815

The remuneration package of senior members of staff, including the Director and Chief Executive Officer, is subject to annual review by the Remuneration Committee who use benchmarking information to provide objective guidance.

The Director and Chief Executive Officer reports to the Chair of the Board, who undertakes an annual review of his performance against the School's overall objectives using both qualitative and quantitative measures of performance.

	2021 £	2020 £
Chief Executive's basic salary as a multiple of the median of all staff	2.83	2.99
Chief Executive's total remuneration as a multiple of the median of all staff	2.81	2.89

8 Taxation

The London Film School Limited is a registered charity and therefore is not liable to income tax or corporation tax derived from its charitable activities, as it falls within the various exemptions available to registered charities.

9 Tangible fixed assets

	Leasehold premises in course of construction £	Cinema equipment £	Fixtures, fittings and computer equipment £	Total £
Cost				
At 1 September 2020	901,268	214,035	105,166	1,220,469
Additions	—	166,395	—	166,395
At 31 August 2021	<u>901,268</u>	<u>380,430</u>	<u>105,166</u>	<u>1,386,864</u>
Depreciation/Write down				
At 1 September 2020	901,268	129,142	74,509	1,104,919
Charge for the year	—	40,382	18,012	58,394
At 31 August 2021	<u>901,268</u>	<u>169,524</u>	<u>92,521</u>	<u>1,163,313</u>
Net book values				
At 31 August 2020	—	84,893	30,657	115,550
At 31 August 2021	<u>—</u>	<u>210,906</u>	<u>12,645</u>	<u>223,551</u>

Leasehold premises in course of construction relates to expenditure arising during the post-feasibility phase of the School's relocation project. The COVID-19 pandemic and its subsequent impact on the availability of finance has stalled further progress in the relocation project. Reflecting the change in the likelihood of the London City Island relocation project in the near future, the capitalised costs incurred to date were written down in the year ended 31 August 2020.

During the year ended 31 July 2021 certain cinema equipment which had been purchased a number of years ago, and which had not been capitalised, was exchanged for new cinema equipment with a market value of £150,000. This new equipment has been capitalised at its market value and this has been recognised as gain on disposal in the statement of financial activities.

10 Debtors

	2021 £	2020 £
Trade debtors	124,163	137,403
Other debtors	113,759	83,244
Prepayments and accrued income	344,271	363,919
	<u>582,193</u>	<u>584,566</u>

11 Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	268,170	130,527
Taxation and social security creditor	—	54,540
Accruals and deferred income	1,603,309	2,332,066
Sundry creditors	123,260	71,092
CBILS Loan (see note 12)	100,000	—
	2,094,739	2,588,225

	2021 £	2020 £
Deferred income at 1 September	2,003,069	952,507
Released during the year	(2,003,069)	(952,507)
Resources deferred in the year	1,031,200	2,003,069
Deferred income at 31 August	1,031,200	2,003,069

Deferred income consists principally of fee income received in advance.

12 Creditors: amounts falling due in more than one year

	2021 £	2020 £
CBILS Loan	1,400,000	—

Maturity of debt	2021 £	2020 £
CBILS loan repayable within one year	100,000	—
CBILS loan repayable between one and two years	300,000	—
CBILS loan repayable between two and five years	900,000	—
CBILS loan repayable in more than five years	200,000	—
	1,500,000	—

The CBILS loan was drawn down in full in April 2021 it is unsecured with a fixed interest rate of 3% per annum. The first year is interest and repayment free; the balance is then to be repaid over five years at £25,000 per month plus interest from May 2022.

13 Restricted funds

The income funds of the School include restricted funds comprising the following unexpended balances of grants and donations to be applied for specific purposes.

	At 1 September 2020 £	Income £	Expenditure £	Transfer between funds £	At 31 August 2021 £
Office for Students	—	44,115	(44,115)	—	—
Skillset Academy Fund	692	12,609	(7,609)	—	5,692
Kickstart	—	4,043	(4,043)	—	—
Adam Sedgwick Award	5,010	—	—	—	5,010
Leverhulme fund	9,704	—	—	—	9,704
	15,406	60,767	(55,767)	—	20,406

	At 1 September 2019 £	Income £	Expenditure £	Transfer between funds £	At 31 August 2020 £
Office for Students	—	61,529	(61,529)	—	—
Skillset Academy Fund	—	692	—	—	692
Building and Development fund	18,543	—	—	(18,543)	—
Adam Sedgwick Award	5,010	—	—	—	5,010
Leverhulme fund	—	43,217	(33,513)	—	9,704
Outreach projects	—	10,396	(10,396)	—	—
	23,553	115,834	(105,438)	(18,543)	15,406

Office for Students fund

The Office for Students fund is restricted to supporting teaching through spend related to the delivery of course costs.

Skillset Academy fund

The Skillset Academy fund is restricted to the funding of bursaries for the Skillset Screen Academy Project, specific new teaching and associated overheads.

Kickstart Scheme

The Kickstart Scheme provides funding to employers to create jobs for 16 to 24 year olds on Universal Credit as a high quality 6-month job placement.

Building and Development fund

This fund represents monies raised specifically to fund the new building relocation project. Transfers from this fund to unrestricted funds represent capital expenditure incurred through the restricted funds.

Adam Sedgwick Award

The Adam Sedgwick Award is restricted to the funding of a grant to help a graduating student after the completion of the course.

13 Restricted funds (continued)

Leverhulme fund

The Leverhulme Trust has donated to this fund which is dedicated to applicants of high academic standard who could not otherwise continue their studies throughout the academic year and beyond without funding assistance.

Outreach Projects

Partners across a range of our projects have included the British Film Institute, Film London's Equal Access Network, Creative England's iFeatures scheme, British Council and many more.

14 Tangible fixed assets fund

	2021 £	2020 £
At 1 September	115,550	823,010
Net movements in year	108,001	(707,460)
At 31 August	223,551	115,550

The tangible fixed assets fund represents the net book value of the School's fixed assets. A decision was made to separate this fund from the other unrestricted funds of the School in recognition of the fact that the tangible fixed assets are essential to the day-to-day operation of the school. The fund value, therefore, cannot be easily realised without jeopardising the ongoing operation of the School.

15 Designated funds

The income funds of the School include the following designated funds which have been set aside by the governors for specific purposes:

	At 1 September 2020 £	New designation £	Utilised £	At 31 August 2021 £
Relocation fund	794,487	—	(794,487)	—

	At 1 September 2019 £	New designations £	Utilised £	At 31 August 2020 £
Relocation fund	1,000,000	—	(205,513)	794,487

The relocation fund consists of monies set aside by the governors towards the cost of relocation project. These funds have been released to general funds in the year as the project is no longer expected to go ahead.

16 Operating lease commitments

At 31 August the School had the following future minimum commitments under non-cancellable operating leases:

	Equipment		Land and buildings	
	2021	2020	2021	2020
	£	£	£	£
Operating lease payable:				
Within one year	—	—	89,400	89,400
	—	—	89,400	89,400

The lease renewals for both properties occupied by the School are in place including clauses which allow the School a break option subject to giving six months' notice. This will enable a move to new premises once the development project is complete.

17 Related and connected parties disclosure

At 31 August 2021 the School was owed £nil (2020 – £nil) by The London Film Society Limited, charity registration number 1146656, company number 07886379. During the year ended 31 August 2021 the school paid expenses totalling £nil on behalf of The London Film Society, and there were no other transactions between the School and the Society during the year (2020 – expenses totalling £nil). One Governor of the School and two members of the School's Management Team served as the trustees of the London Film Society Limited during the year. The London Film Society Limited was dissolved on 20 October 2020.

The School has taken exemption from preparing consolidated financial statements on the grounds that the London Film Society Limited is not material for the purpose of giving a true and fair view.



**London
Film
School
Limited**

**Annual Report and Financial
Statements**

31 August 2021

Company Limited by Guarantee
Registration Number
01197026 (England and Wales)

Charity Registration Number
270302

Contents

Reports

Reference and administrative information	1
Chair's introduction	3
Governor's report	4
Statement of corporate governance and internal control	16
Independent auditor's report	22

Financial statements

Statement of financial activities	28
Balance sheet	29
Statement of cash flows	30
Principal accounting policies	31
Notes to the financial statements	35

Reference and administrative information

Governors	Gregory Dyke (Chair) Amanda Nevill CBE (Vice Chair – appointed 17/12/2020) Kemal Akhtar Peter Armstrong (resigned 14/10/2021) Suzy Black (appointed 17/12/2020) Helen Dudley CBE (retired 31/12/2020) Professor Diana Green (Vice Chair – retired 14/10/2020) Diane Herbert (appointed 17/12/2020, resigned 15/09/2021) Peter Hogenson (Student Governor, resigned 31/07/2021) Rhys Holland (appointed 01/08/2021) Peter Holliday (appointed 23/10/2019) Nick Humby Olivier Kaempfer William MacPherson (appointed 17/12/2020) Moshe Nitzani (Staff Governor, retired 25/9/2020) Cindy Rampersaud (appointed 17/12/2020) Joan Watson (appointed 17/12/2020) Sophia Wellington (Staff Governor, appointed 28/09/2020)
Management Team	Gisli Snaer (Director and Chief Executive Officer) Femi Kolade (Director of Studies) Dan Lawson (Chief Operating Officer) Veronique Fricke (Head of Marketing & Student Recruitment) Robin Graham (Secretary to the Board) Tiana Harper (MA Filmmaking Course Leader) Michele Maher (Academic Registrar) Anita O'Connor (Financial Controller) Victoria Thomas (MA International Film Business Course Leader) Caroline Ward (Head of HR) Sophia Wellington (MA Screenwriting Course Leader)
Company Secretary	Robin Graham
Principal address and registered office	24 Shelton Street London WC2H 9UB
Telephone	0207 836 9642
Facsimile	0207 497 3718
Website	www.lfs.org.uk
E-mail	info@lfs.org.uk
Company registration number	01197026 (England and Wales)

Reference and administrative information

Charity registration number 270302

Auditor Buzzacott LLP
130 Wood Street
London
EC2V 6DL

Bankers Royal Bank of Scotland
London Drummonds Branch
49 Charing Cross
London
SW1A 2DX

Solicitors Pinsent Masons LLP
30 Crown Place
London
EC2A 4ES

Chair's introduction

Chair's Introduction to Annual Report and Financial Statements, 31 August 2021

These accounts for London Film School cover the year ending 31st August 2021. In that year COVID-19 has tested our School like no other event in its long history but thankfully our students, staff, actors and visiting lecturers have risen to the challenge magnificently.

With considerable efforts on the part of our teaching staff and visiting industry professionals, all of our practical film productions have been carried out under industry-led 'COVID-safe' protocols, with no compromise in their usual outstanding quality. On top of that at least 60% of our scheduled teaching was delivered in-person, even as the UK cautiously emerged from the long lockdown in the first half of 2021.

Our MA Screenwriting and MA International Film Business continued with both online and in-person elements, before resuming in-person delivery in autumn 2021.

The essential adaptations we made to make our operations 'COVID-safe' have come at a financial cost. These included hiring external studio facilities, doubling teaching time for smaller groups, higher direct production costs, and providing hardship support to students impacted by the pandemic. In all, since the pandemic began early in 2020 we estimate that COVID has cost the School more than £2m in exceptional costs and lost income, and of course there was a physical and mental challenge to both staff and students who were constantly asked to adapt to new and unpredictable circumstances.

We believe very strongly that it was right to prioritise delivering practical education for our students whilst ensuring a safe environment for all. Now, with the UK's successful vaccination programme and improving health outcomes, we hope to return more of our teaching and production to normal operations.

Despite the challenges, our graduates once again enjoyed outstanding successes with over 200 film screenings at international film festivals including Locarno, Clermont-Ferrand, Aspen and Berlin, garnering over 40 awards along the way.

Looking to the future, our focus is now on developing a new, post-pandemic strategic plan. I'm pleased to have welcomed a number of new Governors to our board in the past year to help us on that journey, and we look forward to sharing our plans in due course.

Once again, on behalf of the Governors, I extend our thanks and admiration to the staff and students for their continued commitment to the long-term success of LFS.

Greg Dyke

February 2022

The Governors present their annual report together with the financial statements of London Film School Limited for the year ended 31 August 2021.

The financial statements have been prepared in accordance with the accounting policies set out on pages 31 to 34 and comply with the charitable company's memorandum and articles of association, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), effective from accounting periods commencing 1 January 2015 or later.

Governance, structure and management

Constitution

London Film School Limited ("LFS" or "the School") is a registered charity (Charity Registration No. 270302) and a company limited by guarantee (Company Registration No. 01197026). The charitable company's memorandum and articles of association dated 20 January 1975 (as amended by special resolution of 21 July 1975 and 21 March 2002) are its primary governing documents.

Members' liability

The liability of the members in the event of winding up is limited to 50 pence per member.

Governors

The Governors of the School also constitute directors of the charitable company for the purposes of company law and trustees for charity law. This report is also a directors' report as required by section 415 of the Companies Act 2006. The Governors who held office during the financial year and at the date of signing this report are set out on page 1.

Governors are appointed by election at the Annual General Meeting (AGM). The Student Governor is elected by students and the Staff Governor is elected by the staff.

Members of the Management Team, as set out on page 1, cannot be appointed as Governors of the School.

The size of the Governing Body is set between 8 and 25 Governors. Approximately one third of the Governing Body retire annually, by rotation in order of seniority, and can offer themselves for re-election at the AGM.

Governance, structure and management (continued)

Governors (continued)

The Nominations Committee undertakes a skills analysis of the Governing Body and role profiles are agreed, against which the School recruits new Governors. Governors must have empathy with film and the creative industries. Newly appointed Governors receive a full induction to the School, bespoke to their needs. The Governing Body regularly holds an away day, joined by members of the Management Team.

Organisation

Under normal circumstances the Governing Body meets six times a year, although since the onset of the global pandemic in March 2020 it has met more regularly in order to ensure the School's response has been effective and timely.

Its governance structure includes four committees:

- ◆ a Nominations Committee to oversee the appointment, induction and development of its governors;
- ◆ a Remuneration Committee to make senior appointments, decide and agree the remuneration for the Director and senior members of staff, and consider recommendations from the Director on pay and reward more generally across the School;
- ◆ an Audit & Risk Committee to advise on risk, internal control, governance and promoting value for money; and
- ◆ a Relocation Committee, to review the School's estates strategy and oversee progress on renewing its facilities.

The Governing Body also receives minutes from the Academic Board as a line of sight on all academic matters.

The day-to-day running of the School is delegated to the Director and the Management Team.

Key management personnel

The key management personnel of the School comprise the Governors and the Management Team.

The Management Team are a dedicated team of management personnel that have the authority and responsibility of planning, directing and controlling the activities of the School, directly or indirectly. Within the School this includes the Director, Director of Studies, Chief Operating Officer, Head of Marketing & Student Recruitment, Academic Registrar, Financial Controller and Head of HR. Since September 2021, Course Leaders for each of the MA programmes have also joined the Management Team, ensure greater visibility of academic matters and greater academic inclusion. The Management Team meets formally on a fortnightly basis, with minutes of each meeting shared with all staff.

Governance, structure and management (continued)

Statement of governors' responsibilities

The Governors (who are also directors of The London Film School Limited for the purposes of company law) are responsible for preparing the governors' report and financial statements in accordance with applicable law and 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 affairs of the charitable company and of the income and expenditure of the charitable company for that period. In preparing these financial statements, the Governors are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102);
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable UK accounting standards have been followed, subject to any material 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 charitable company will continue in operation.

The Governors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company 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 charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Governors confirms that:

- ◆ as far as they are aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- ◆ they have taken all the steps that they ought to have taken as a governor in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Governance, structure and management (continued)

Risk management

The Governors have assessed the major risks to which the charity is exposed, in particular those relating to the specific operational areas of the School and its finances. The Governors believe that by monitoring reserves levels, by ensuring controls exist over key financial systems, and by examining the operational and business risks faced by the School, they have established effective systems to mitigate those risks. Our keys risks include:

COVID-19

The academic year 2020-21 was again defined by the ongoing global coronavirus pandemic, and in common with other Higher Education Providers, London Film School continued to adapt its delivery with a primary focus on ensuring as much face-to-face teaching could safely take place, whilst ensuring the health and safety of staff and students. The School again enjoyed tremendous commitment, dedication and resilience amongst staff and students.

In particular, the UK-wide lockdown of January 2021 presented a significant challenge as Higher Education Providers were advised to cease all in-person teaching. This meant rapidly replanning the delivery of the intensely practical MA Filmmaking course, whilst other programmes could resume online delivery.

A by no means exhaustive list of key elements of the School's COVID-19 response in 2020/21 includes:

- ◆ taking a balanced and risk-based approach to resuming in-person teaching activities across the Filmmaking and Screenwriting programmes, with an average of 60% of scheduled teaching activity taking place in person by the summer term of 2021;
- ◆ rescheduling the delivery of the MA Filmmaking course in response to the UK government's lockdown of January 2021, compressing the spring, summer, and autumn terms into a 9-month period to ensure no lost learning for students across the remainder of the calendar year
- ◆ continuing our expansive programme of exclusive masterclasses and other activities to keep students engaged with the School during the lockdown periods;
- ◆ making judicious use of off-site studio facilities to ensure film production could safely continue throughout the academic year; and
- ◆ extending the COVID-19 Relief Fund to alleviate hardship amongst students whose financial circumstances had changed dramatically and unexpectedly due to the effects of the pandemic.

In 2020 the School reintroduced a means-tested bursary scheme which benefits UK and EU students. It continues to be in a position to offer a small number of scholarships to students from other countries where access to film education is limited. The School receives funding from The Leverhulme Trust to provide bursaries to students and allocates London Film School and Leverhulme bursaries according to students' needs.

Governance, structure and management (continued)

Risk management (continued)

Student Recruitment

Despite early and sector-wide concerns as to the impact of COVID-19 on student recruitment, particularly amongst international students, interest and applications from the international market remained strong for LFS' MA programmes since the start of the pandemic. In common with other UK Higher Education Providers, London Film School experienced reductions in demand from the EEA markets.

The diversity of an international cohort brings many unique benefits to LFS and continues to be one of the School's unique selling points. With the School now registered with the Office for Students, UK students are now able to access postgraduate loan support towards their studies, which we expect to be particularly impactful on the MA Screenwriting course. The MA Screenwriting course benefited from a 42% application increase in 2021 from August 2019. Across the three MA Filmmaking intakes, MA Filmmaking had an average application increase of 86% from 2020.

London Film School participates in the William D. Ford Direct Student Loan Program authorised by the US Education Department to help with student recruitment from the USA.

Regulatory Environment

As a registered Higher Education Provider under the Office for Students, LFS is subject to considerable regulatory oversight aimed at ensuring its courses offer high levels of quality and value for money. In order to ensure ongoing compliance with the new regulatory environment the School has made further progress in reviewing and updating the School's policy frameworks, with an emphasis on quality assurance, and regular internal monitoring and reviews.

LFS' continued membership of CILECT, the confederation of international film schools, and now also of GuildHE, ensures it has a supportive network of providers in the same field with whom to share and learn best practice.

Relocation

The School has a longstanding ambition to refresh its premises and facilities to ensure they continue to offer a peerless learning environment to match the high-quality teaching across our programmes.

In the 2019/20 statutory accounts, development costs incurred to date on the London City Island (LCI) project were written down, reflecting the worsening outlook for capital fundraising in the early stages of the coronavirus pandemic.

At the time of preparing these accounts, that picture has not improved materially and the LCI project remains on hold. The Governors and Management Team expect to revisit the question of suitable facilities for the School's long-term future as we emerge from the immediate challenges of the global pandemic.

Governance, structure and management (continued)

Fundraising

The School's fundraising approach is to engage only with trusts, foundations and other grant making institutions.

During the course of the year, we were awarded Leverhulme Trust Arts Scholarships to the amount of £185,016 in their latest round of funding which will be available from September 2022, enabling talented students without the financial means to access both our MA Filmmaking and MA Screenwriting programmes, and we continued our partnership with The Saïd Foundation supporting students of Syrian, Jordanian, Lebanese or Palestinian nationality to study at the School at no cost.

Due to COVID-19, the School has not actively sought funds from the general public, and therefore is not yet subscribed to any fundraising regulation schemes or standards. External fundraising support for the capital project has paused since the onset of COVID-19 and will be reviewed from 2022 as plans for renewing LFS' facilities progress while internal fundraising resources refocused efforts on supporting bursaries, scholarships, and hardship funds during the pandemic.

There have not been any complaints arising as a result of the School's fundraising activities in the year.

Relationship with other organisations

In pursuit of its objectives, the School works with a number of other organisations including ScreenSkills, the University of Exeter, the University of Warwick, the Deutsche Film und Fernsehakademie Berlin (DFFB) and UGC Series Mania. Other partners across a range of our projects have included the British Film Institute, Film London's Equal Access Network, Creative England's iFeatures scheme, the British Council and many more.

Objectives and activities

The School's principle purpose is the provision of professional level training in the art and technique of film production and feature film screenwriting. Our core provision includes a two-year MA Filmmaking degree covering all of film's craft and interpretive departments, and a one-year MA in Screenwriting. The MA in International Film Business continues in partnership with Exeter University, as does a successful PhD by Practice programme.

The School also offers over 50 short course workshops for film and television professionals each year. Since 2016, the School has also offered an expanding programme of outreach projects, bringing filmmaking training and education to audiences who could not normally access such opportunities for reasons of cost or geography.

The Governors confirm that they have referred to the Charity Commission's general guidance on public benefit when reviewing the School's objectives and aims and in planning future activities.

Objectives and activities (continued)

The School's main objectives for the year were:

- ◆ Ensure that the School is appropriately resourced and situated in contemporary facilities, matching the excellence in our teaching and delivering a peerless learning experience
 - ◇ As described above, the relocation project has been paused during the global pandemic due to financing challenges. The Governing Body and Management Team expect to revisit the pressing issue of suitable facilities as we emerge from the immediate challenges of the pandemic.
- ◆ Ensure our film education is accessible to all UK students irrespective of background or income
 - ◇ Since registering with the Office for Students in 2019, all LFS' postgraduate programmes qualify for postgraduate loan support. New bursaries were introduced in 2020 to support UK students on both MA Filmmaking and MA Screenwriting programmes, and a COVID-19 Relief Fund was also introduced to support students experiencing unexpected hardship as a direct result of the global pandemic.
 - ◇ The School resumed the development of a new Equality, Diversity, and Inclusion (EDI) strategy after the events of summer 2020, recognising that LFS needed to do more to improve access to film education and to promote an anti-racist approach in our work. Developments to date include the formation of an EDI working group comprising staff and students; a review of our existing recruitment approaches and HR policies, and a programme of decolonising the curriculum. A specialist consultant has been engaged to work proactively with the Management Team and staff body more generally to review and update policies and lay the foundations for a new Culture Strategy to guide the School's progress.
- ◆ Maintain our excellent international profile, exporting best-practice around the world and bringing new global perspectives to our pedagogy
 - ◇ The School remained a member of CILECT (the International Association of Film and Television Schools), including attendance at the annual congress in Moscow in 2019, and its regional division GEECT (European Grouping of Film and Television Schools). As can be seen below, LFS graduation work once more enjoyed a year of wide international exposure at festivals and award ceremonies around the world.
- ◆ Ensure our film education offer continues to be among the best in the world and is relevant to the film and wider creative industries of today, and tomorrow.
 - ◇ Our Director of Studies interminably worked closely with the academic team to continue improving quality monitoring and the process by which student feedback is captured, listened and responded to. Our short course and outreach work now comes under the Director of Studies' remit bringing better synergies and sharing of best practice across the full gamut of LFS' educational programmes.

Objectives and activities (continued)

- ◆ Build new and lasting partnerships and collaborations with industry and relevant institutions
 - ◇ We continued to build strong links with local industry partners including the BFI, Film London, ScreenSkills, and more. We were especially pleased to continue our partnership with Film London's Equal Access Network.

Achievements and performance

LFS filmmakers garnered accolades in a range of festivals and competitions, receiving recognition globally from industry for the quality of their work.

For the second year running, LFS is once again globally recognised as a top filmmaking school through its inclusion in the prestigious 2021 The Hollywood Reporter Top Film Schools list.

Festivals

225 films created at London Film School have screened at 191 global film festivals, winning 43 awards and receiving 15 nominations. Film festivals such as the prestigious Locarno Film Festival awarded the graduate film after a room with the Swiss Silver Pardino. BAFTA eligible ASFF screened Skarbnik, and The Beast won Best Comedy.

Clermont-Ferrand International Short Film Festival screened two graduate films, Transit and Some Manifestations of the South. Oscar-eligible Aspen Shortfest screened Summer Shade, Cinematographer ET Ng won the British Society of Cinematographers Awards. Filipiñana, which screened at 19 festivals and won 10 awards including the Silver Bear Jury Prize Short Film at the Berlinale International Film Festival in 2020 and won the Best Film and George Lucas Prix Best in Show at the Academy-eligible Short Shorts Film Festival & Asia winning the third place at the International Association of Film and Television School (CILECT) Prize and screened at the Edinburgh International Film Festival. The film continued to win: London Film Critics Circle Awards, Grand Prix, Best of British at Encounters where two other grad films were screened also: Walter the Dog and WE ALL JUST WANT TO BE MAD. Macchiato was shortlisted at the GSA BAFTA Student Film Award. The London Short Film Festival also screened Filipiñana and grad films Calladita, Garças, after a room, Some Manifestations of the South.

Annual Graduate Showcase

As is customary, London Film School celebrates the work created by the students and supported by staff, launches the latest crop of filmmaking talent into the industry. Due to COVID, instead of in-person event, a bespoke microsite was built to showcase the work to the industry.

Over 1,800 people logged into the online Graduate Showcase between 18-23 January 2021, an increase of 360% on 2020's in person event at the BFI compared to an increase of 16% of 2019 to 2020.

Achievements and performance (continued)

Annual Graduate Showcase (continued)

From those that registered in advance of the event, (about 60% our total audience) we know that:

- ◆ 27% were friends and family
- ◆ 41% were students and staff
- ◆ 32% were industry

On the Films page, viewers spent an average of 10 mins, and our recording of the MA Screenwriting students' scripts was viewed 1,200 times over six days. Our highest proportions of visitors came from the UK (40%), the USA (16%) and China (7%), followed by Papa New Guinea (5%), Portugal (4%) and Australia (3.5%).

Event attendance for the three masterclasses and networking session were up 220% on the previous year and were described by attendees as 'enlightening' and 'inspiring'.

Honorary Associates

Honorary Associates are announced at LFS's annual Graduate Showcase, held each year at the end of January.

Kasi Lemmons is an award-winning director/ writer/ producer/ actor and professor. Her acclaimed 1997 feature directorial debut, *Eve's Bayou*, was recently inducted into the National Film Registry and is considered among the first to showcase the beauty of African American Southern culture.

Her fifth feature film, *Harriet*, a powerful drama based on the life of American icon Harriet Tubman, received Academy Award nominations. Other directing work included *Luke Cage*, *Self-Made: Inspired by the Life of Madam C.J. Walker*. As an actor, Lemmons appeared in such notable films as Jonathan Demme's *Silence of the Lambs*, John Woo's *Hard Target* and Spike Lee's *School Daze*.

Marianne Jean-Baptiste is an award-winning actor/director/writer/composer, known for *Without a Trace*, *Secrets & Lies* and *Spy Game*. She gained international acclaim following the success for Mike Leigh's social drama *Secrets & Lies*, for which she received acclaim and earned nominations for the Academy Award for Best Supporting Actor, the Golden Globe and BAFTA Award in the same category.

As writer and composer, Jean-Baptiste recorded an album of jazz songs and composed the musical score for Leigh's 1997 film *Career Girls*. As an actor, Jean-Baptiste has starred in many tv series and films such as Tom Clancy's *Jack Ryan*, *Without a Trace*, *Blindspot*, *Homecoming*, *Broadchurch*, *Edge of Tomorrow*, *Spy Game*, *Robocop*. Jean-Baptiste was praised for her stage performance in the 2013 National Theatre production of James Baldwin's play *The Amen Corner*, directed by Rufus Norris.

Achievements and performance (continued)

Annual Graduate Showcase (continued)

Honorary Associates (continued)

Our Honorary Associate Marianne Jean-Baptiste wrote to congratulate 'the standard and individuality' of the films.

Past Honouree's span all areas of the screen industry and in the course of the school's rich history, have included Abi Morgan, Amma Asante, Asif Kapadia, Stephen Frears, Jim Broadbent, Christine Langan, Tessa Ross, Philip French, Ralph Fiennes, Ken Loach and Lynne Ramsay, alongside the diverse graduates of the School's film programmes.

The Associates remain an integral part of the School's wide-ranging pool of industry experts and student mentors for years to come. The School's Honouree programme is possible with the generous assistance of the School's Graduation sponsors: Panalux, Sargent-Disc and Final Draft. As part of the Honorary Associate role, they will visit the School during the coming year as part of its long-running Masterclass programme, an exclusive series of industry and alumni-focused events dedicated to the School's filmmaking students.

Students described the Showcase as 'fantastic', 'beautifully made' 'really, really appreciated', 'a stellar showcase'. Industry described the platform as 'truly magnificent...enjoyable and intuitive'.

Financial review

A summary of the year's results can be found on page **Error! Bookmark not defined.** of the attached financial statements. Total income for the year was £5,561,877 (2020 – £4,281,728). The majority of the income is from MA tuition fees.

Total expenditure for the year amounted to £5,983,135 (2020 – £5,607,840).

The net movement in funds for the year was a deficit of £421,258 (2020 – deficit £424,430).

Reserves policy and financial position

In light of post-pandemic recovery planning and a wider review of the strategic plan for the School going forward, the reserves policy for the School is under review and will be further developed in the coming year. In devising a new reserves policy, Governors will have regard to the School's future plans, liquidity requirements, and proportionate contingency funds against unexpected adverse events.

Previously, Governors have considered that a free reserves level (i.e. those unrestricted funds not invested in tangible fixed assets, designated for specific purposes or otherwise committed) of approximately six months' annual expenditure on unrestricted funds has been appropriate given the nature of the Schools' work.

Financial review (continued)

Reserves policy and financial position (continued)

On 31 August 2021, the School had total funds of £658,138 (2020 – £1,079,396). Included in total funds is an amount of £20,406 (2020 – £15,406) which is restricted. These monies have either been raised for, and their use restricted to specific purposes, or they comprise donations subject to donor-imposed conditions. Full details of these restricted funds can be found in note 13 to the financial statements together with an analysis of movements in the year.

Unrestricted funds of the charity at 31 August 2021 amounted to £637,732 (2020 – £1,063,990), which are net of a £1.5m CBILS loan. These funds include tangible fixed assets with a net book value of £223,551 (2020 – £115,550) as well as other funds designated for specific projects of £nil (2020 – £794,487). Free reserves of the School at 31 August 2021, were £414,181 (2020 – £153,953).

While the free reserves are below the level of 6 months' expenditure stated above, the policy is kept under review. As a contingency and in order to support the School through any further uncertainty in the coming year, the School has also arranged a £1.5m loan facility through the Coronavirus Business Interruption Loan Scheme (CBILS).

Plans for the future

The School is now four years into its five-year strategic plan, approved by the Board of Governors in 2018, which sets the key strategic objectives as:

- ◆ Ensure that LFS is appropriately resourced and situated in contemporary facilities, matching the excellence in our teaching and delivering a peerless learning experience
- ◆ Ensure our film education is accessible to all UK students irrespective of background or income
- ◆ Maintain our excellent international profile, exporting best practice around the world and bringing new global perspectives to our pedagogy

Ensure our film education offer continues to be among the best in the world and is relevant to the film and wider creative industries of today, and tomorrow

- ◆ Build new and lasting partnerships and collaborations with industry and relevant institutions.

Whilst COVID-19 continues to present immediate and future challenges for all providers of practical film education, the School's attentions are also turning to a post-pandemic future, including reviewing the impact of the pandemic on our delivery and taking the opportunity to evaluate those adaptations that may become permanent improvements to our activities.

Plans for the future (continued)

Key projects for the coming year will include a new Strategic plan from 2023; resuming work on the School's longstanding ambition to renew its teaching facilities; continuing to remove barriers to entry for UK students through financial support from postgraduate loans and increasing our bursaries and scholarships funds; continuing to support the development of our students and their future successes on the national and international stage; and continuing to develop new outreach and short course programmes that complement our existing provision and contribute to our vision of LFS as a distinctive global leader in contemporary, practice-based film education and research.

Approved by the Governing Body and signed on its behalf by:



Governor Gregory Dyke

Approved by the Governors on: 24 February 2022

Statement of corporate governance and internal control

The following statement is provided to enable readers of the annual report and financial statements of London Film School Limited to obtain a better understanding of its governance and legal structure. The statement covers the period from 1 September 2020 to 31 August 2021 and up to the date of the approval of the annual report and financial statements.

The School endeavours to conduct its business:

1. Having due regard to the UK Corporate Governance Code 2018 in so far as it is applicable to the Higher Education Sector; and
2. Complying with Office for Students on-going conditions or regulations and terms of conditions of funding as well as other regulatory responsibilities.

We have adopted the UK Corporate Governance Code. We have reported on our Corporate Governance arrangements by drawing upon best practice available, including those aspects of the UK Corporate Governance Code that we consider relevant to the Higher Education Sector.

The Governors recognise that the School, as a body entrusted with both public and private funds, has a particular duty to observe the highest standards of corporate governance at all times.

Legal Status

The London Film School is a Registered Charity and a Private Limited Company by guarantee without share capital.

The Governors confirm that they have due regard for the Charity Commission's guidance on public benefit and that the required statement appears elsewhere within these financial statements.

Statement of corporate governance and internal control

Governors

The members who served as Governors during the year and up to the date of signature of this report are listed below.

Governor	Appointed/Resigned
Greg Dyke (Chair)	
Amanda Nevill (Vice Chair)	Appointed 17 December 2020
Kemal Akhtar	
Peter Armstrong	Resigned 14 October 2021
Suzy Black	Appointed 17 December 2020
Helen Dudley CBE	Retired 31 December 2020
Professor Diana Green CBE (Vice Chair)	Retired 31 December 2020
Diane Herbert	Appointed 17 December 2020, resigned 15 September 2021
Peter Hogenson (Student Governor)	Retired 31 July 2021
Rhys Holland (Student Governor)	Appointed 1 August 2021
Peter Holliday	Appointed 23 October 2019
Nick Humby	
Olivier Kaempfer	
William MacPherson	Appointed 17 December 2020
Moshe Nitzani (Staff Governor)	Retired 25 September 2020
Cindy Rampersaud	Appointed 17 December 2020
Joan Watson	Appointed 17 December 2020
Sophia Wellington (Staff Governor)	Appointed 28 September 2020

Governors' interests

Governors are shown above and except for any instance mentioned above have served throughout the year. None of the Governors have any interests within the company.

Meeting procedures

Formal agendas, papers and reports are supplied to the Governors in a timely manner, prior to Governing Body meetings. Briefings are also provided on an ad hoc basis. Reports include overall financial performance of the School together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel related matters such as health and safety issues. The Governing Body met 8 times in 2020/21.

The Governing Body receives advice on the conduct of its business from five committees. Each committee has its own terms of reference which have been approved by the Governing Body. These committees are: Audit and Risk; Nominations; Remuneration; Relocation; and the Academic Board.

London Film School has a strong and independent non-executive element, and no individual or group dominates its decision-making process. The School considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate.

Statement of corporate governance and internal control

Appointment to the Governing Body

The Nominations Committee undertakes a skills analysis of the Governing Body and role profiles are agreed, against which the School recruits new Governors. New Governors must have empathy with film and creative art industries. Their induction includes a tour of the School, screenings and from time to time an away day attended by the Governing Body, the principal officers and the wider Management Team. An information pack about the School is also given to each new Governor.

Governing Body performance

The Governing Body has made a strong contribution to the improvements made in 2020/21 through the setting of challenging targets with regular scrutiny of performance. There is strong performance management at Governing Body meetings. The Governors provide robust scrutiny and challenge. Governors are pro-active in their oversight of the School and are involved in the planning and discharging of Governing Body business.

Committees

Audit and Risk Committee

The Audit and Risk Committee is responsible to the Governing Body in discharging its responsibilities for monitoring the integrity of the Institute's financial statements, the effectiveness of financial controls with regard to internal risk assessment and the performance and objectivity of external auditors.

The members who served on the committee during the year and up to the date of signature of this report are listed below.

Governor	Appointed/Resigned
Professor Diana Green CBE	Retired 31 December 2020
Peter Holliday	
Nick Humby	
Cindy Rampersaud (Committee Chair)	Appointed 17 December 2020
Tamsin Ashmore (co-opted member)	Appointed 23 October 2019
William McPherson	Appointed 17 December 2020
Joan Watson	Appointed 17 December 2020

The Audit & Risk Committee has appointed its first co-opted member, who has particular expertise in finance and audit. The Committee is responsible for the following:

- ◆ To appoint external auditors and agree the audit fee, meet with the external auditors to discuss the scope and nature of the audit and to discuss the findings included within the management letter and management responses.
- ◆ To satisfy itself that all public funds received by the Institute are managed in line with regularity, propriety, and value for money.
- ◆ To satisfy itself that satisfactory arrangements are in place to promote best value, and to monitor other performance as shall be deemed to be reliable and appropriate measures of effectiveness.

Statement of corporate governance and internal control

Internal Control

Scope of responsibility

The Governing Body is ultimately responsible for the organisations' system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Governing Body has delegated the day-to-day responsibility to the Director & CEO, as Accounting Officer, for maintaining a sound system of internal control that supports the achievement of the organisations policies, aims and objectives, whilst safeguarding the public funds and assets. The Accounting Officer is also responsible for reporting to the Governing Body any material weaknesses or breakdowns in internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure and can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of organisation policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at the organisation for the year ended 31 August 2021 and up to the date of approval of the annual report and financial statements.

Capacity to handle risk

The Governors have reviewed the key risks to which the organisation is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Governors are of the view that there was a formal on-going process for identifying, evaluating and managing the School's significant risks that had been in place for the year ended 31 August 2021 and up to the date of approval of the annual report and financial statements.

The risk and control framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. It includes:

- ◆ comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Governors
- ◆ regular reviews by the Governing Body of periodic and annual financial reports which indicate financial performance against forecasts
- ◆ setting targets to measure financial performance
- ◆ the adoption of formal project management disciplines, where appropriate.

Statement of corporate governance and internal control

Internal Control (continued)

Review of effectiveness

The Accounting Officer delegates to the Financial Controller the responsibility for reviewing the effectiveness of the system of internal control. The Financial Controller's review of the effectiveness of the system of internal control is informed by:

- ◆ the work of the external auditors;
- ◆ the work of the senior managers within the organisation who have responsibility for the development and maintenance of the internal control framework; and
- ◆ comments made by the organisation's financial statements and regularity auditors in their management letters and other reports.

There are no significant internal control weaknesses reported for the period.

The Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments. The Management Team and the Audit and Risk Committee also receive regular reports, which include recommendations for improvement.

The Audit and Risk Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Governors' agenda includes a regular item for consideration of risk and control and receives reports thereon from the Management Team and the Audit and Risk Committee.

The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its 16th December 2021 meeting, the governors carried out the annual assessment for the year ended 31 August 2021 by considering documentation from the Management Team and taking account of events since 31 August 2020.

Based on above and reports by the Director & CEO, the Governing Body is of the opinion that the organisation has an adequate and effective framework for governance, risk management and control to manage the achievements of the School's objectives for the year ended 31 August 2021 and it has fulfilled its statutory responsibility for "the effective and efficient use of resources, the solvency of the institution and the safeguarding of their assets".

Statement of corporate governance and internal control

Regularity, propriety, and compliance

The School has considered its responsibility to notify the Office for Students of material irregularity, impropriety and non-compliance with Office for Students terms and conditions of funding.

We confirm, on behalf of the School, that after due enquiry and to the best of its knowledge, the Governing Body believes it is able to identify any material irregularity or improper use of funds by the School, or material non-compliance with terms and conditions of funding under the organisations financial regulations. As part of our consideration we have had due regard to our financial regulations. We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement these will be notified to the Office for Students.

Going Concern

Details on Governors' going concern assessment are set out on page 31.

Approved by the Governing Body and signed on its behalf by:



Chair Gregory Dyke



Director & CEO (Accounting Officer) Gisli Snaer

Date: 24 February 2022

Independent auditor's report to the members of The London Film School Limited

Opinion

We have audited the financial statements of The London Film School Limited (the 'charitable company') for the year ended 31 August 2021 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- ◆ give a true and fair view of the state of the charitable company's affairs as at 31 August 2021 and of its income and expenditure, changes in reserves and cash flows for the year then ended;
- ◆ have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006;
- ◆ where applicable, funds from whatever source administered by the provider for specific purposes have been properly applied to those purposes and managed in accordance with relevant legislation;
- ◆ where applicable, funds provided by the OfS and by Research England have been applied in accordance with the relevant terms and conditions; and
- ◆ meet the requirements of the Office for Student's Accounts Direction 2019/20.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the members of the Governors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Governors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- ◆ the information given in the Governors' report, which is also the directors' report for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the Governors' report, which is also the directors' report for the purposes of company law, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Governors' report.

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

- ◆ adequate accounting records have not been kept; or
- ◆ the financial statements are not in agreement with the accounting records and returns; or
- ◆ certain disclosures of Governors' remuneration specified by law are not made; or
- ◆ we have not received all the information and explanations we require for our audit; or
- ◆ the Governors were not entitled to take advantage of the small companies' exemptions from the requirement to prepare a strategic report.

We have nothing to report in respect of the following matter in relation to which the OfS Accounts Direction 2019/20 requires us to report to you if, in our opinion:

- ◆ the charitable company's grant and fee income, as disclosed in note 1 to these Financial Statements has been materially misstated.

Responsibilities of governors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- ◆ the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- ◆ we identified the laws and regulations applicable to the charitable company through discussions with management, and from our knowledge and experience of the sector;
- ◆ we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the charitable company, including the Charities SORP FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011, the OfS Accounts Direction, data protection legislation, anti-bribery, safeguarding, employment, health and safety legislation;
- ◆ we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- ◆ identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the charitable company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- ◆ making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- ◆ considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

Auditor's responsibilities for the audit of the financial statements (continued)

To address the risk of fraud through management bias and override of controls, we:

- ◆ performed analytical procedures to identify any unusual or unexpected relationships;
- ◆ tested journal entries to identify unusual transactions; and
- ◆ assessed whether judgements and assumptions made in determining the accounting estimates set out in the accounting policies were indicative of potential bias;

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- ◆ agreeing financial statement disclosures to underlying supporting documentation;
- ◆ reading the minutes of Board of Governors meetings;
- ◆ enquiring of management as to actual and potential litigation and claims; and
- ◆ reviewing any available correspondence with HMRC and the charitable company's legal advisors.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the Governors' and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

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

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Shachi Blakemore (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date: 25 February 2022

Statement of financial activities Year to 31 August 2021

		Unrestricted funds	Restricted funds	2021 Total funds	Unrestricted funds	Restricted funds	2020 Total funds
	Notes	£	£	£	£	£	£
Income from:							
Donations	1	10	—	10	—	—	—
Charitable activities	2	5,281,246	60,767	5,342,013	4,110,664	115,142	4,225,806
Investments		298	—	298	5,169	692	5,861
Other income							
. Surplus on disposal of equipment	9	150,000	—	150,000	—	—	—
. Miscellaneous income		69,556	—	69,556	50,061	—	50,061
Total income		5,501,110	60,767	5,561,877	4,165,894	115,834	4,281,728
Expenditure on:							
Raising funds	3	40,340	—	40,340	65,183	613	65,796
Charitable activities							
. Provision of education	4	5,887,028	55,767	5,942,795	4,535,951	104,825	4,640,776
. Write down of capitalised assets	9	—	—	—	901,268	—	901,268
Total expenditure		5,927,368	55,767	5,983,135	5,502,402	105,438	5,607,840
Net (expenditure) income before transfers	6	(426,258)	5,000	(421,258)	(1,336,508)	10,396	(1,326,112)
Transfer between funds	13	—	—	—	18,543	(18,543)	—
Net (expenditure) income and net movement in funds		(426,258)	5,000	(421,258)	(1,317,965)	(8,147)	(1,326,112)
Reconciliation of funds							
Fund balances brought forward at 1 September		1,063,990	15,406	1,079,396	2,381,955	23,553	2,405,508
Fund balances carried forward at 31 August		637,732	20,406	658,138	1,063,990	15,406	1,079,3

There is no difference between the net movement in funds stated above and the historical cost equivalent.

All of the charitable company's activities are derived from continuing operations during the above two financial periods.

The charitable company has no recognised gains and losses other than those shown above.

Balance sheet 31 August 2021

	Notes	2021 £	2021 £	2020 £	2020 £
Fixed assets					
Tangible fixed assets	9		223,551		115,550
Current assets					
Debtors	10	582,193		584,566	
Cash at bank and in hand		3,347,133		2,967,505	
		3,929,326		3,552,071	
Liabilities					
Creditors: amounts falling due within one year	11	(2,094,739)		(2,588,225)	
Net current assets			1,834,587		963,846
Total assets less current liabilities			2,058,138		1,079,396
Creditors: amounts falling due after more than one year	12		(1,400,000)		—
Net assets			658,138		1,079,396
The funds of the charity					
Restricted funds	13		20,406		15,406
Unrestricted funds					
. General fund			414,181		153,953
. Tangible fixed assets fund	14		223,551		115,550
. Designated funds	15		—		794,487
Total funds	16		658,138		1,079,396

Approved by the governors
and signed on their behalf by:



Governor Gregory Dyke

Approved on: 24 February 2022

Company Limited by Guarantee
Registration Number 01197026 (England and Wales)

Statement of cash flows 31 August 2021

	Notes	2021 £	2020 £
Cash flows from operating activities:			
Net cash provided by operating activities	A	395,725	606,821
Cash inflow from investing activities:			
Investment income		298	5,861
Payments to acquire tangible fixed assets		(16,395)	(237,305)
Net cash used in investing activities		(16,097)	(231,444)
Change in cash and cash equivalents in the year		379,628	375,377
Cash and cash equivalents at 1 September	B	2,967,505	2,592,128
Cash and cash equivalents at 31 August	B	3,347,133	2,967,505

Notes to the statement of cash flows for the year ended 31 August 2021

A Reconciliation of net movement in funds to net cash provided by operating activities

	2021 £	2020 £
Net movement in funds (as per the statement of financial activities)	(421,258)	(1,326,112)
Adjustments for:		
Depreciation and impairment of assets	58,394	944,765
Surplus on disposal of equipment	(150,000)	—
Investment income	(298)	(5,861)
Decrease in debtors	2,373	173,282
Increase in creditors	906,514	820,747
Net cash inflow from operating activities	395,725	606,821

B Analysis of changes in net debt

	2020 £'000	Cash flows £'000	2021 £'000
Cash at bank and in hand	2,967,505	379,628	3,347,133
Short term deposits (less than three months)	—	(1,500,000)	(1,500,000)
Total net debt	2,967,505	(1,120,372)	1,847,133

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

Basis of preparation

These financial statements have been prepared for the year to 31 August 2021 and are presented in sterling and are rounded to the nearest pound.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) (Charities SORP FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

The charity constitutes a public benefit entity as defined by FRS 102.

Critical accounting estimates and areas of judgement

Preparation of the financial statements requires the Governors and management to make significant judgements and estimates.

The items in the financial statements where these judgements and estimates have been made include:

- ◆ estimating the useful economic life of tangible fixed assets;
- ◆ determining the provision for bad and doubtful debts;
- ◆ determining the value of provisions for liabilities;
- ◆ determining the point from which costs incurred in relation to the development project should be capitalised and the likelihood of completion of the project; and
- ◆ estimating the impact of COVID-19 on the School's income and expenditure flows for the purpose of preparing cash flow forecasts and budgets to assist in the assessment of going concern

Assessment of going concern

The Governors have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The Governors have made this assessment in respect to a period of one year from the date of approval of these financial statements.

Assessment of going concern (continued)

In February 2021 the Governing Body considered a range of downside scenarios to stress-test the School's going concern assessment, in the context of a full UK-wide lockdown and deep uncertainty as to the short to medium term future for the School.

At that time, it was demonstrated that in extremis, and conditional on the completion of loan documentation for the £1.5m CBILS loan (which was subsequently completed), the School could withstand full closure for up to a further two terms.

Upon considering the same question this year, circumstances are markedly improved. The successful rollout of the UK's vaccination programme has dramatically altered the calculus with the pandemic and made a future full lockdown forcing the School's closure less likely.

Despite another loss-making year with significant COVID-related costs in 2020/21, and a roughly break-even year projected for 21/22 accounting for further COVID uncertainty in the near term, future projections for the School are healthy and show a return to profitability and net cash generation in 2022/23, even retaining the CBILS loan as a safety cushion and/or for strategic future investment.

On the basis of the above the Governors have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern.

Income recognition

Income is recognised in the period in which the charity has entitlement to the income, the amount of income can be measured reliably and it is probable that the income will be received.

Income comprises grants and donations, tuition fees and charges, interest received and other income.

Donations are recognised when the charity has confirmation of both the amount and settlement date. In the event of donations pledged but not received, the amount is accrued for where the receipt is considered probable. In the event that a donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that those conditions will be fulfilled in the reporting period.

Income from charitable activities includes tuition fees and grants. The income is generally recognised in the period to which the fees or grants relate.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis and includes attributable VAT which cannot be recovered.

Expenditure comprises the costs of charitable activities including expenditure on the provision of education and associated support and governance costs.

Tangible fixed assets

All assets costing more than £2,000 and with an expected useful life exceeding one year are capitalised.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided to write off the cost less estimated residual value of each asset on a straight line basis over its expected useful life as follows:

- ♦ Cinema equipment - five years
- ♦ Fixtures, fittings and equipment - five years

Assets in the course of construction are included at cost. Depreciation on these assets is not charged until they are brought into use.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt.

Financial instruments

The School only holds basic financial instruments as defined in FRS 102. The financial assets and financial liabilities of the School and their measurement basis are as follows:

Financial assets – other debtors are basic financial instruments and are debt instruments measured at amortised cost. Listed investments are a basic financial instrument as detailed above. Prepayments are not financial instruments.

Cash at bank – classified as a basic financial instrument and is measured at face value.

Financial liabilities – accruals and other creditors are financial instruments, and are measured at amortised cost.

Pension costs

Contributions by the School in respect to a defined contribution pension scheme are charged to the statement of financial activities in the period in which they are payable.

Leased assets

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged on a straight-line basis over the lease term.

Fund structure

Restricted funds comprise monies raised for, or their use restricted to, a specific purpose, or contributions subject to donor imposed conditions.

Designated funds comprise those resources which may be used towards meeting the charitable objectives of the School, but which have been set aside out of the general funds and designated for specific purposes by the Governors.

The tangible fixed assets fund comprises non-liquid funds represented by the net book value of tangible fixed assets.

The unrestricted general fund represents those monies which are freely available for application towards achieving any charitable purpose that falls within the School's charitable objects.

1 Donations

	Unrestricted funds £	Restricted funds £	Total funds 2021 £
2021 Total funds: Donations for development project	10	—	10
<i>2020 Total funds: Donations for development project</i>	<i>—</i>	<i>—</i>	<i>—</i>

2 Income from charitable activities

	Unrestricted funds £	Restricted funds £	2021 Total funds £
Tuition fees and charges	5,399,120	—	5,399,120
Less: bursaries awarded	(117,874)	—	(117,874)
	5,281,246	—	5,281,246
Grant income from the Office for Students	—	44,116	44,116
Other grants	—	16,651	16,651
	5,281,246	60,767	5,342,013

	Unrestricted funds £	Restricted funds £	Total funds 2020 £
<i>Tuition fees and charges</i>	<i>4,157,767</i>	<i>—</i>	<i>4,157,767</i>
<i>Less: bursaries awarded</i>	<i>(47,103)</i>	<i>—</i>	<i>(47,103)</i>
	<i>4,110,664</i>	<i>—</i>	<i>4,110,664</i>
<i>Grant income from the Office for Students</i>	<i>—</i>	<i>61,529</i>	<i>61,529</i>
<i>Other grants</i>	<i>—</i>	<i>53,613</i>	<i>53,613</i>
<i>2020 Total funds</i>	<i>4,110,664</i>	<i>115,142</i>	<i>4,225,806</i>

During the year ended 31 August 2021, 9 (2020 – 40) students received a bursary to support their tuition fees. The amounts shown above include £55,433 (2020 - £2,882) directly from the School, in 2021, and £62,441 (2020 - £44,221) from funding received from the Leverhulme Trust.

3 Expenditure on raising funds

	Unrestricted funds £	Restricted funds £	2021 Total funds £
Staff costs	40,340	—	40,340
Fundraising costs	—	—	—
2021 Total funds	40,340	—	40,340

	Unrestricted funds £	Restricted funds £	Total funds 2020 £
Staff costs	35,918	338	36,256
Fundraising costs	29,265	275	29,540
2020 Total funds	65,183	613	65,796

External fundraising support for the capital project has been paused since the onset of COVID-19 and will be reviewed as plans for renewing LFS' facilities progress. Internal fundraising resources have been refocussed on support for bursaries, scholarships and hardship funds.

4 Expenditure on charitable activities – provision of education

	Unrestricted funds £	Restricted funds £	2021 Total funds £
Direct costs			
. Staff costs	1,695,671	17,364	1,713,035
. Visiting lectures	770,058	7,886	777,944
. Premises	427,024	4,195	431,219
. Production allowances and costs	268,335	3,595	271,930
. Repairs and technical maintenance	111,885	1,196	113,081
. Depreciation	57,670	724	58,394
. IT costs	123,909	—	123,909
. Marketing costs	59,779	—	59,779
. Other costs	882,730	8,246	890,976
	4,397,061	43,206	4,440,267
Support costs			
. Staff costs	1,068,501	6,735	1,075,236
. Legal and professional	20,082	510	20,592
. Other costs	302,514	4,599	307,113
. Governance costs (note 5)	98,870	717	99,587
	1,489,967	12,561	1,502,528
2021 Total funds	5,887,028	55,767	5,942,795

4 Expenditure on charitable activities – provision of education (continued)

	Unrestricted funds £	Restricted funds £	2020 £
<i>Direct costs</i>			
. Staff costs	1,421,938	84,078	1,506,016
. Visiting lecturers	335,521	3,085	338,606
. Premises	392,862	3,771	396,633
. Production allowances and costs	378,461	4,459	382,920
. Repairs and technical maintenance	123,721	1,163	124,884
. Depreciation	43,034	463	43,497
. IT costs	134,064	—	134,064
. Marketing costs	79,645	—	79,645
. Other costs	285,107	2,630	287,737
	<u>3,194,353</u>	<u>99,649</u>	<u>3,294,002</u>
<i>Support costs</i>			
. Staff costs	970,780	—	970,780
. Legal and professional	54,663	458	55,121
. Other costs	239,339	4,052	243,391
. Governance costs (note 5)	76,816	666	77,482
	<u>1,341,598</u>	<u>5,176</u>	<u>1,346,774</u>
2020 Total funds	<u>4,535,951</u>	<u>104,825</u>	<u>4,640,776</u>

Adaptations to delivery, particularly on the MA Filmmaking programme, made during the year to enable teaching to continue in a COVID-safe way led to considerable exceptional costs in the year which would be expected to fall away in future years. Notable examples include external studios (shown as Premises above), £427k (2021) vs £67k (2019); and Visiting Lecturers £770k (2021) vs £410k (2019).

5 Governance costs

	Unrestricted funds £	Restricted funds £	2021 Total funds £
Audit and advisory fees	29,129	211	29,340
Other professional costs	69,741	506	70,247
2021 Total funds	<u>98,870</u>	<u>717</u>	<u>99,587</u>

	Unrestricted funds £	Restricted funds £	Total funds 2020 £
Audit and advisory fees	22,782	198	22,980
Other professional costs	54,034	468	54,502
2020 Total funds	<u>76,816</u>	<u>666</u>	<u>77,482</u>

6 Net movement in funds

This is stated after charging:

	2021 £	2020 £
Depreciation – owned assets	58,394	43,497
Operating lease rentals – Land and buildings	322,927	282,727
Operating lease rentals – Equipment hire	314,123	46,058
Auditor's remuneration (including VAT)		
. Statutory audit	21,000	19,200
. Other services	6,000	3,780
Staff costs (including visiting lecturers) (note 7)	3,606,555	2,851,658

7 Staff costs

	2021 £	2020 £
Wages and salaries	2,540,243	2,245,997
Social security costs	230,663	208,680
Pension costs	57,705	58,375
	2,828,611	2,513,052

In addition to the staff costs disclosed above, the amount paid to visiting lecturers used by the School in year was £7,944,777 (2020 – £338,606).

The average number of employees, excluding visiting lecturers and temporary staff, during the year was as follows:

	2021 Number	2020 Number
Provision of education		
. Academic staff	42	38
. Support staff	20	18
	62	56

The number of employees who earned £60,000 per annum or more (including taxable benefits but excluding employer pension contributions) during the year was as follows:

	2021 Number	2020 Number
£60,001 - £65,000	1	1
£75,001 - £80,000	1	—
£80,001 - £85,000	—	1
£90,001 - £95,000	1	—
£95,001 - £100,000	1	—
£100,001 - £105,000	—	1
	4	3

7 Staff costs (continued)

The key management personnel of the charity in charge of directing and controlling, running and operating the charity comprise the governors and the Management Team. The total remuneration (including taxable benefits and employer's pension contributions) of the key management personnel for the year was £597,905 (2020 – £484,167).

During the year, staff governors received remuneration only in relation to their roles as staff members. No member(s) of the governing body received any remuneration in respect of their services as governors during the year (2020 – £nil).

No expenses were reimbursed to the governing body members during the year (2020 - £nil).

Remuneration of Director and Chief Executive Officer

	2021 £	2020 £
Basic salary	95,950	102,500
Bonus	—	—
Pension contribution	1,316	1,315
	97,266	103,815

The remuneration package of senior members of staff, including the Director and Chief Executive Officer, is subject to annual review by the Remuneration Committee who use benchmarking information to provide objective guidance.

The Director and Chief Executive Officer reports to the Chair of the Board, who undertakes an annual review of his performance against the School's overall objectives using both qualitative and quantitative measures of performance.

	2021 £	2020 £
Chief Executive's basic salary as a multiple of the median of all staff	2.83	2.99
Chief Executive's total remuneration as a multiple of the median of all staff	2.81	2.89

8 Taxation

The London Film School Limited is a registered charity and therefore is not liable to income tax or corporation tax derived from its charitable activities, as it falls within the various exemptions available to registered charities.

9 Tangible fixed assets

	Leasehold premises in course of construction £	Cinema equipment £	Fixtures, fittings and computer equipment £	Total £
Cost				
At 1 September 2020	901,268	214,035	105,166	1,220,469
Additions	—	166,395	—	166,395
At 31 August 2021	<u>901,268</u>	<u>380,430</u>	<u>105,166</u>	<u>1,386,864</u>
Depreciation/Write down				
At 1 September 2020	901,268	129,142	74,509	1,104,919
Charge for the year	—	40,382	18,012	58,394
At 31 August 2021	<u>901,268</u>	<u>169,524</u>	<u>92,521</u>	<u>1,163,313</u>
Net book values				
At 31 August 2020	—	84,893	30,657	115,550
At 31 August 2021	<u>—</u>	<u>210,906</u>	<u>12,645</u>	<u>223,551</u>

Leasehold premises in course of construction relates to expenditure arising during the post-feasibility phase of the School's relocation project. The COVID-19 pandemic and its subsequent impact on the availability of finance has stalled further progress in the relocation project. Reflecting the change in the likelihood of the London City Island relocation project in the near future, the capitalised costs incurred to date were written down in the year ended 31 August 2020.

During the year ended 31 July 2021 certain cinema equipment which had been purchased a number of years ago, and which had not been capitalised, was exchanged for new cinema equipment with a market value of £150,000. This new equipment has been capitalised at its market value and this has been recognised as gain on disposal in the statement of financial activities.

10 Debtors

	2021 £	2020 £
Trade debtors	124,163	137,403
Other debtors	113,759	83,244
Prepayments and accrued income	344,271	363,919
	<u>582,193</u>	<u>584,566</u>

11 Creditors: amounts falling due within one year

	2021 £	2020 £
Trade creditors	268,170	130,527
Taxation and social security creditor	—	54,540
Accruals and deferred income	1,603,309	2,332,066
Sundry creditors	123,260	71,092
CBILS Loan (see note 12)	100,000	—
	2,094,739	2,588,225

	2021 £	2020 £
Deferred income at 1 September	2,003,069	952,507
Released during the year	(2,003,069)	(952,507)
Resources deferred in the year	1,031,200	2,003,069
Deferred income at 31 August	1,031,200	2,003,069

Deferred income consists principally of fee income received in advance.

12 Creditors: amounts falling due in more than one year

	2021 £	2020 £
CBILS Loan	1,400,000	—

Maturity of debt	2021 £	2020 £
CBILS loan repayable within one year	100,000	—
CBILS loan repayable between one and two years	300,000	—
CBILS loan repayable between two and five years	900,000	—
CBILS loan repayable in more than five years	200,000	—
	1,500,000	—

The CBILS loan was drawn down in full in April 2021 it is unsecured with a fixed interest rate of 3% per annum. The first year is interest and repayment free; the balance is then to be repaid over five years at £25,000 per month plus interest from May 2022.

13 Restricted funds

The income funds of the School include restricted funds comprising the following unexpended balances of grants and donations to be applied for specific purposes.

	At 1 September 2020 £	Income £	Expenditure £	Transfer between funds £	At 31 August 2021 £
Office for Students	—	44,115	(44,115)	—	—
Skillset Academy Fund	692	12,609	(7,609)	—	5,692
Kickstart	—	4,043	(4,043)	—	—
Adam Sedgwick Award	5,010	—	—	—	5,010
Leverhulme fund	9,704	—	—	—	9,704
	15,406	60,767	(55,767)	—	20,406

	At 1 September 2019 £	Income £	Expenditure £	Transfer between funds £	At 31 August 2020 £
Office for Students	—	61,529	(61,529)	—	—
Skillset Academy Fund	—	692	—	—	692
Building and Development fund	18,543	—	—	(18,543)	—
Adam Sedgwick Award	5,010	—	—	—	5,010
Leverhulme fund	—	43,217	(33,513)	—	9,704
Outreach projects	—	10,396	(10,396)	—	—
	23,553	115,834	(105,438)	(18,543)	15,406

Office for Students fund

The Office for Students fund is restricted to supporting teaching through spend related to the delivery of course costs.

Skillset Academy fund

The Skillset Academy fund is restricted to the funding of bursaries for the Skillset Screen Academy Project, specific new teaching and associated overheads.

Kickstart Scheme

The Kickstart Scheme provides funding to employers to create jobs for 16 to 24 year olds on Universal Credit as a high quality 6-month job placement.

Building and Development fund

This fund represents monies raised specifically to fund the new building relocation project. Transfers from this fund to unrestricted funds represent capital expenditure incurred through the restricted funds.

Adam Sedgwick Award

The Adam Sedgwick Award is restricted to the funding of a grant to help a graduating student after the completion of the course.

13 Restricted funds (continued)

Leverhulme fund

The Leverhulme Trust has donated to this fund which is dedicated to applicants of high academic standard who could not otherwise continue their studies throughout the academic year and beyond without funding assistance.

Outreach Projects

Partners across a range of our projects have included the British Film Institute, Film London's Equal Access Network, Creative England's iFeatures scheme, British Council and many more.

14 Tangible fixed assets fund

	2021 £	2020 £
At 1 September	115,550	823,010
Net movements in year	108,001	(707,460)
At 31 August	223,551	115,550

The tangible fixed assets fund represents the net book value of the School's fixed assets. A decision was made to separate this fund from the other unrestricted funds of the School in recognition of the fact that the tangible fixed assets are essential to the day-to-day operation of the school. The fund value, therefore, cannot be easily realised without jeopardising the ongoing operation of the School.

15 Designated funds

The income funds of the School include the following designated funds which have been set aside by the governors for specific purposes:

	At 1 September 2020 £	New designation £	Utilised £	At 31 August 2021 £
Relocation fund	794,487	—	(794,487)	—

	At 1 September 2019 £	New designations £	Utilised £	At 31 August 2020 £
Relocation fund	1,000,000	—	(205,513)	794,487

The relocation fund consists of monies set aside by the governors towards the cost of relocation project. These funds have been released to general funds in the year as the project is no longer expected to go ahead.

16 Operating lease commitments

At 31 August the School had the following future minimum commitments under non-cancellable operating leases:

	Equipment		Land and buildings	
	2021	2020	2021	2020
	£	£	£	£
Operating lease payable:				
Within one year	—	—	89,400	89,400
	—	—	89,400	89,400

The lease renewals for both properties occupied by the School are in place including clauses which allow the School a break option subject to giving six months' notice. This will enable a move to new premises once the development project is complete.

17 Related and connected parties disclosure

At 31 August 2021 the School was owed £nil (2020 – £nil) by The London Film Society Limited, charity registration number 1146656, company number 07886379. During the year ended 31 August 2021 the school paid expenses totalling £nil on behalf of The London Film Society, and there were no other transactions between the School and the Society during the year (2020 – expenses totalling £nil). One Governor of the School and two members of the School's Management Team served as the trustees of the London Film Society Limited during the year. The London Film Society Limited was dissolved on 20 October 2020.

The School has taken exemption from preparing consolidated financial statements on the grounds that the London Film Society Limited is not material for the purpose of giving a true and fair view.

Post Audit Management Report

London Film School Limited

Year ended 31 August 2021

Contents

Executive summary.....	1
Key audit findings	3
Other information.....	7
Appendix 1: Audit observations and recommendations	8
Appendix 2: Current developments.....	9

Key contacts

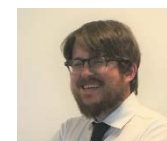


Shachi Blakemore

Engagement Partner

Tel: 020 7556 1420

Email: BlakemoreS@buzzacott.co.uk



Robert Cloke

Engagement Manager

Tel: 020 7556 1441

Email: ClokeR@buzzacott.co.uk

Buzzacott LLP, 130 Wood Street,
London, EC2V 6DL

Executive summary

The purpose of this report is to bring to your attention the findings from our recent audit of the financial statements of London Film School for the year ended 31 August 2021. We appreciate that you will already be aware of some of the matters contained in this letter. However, in accordance with International Standards on Auditing (UK) (ISAs) we are communicating them to you formally.

Purpose of the external audit

Our work during the audit was performed with a view to expressing an opinion on the financial statements for the year ended 31 August 2021 and other matters required by legislation.

Our audit work included consideration of the internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of your system of internal control.

The matters being reported are limited to those that were identified during the audit and that we conclude are of sufficient importance to merit being reported to those charged with governance.

Audit progress and outstanding items

We would like to take this opportunity to thank all those with whom we dealt during the audit for their assistance and co-operation, in particular Anita O'Connor (Financial Controller) and Tom Gentle (Management Accountant).

The Audit work began as agreed on 29 November 2021, however the draft Excel financial statements were not received until 4 January 2022, after our audit fieldwork work was scheduled to have been completed, with the draft Word version of the financial statements received on 12 January.

Due to this delay in receiving the draft financial statements, the audit fieldwork could not be completed within the original timetable. This resulted in some inefficiencies due to the work initially progressing without draft accounts, and delays to our scheduled reviews. This staggered approach, with the accounts preparation ongoing during the audit work, increases the risk that disclosures are incomplete or incorrect.

At 19 January 2021, our work is complete with the exception of the following:

- Response to audit query re balance on salaries control account
- Trustee declarations of interest
- Bank mandates and bank authority letters for all accounts
- Signed letter of engagement
- Receipt of the letter of representation which asks the Trustees to confirm to us specific matters relating to the audit and the financial statements in line with International Standards on Auditing; and
- The Charity's going concern assessment as at date of approval of the financial statements, which should be approved and signed on behalf of the Trustees; and
- Confirmation immediately prior to the financial statements being signed that no significant events have taken place since the time of our audit that would impact on the financial statements.

Key audit findings

Annual Report and Financial Statements format

The financial statements have been prepared, as last year, in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice (Charities SORP FRS 102).

There are no significant changes to the format of the financial statements this year other than the significant additional requirements from the US Department of Education to include supplemental schedule in the accounts submitted to the US (work in this area is currently outstanding).

Auditor's report

We do not propose any modifications to our audit opinion and, therefore, we intend to issue an unqualified opinion in our auditor's report. Following recent changes to the International Standards on Auditing (UK), our auditor's report has been updated to include:

- an explanation as to what extent our audit was considered capable of detecting irregularities, including fraud; and
- revised wording for our conclusion relating to the trustees' use of the going concern basis of accounting and the identification of any material uncertainties that may cast significant doubt on the charity's ability to continue as a going concern.

Adjustments made during the audit

There were a number of errors in the mapping of the trial balance to the Excel financial statements, which meant that the first draft of the financial statements did not balance.

Other than correcting these errors and other presentational amendments which have no impact on the reported results for the year, there were no adjustments made to the figures presented to us for audit.

Unadjusted misstatements

We are pleased to report that we found only clearly trivial misstatements during our audit for the period.

Significant deficiencies in the accounting and internal controls systems

Our work during the audit included an examination of some of the charity's transactions, procedures and controls with a view to expressing an opinion on the financial statements for the year ended 31 August 2021.

We found no significant deficiencies in the accounting and internal control systems during our audit.

Other deficiencies in the accounting system and financial reporting function

Our observations and recommendations as a result of our audit work are given in Appendix 2. Each comment has been given a priority rating ranging from A to C. 'A' indicates that, in our opinion, immediate action is required; conversely 'C' indicates that the matter, although important, does not warrant urgent attention.

The detailed observations and recommendations included in the Appendix relate to:

- Old credit balances on the sales ledger

The matters have all been discussed with Anita O'Connor.

Accounting policies, accounting estimates and disclosures

Other than as described below, the accounting policies used in preparing the financial statements are unchanged from the previous year.

Our work included a review of the adequacy of disclosures in the financial statements and consideration of the appropriateness of the accounting policies and estimation techniques adopted by the charity. We found the disclosed accounting policies, significant accounting estimates and the overall disclosure and presentation to be appropriate for the charity.

We have no specific observations to make in this regard.

Prior year's post audit report

We are pleased to report that the matters raised in our report last year have been satisfactorily dealt with except the matter relating to old credit balances noted above. We have raised this again in Appendix 3.

Key audit risks and outcomes

As part of our pre-audit planning process, we identified those areas where we believe there is a higher possibility that a material error may appear in the financial statements. In the pages which follow we have provided a brief summary of the outcome of our audit work in relation to those higher risk areas.

Risk area	Summary and conclusion
Compliance with the Office for Students 2020/21 Accounts Direction	<p>The School's financial statements must include a statement of corporate governance and a statement of internal control (or a combined statement) which cover the requirements outlined in the Accounts Direction.</p> <p><i>We confirm that we have reviewed the statement of internal control and corporate governance against the requirements detailed in the Accounts Direction and have concluded that it is compliant. We confirm also that we have undertaken appropriate audit procedures over the grant and fee income disclosures and nothing has come to our attention to suggest that this is materially misstated.</i></p>
Going concern assessment	<p>As always, the governors' must consider a period of twelve months from the likely date of signature of the financial statements when making their assessment whether they believe the School to be a going concern.</p> <p><i>We have reviewed management budgets and cash flows which extend beyond 12 months from the signature of the financial statements, and which show the School is due to continue to generate a surplus and maintain sufficient cash reserves, with a surplus of £305k forecast for 2021/22 and £684k for 2022/23, and cash balances forecast to remain in excess of £3m over that period.</i></p> <p><i>These budgets are based on the School continuing to operate under its existing strategy and from its current premises. There is still some uncertainty about the long term property and estates strategy, and we understand that the business strategy is currently being updated (see further discussion below), however this will not affect the School in the short term i.e. 12 months from signature of financial statements.</i></p>

Risk area	Summary and conclusion
Property and estates strategy	<p>There is still significant uncertainty over the School's estates strategy in the medium to long term. The costs which had been previously capitalised in relation to School's planned move to London City Island were written off in the prior year, and there has been no further development or progress on that project in the current year. The School still has an agreement to lease on the site, but is also exploring other options, including potential new arrangements for its current premises in Covent Garden. We will continue to monitor any progress up until the point the accounts are signed and consider whether any additional disclosures are required in the financial statements.</p> <p><i>From our audit work and discussions with management and trustees, we understand that there have been no significant developments in the School's estates strategy during the year, and that the relocation project remains unlikely to go ahead. We understand that the School is currently in the process of formulating its new Strategic Plan which for 2023, and that the School's estates strategy will form part of that plan.</i></p>
Compliance with Department for Education's Supplemental Schedule	<p>The US Department for Education released an update in September 2021 requiring schools to include a Supplemental Schedule as part of their audited financial statements submission. The Supplemental Schedule must be evaluated and reported on in relation to the financial statements as a whole. As this is a new requirement, there is an increased risk that the disclosures are incomplete.</p> <p>Work in this area is current outstanding – Supplementary Schedule to be prepared by School and audited by Buzzacott</p>

Other information

Professional ethics

In accordance with our profession's ethical guidance and further to our letter to you dated 2 November 2021 confirming audit planning arrangements there are no further matters to bring to your attention in relation to Integrity, Objectivity and Independence.

Current developments

We have attached a summary of recent and ongoing developments as Appendix 2 to this report.

Updates, insights and seminars

As part of our commitment to the charity sector, during the year the Charity Team issues occasional Updates and Insights on matters of relevance to the sector and also holds a number of seminars free of charge throughout the year. We would be delighted to welcome representatives of your charity to our seminars or to add trustees and management to our email distribution lists if this would be welcome.

Conclusion

This report has been prepared for your private use only. It has been prepared on the understanding that it will not be shared with any third party without our prior written consent and we can therefore assume no responsibility to any other party. The advice contained herein is based on the information you have provided and UK law and judicial and administrative interpretation as of the date of this report. Should the facts provided to us be incorrect or incomplete or should they change, our advice may be inappropriate. Buzzacott LLP accepts no liability for losses arising from changes in UK law, interpretation or practice or in public policy that are first published after the date of this report.

If you require any further information or assistance, we shall be very pleased to help you.

We would be pleased to receive your comments and reaction to this letter.

Buzzacott LLP

Appendix 1: Audit observations and recommendations

	Observation	Implication	Recommendation	Management comment
C	<p>Old credit balances</p> <p>During our audit we noted that there were a number of immaterial credit balances on the sales ledger that appear old and may require writing off.</p> <p>The largest balance noted was the item highlighted in the prior year audit of £14,490 relating to a 2010 transaction.</p>	Without regular review of aged balances on the debtors listing, the amount recorded on the accounting system could be misstated.	We recommend that the School regularly reviews sales ledger to ensure that old balances are removed in a timely manner.	

Appendix 2: Current developments

Trustees' Annual Report and Accounts

Government proposes stricter audit rules for large charities

Under proposals published by the government in March, some of the country's largest charities will face much stricter rules on financial reporting. The proposed reforms said that ministers are "open" to the idea of applying rules to big charities which previously only applied to firms, meaning senior staff at charities with incomes over £100m could become personally liable for any errors in the accuracy of financial reporting.

Under the proposal, "large third sector entities" may be classed as "public interest entities" (PIEs), adding "Until 2016, the Financial Reporting Council inspected the audits of charities with incoming resources exceeding £100m. A similar threshold might usefully be applied to third sector entities for present purposes."

It proposed creating a new regulator, the Audit, Reporting and Governance Authority (ARGA), with stronger powers to act. The Charity Commission said that its existing regulations could be extended, instead of introducing a new body. They believe there are ways to strengthen the transparency of larger charities using existing reporting processes that do not create additional regulatory and reporting burdens.

The reforms contained in the white paper can be found here:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/970673/restoring-trust-in-audit-and-corporate-governance-command-paper.pdf

Policy and Governance

Charity Governance Code – what has changed?

The Charity Governance code is a simple tool for charity trustee boards to ensure their governance

structures are fit for purpose. It sets out seven principles of good governance for charities of all shapes and sizes in England and Wales. A consultation on refreshing the Charity Governance Code was launched by its "steering group", made up of ACEVO, the Association of Chairs, the Chartered Governance Institute, NCVO, SCC and WCVA, in November 2019 and came to an end on 28 February 2020.

Following the consultation, the steering group have refined two of the seven principles: the Equality, Diversity and Inclusion (EDI) Principle and the Integrity Principle.

The steering group believe that great EDI practice sits at the heart of good governance, and that in order to effectively deliver their public benefit, boards must focus on achieving equality of outcomes carrying out their charitable purpose. To make better and more informed decisions, boards must be diverse. Societal power imbalances must be

prevented from playing out in the boardroom. In addition to this, the steering group believe EDI has the power to create social justice, in boardrooms, organisations, across the charity sector as a whole and ultimately throughout society.

It is recognised that all charities are at different stages in their ongoing diversity journey. Four stages of recommended practice for charities have been set out. Boards should:

- Think about why EDI is important for their charity and assess the current level of understanding.
- Set out plans and targets tailored to each charity and its starting point.
- Monitor and measure how well a charity is doing, based on context specific goals set by the charity.
- Be transparent and publish the charity's progress.

Alongside EDI, the Code's Integrity principle has been updated. In the last couple of years, the charity

sector has learnt a lot about integrity and safeguarding, and the harm that can be caused when integrity is abused. Integrity in charity governance is much more than managing funds and financial assets well. It is also about values, ethical principles in all decision-making and creating a welcoming and supportive culture.

Following the Charity Commission's safeguarding regulatory alert last year, the steering group have put further emphasis on the right of everyone who comes into contact with a charity, including staff, volunteers, partners and beneficiaries – to be safe and to know how to speak up and raise concerns.

More information on the Charity Governance Code, and the updated principles, can be found at: <https://www.charitygovernancecode.org/en>

Charity Commission guides

The Charity Commission has launched a campaign aimed at helping trustees refresh their knowledge of charity governance and be "certain in uncertain times".

A suite of 5 visually engaging animated videos promoting one of the regulator's 5 minute guides has been developed. The guides provide simple, easy to understand information on all the governance basics trustees need to know. The campaign prompts trustees to consider their understanding of their key responsibilities by posing a question connected to each guide:

- Does every decision help your charity with its mission?
- Could your charity be drifting into activities that your charity is not set up to do?
- Is your charity reporting the right things at the right time?
- Could you spot a conflict of interest and manage it?
- Is there more you can do to prevent fraud?

Further information is provided at: <https://www.gov.uk/government/news/regulators-new-5-minute-guides-will-support-charity-trustees-to-meet-duties>

Charities Bill

The government has implemented the recommendations made by the Law Commission in 2017 in the reformed Charities Bill. There are four main amendments relating to powers around governing documents, improving how land transactions are carried out, making more use of the permanent endowment and simplification of incorporations and mergers. There are also changes to what charities can do with funds raised from failed fundraising appeals and removing the requirement to seek Charity Commission permission for small ex gratia payments.

A summary of the Bill can be found at: <https://www.gov.uk/government/publications/charities-bill-factsheet/charities-bill-factsheet#what-the-bill-does>

Companies House reforms

In September 2020, the Department for Business, Energy and Industrial Strategy ('BEIS') published its findings in relation to a consultation on Companies House reform which it launched in May 2019. The

government's response contains an overview of the proposed reforms. The key areas are as follows:

- Knowing more about who is setting up, managing and controlling companies
The government plans to introduce compulsory identity checks on directors of companies, general partners in Limited Partnerships, designated members in LLPs and people with significant control (PSCs).

- Reforms to Companies House powers
The government plans to extend the powers of Companies House to query, seek evidence for, amend or remove information on the register, and to share it with law enforcement if certain conditions are met.

- Protecting personal information on the register
The government plans to improve the processes for removing personal information from the register.

- Improved data accuracy and digital tagging
The government proposes a further

consultation on how to introduce full digital tagging of accounts to ensure consistency, easier identification and comparability of information on the register.

Cyber security and privacy

In March 2021, the National Cyber Security Centre (NCSC) issued a stark cyber and privacy warning to the education sector. A rise in ransomware, malware, phishing attacks and general disruption to the online security of educational institutions has led to the NCSC issuing an important alert to the sector as reports of lost coursework, financial records and sensitive coronavirus data increase. In their report, the NCSC details recent trends observed in ransomware attacks on the UK education sector encompassing trends observed during August and September 2020, as well as the recent attacks since February 2021. It also provides mitigation advice to help protect this sector from attack. The report can be read in full at: <https://www.ncsc.gov.uk/files/NCSC-Alert-Further-targeted-ransomware-attacks-education-sector-March-2021.pdf>

Tax

National insurance increases

In September 2021, the government announced plans to increase national insurance contributions by both employees and employers by 1.25% from April 2022 for one year. Branded as the “Health and Social Care Levy”, it is anticipated that an additional £12 billion per annum for a three-year period will be generated exclusively for the adult social care sector, and also to combat the NHS Covid backlogs. The government has however suggested that it plans to compensate public sector employers, which includes schools, colleges and universities, for the employer element of the contribution.

Further information on the levy can be found at:

<https://www.gov.uk/government/news/record-36-billion-investment-to-reform-nhs-and-social-care>