



BRITISH FILM INSTITUTE

ANNUAL REPORT

2010-11

The British Film Institute (BFI) is incorporated by Royal Charter and is a charity registered in England & Wales, number 287780.

THE BFI'S MISSION

The British Film Institute was founded in 1933. Under our Royal Charter we have five objects:

- to encourage the development of the arts of film, television and the moving image throughout the UK;
- to promote their use as a record of contemporary life and manners;
- to promote education about film, television and the moving image generally, and their impact on society;
- to promote access to and appreciation of the widest possible range of British and world cinema; and
- to establish, care for and develop collections reflecting the moving image history and heritage of the UK.

Today, we summarise our Mission as being:

to ensure that film is central to our cultural life

THE BFI'S VALUES

Inspirational: We aim to inspire and motivate people, to have a direct effect on stimulating them to take action, whether they are audience members or filmmakers, to seek out and understand more of film culture, to be inspired to contribute to our film culture both through dialogue and the production of a wide variety of new work.

Responsive: We aim to be quick to react to and understand the changing nature of film culture and the changing needs of our audiences and filmmakers, embracing these changes in new ways of working in a fast-changing media world, ensuring that we stay at the international leading edge of thinking about film culture, quick to respond to the suggestions and influence of our users.

Approachable: We want to ensure that everyone can engage with the BFI in a way and a style that is easy for them; that we are friendly and open, removing barriers to access, enabling as wide a population as possible to gain from an understanding of film culture

Provocative: We aim to incite debate, to create new insights and perspectives on film which challenge audience thinking in ways that can progress understanding and appreciation of the widest possible film culture

ANNUAL REPORT

2010-11 was a year of dramatic change for the BFI: having spent much of 2009-10 dealing with Government proposals that the BFI should “merge” with the UK Film Council (UKFC), in July 2010 the new Government announced its intention to abolish the UKFC. The UKFC was the non-departmental public body that, for the last decade, had been our primary funder and was also responsible for distributing all Lottery film funds.

In November, the Government announced that it intended on 1 April 2011 to pass to the BFI responsibility for the distribution of Lottery film funds along with the majority of the UKFC’s activities (including funding partners around the UK, all delivering vital public services; hosting the MEDIA Desk and running the Certification Unit; inward investment; the Research & Statistics Unit and a number of other functions).

In parallel, the BFI was hard at work preparing a response to anticipated cuts to public funding, a situation affecting almost every national cultural body. Whilst the cuts to the BFI were not as deep as to some other cultural institutions, our revenue funding was cut by 15% and our capital funding by even more. A huge amount of Governor and management energy was required to deal with these cuts at the same time as the transfer of activities from the UKFC. The cuts came, of course, on top of a long period of standstill funding provided by the UKFC, a cut in real terms year after year.

We were determined to respond to these challenges in a bold and creative way, to take the opportunity to consider a wholesale restructure of the BFI aligned with our long-term strategy rather than engaging in another round of damaging “salami slicing” across all areas. A number of painful but necessary decisions were thus taken which involved a reduction of some 72 posts. Some activities ceased altogether (such as the Gallery at BFI Southbank) while it is planned to deliver others differently in future (e.g., proposals to move the Reading Room from Stephen Street to join our other public-facing activities at BFI Southbank). Several areas were tasked with even more challenging income generation targets.

Negotiations were successfully concluded with the Department of Culture, Media & Sport (DCMS) for the BFI to become a non-departmental public body on 1 April 2011. In preparation for that, the Board of Governors reviewed its holdings of private charitable assets to ensure they would continue to remain secure for their future application to the delivery of our charitable objects. A decision was taken to sell three BFI freehold properties to an independent body, BFI Trust (which is also a registered charity, number 1140833):

- the transfer of two properties (the offices at 21 Stephen Street, London; and the Getty Conservation Centre in Berkhamsted, Hertfordshire) was completed on 31 March 2011;

- before the end of the financial year a contract was signed to transfer the third freehold property (the Archive Film Stores near Gaydon, Warwickshire) on 31 January 2012.

The BFI will lease back all these properties from BFI Trust.

It says much for the fundamental strength of the BFI that, with all this change and turbulence, core BFI activities performed very strongly over the year, with DVD and magazine sales easily outperforming the trends in some exceptionally difficult markets, and with record ticket sales recorded at BFI Southbank, BFI Imax and the BFI London Film Festival. Despite this, and with so much organisational change and the extraordinary tightness of the wider economy, the Board remains cognisant of the need to continue to keep a tight grip on the BFI's cashflow (although there does not appear to be any risk to the BFI's ability to be a going concern).

Despite so much time necessarily being devoted to governance issues, work also continued on the BFI's core strategic projects: the delivery of the main parts of the Screen Heritage UK ("SHUK") programme; and BFI Digital, a programme to take advantage of the opportunities offered by the new technologies.

The implementation of SHUK has continued at a terrific pace:

- the construction of a vast new vault at our premises in Gaydon, Warwickshire, to hold the master collection of nitrate and acetate films in proper conditions that will – finally – arrest their deterioration; and
- the design and development of a digital "backbone" that will enable all the UK's most significant moving image archives (including our own) to be properly catalogued and searched.

These capital works are worth in excess of £11 million. While funding for the latter has regrettably been trimmed as part of the recent public spending cuts, work on the vaults is proceeding on time and on budget. The vaults remain on target to be operational by the end of 2011, guaranteeing for future generations the preservation of the BFI's priceless collection of master materials.

The BFI is still largely an analogue organisation in a digital world and our second major strategic project is designed to change this. Work has been undertaken during the year to refine our strategic vision and to ensure we invest our resources in those areas which are likely to lead to the most public benefit. It's heartening to note that the public has responded and we have witnessed very significant growth in the numbers of people accessing this material particularly through Third Party sites such as YouTube. Some very significant enhancements to our digital offer are on schedule to take place during 2011–12.

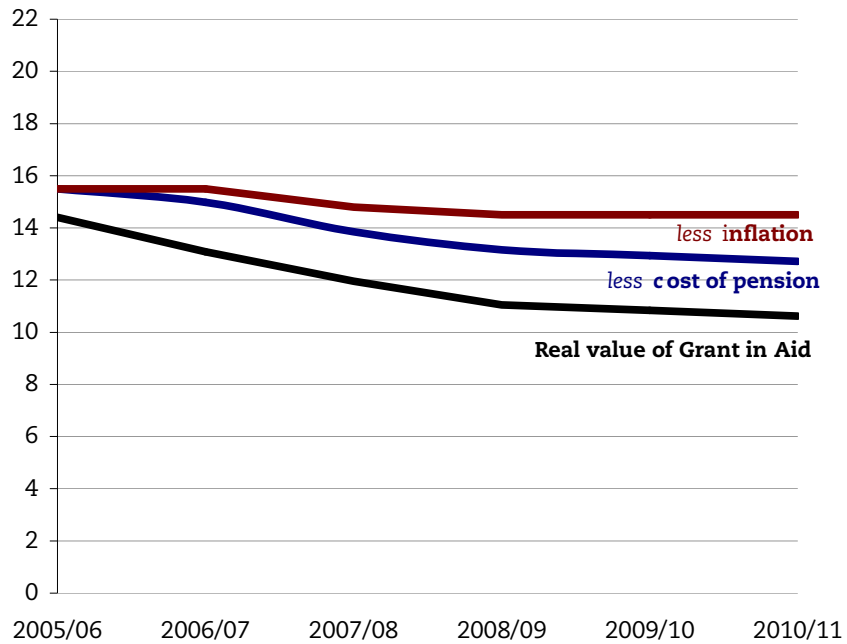
In last year's report we wrote that the Board remained resolutely focussed on three things: delivering the best possible public services to the widest possible group of people; developing a clear vision of the sort of BFI we want in the future; and moving the organisation inexorably closer to achieving that. Work is progressing on integrating the activities transferred from the UKFC, and building a new organisation based on the very best parts of both the BFI and the UKFC. The Board is confident that we are making very strong progress and that we stand on the cusp of an exceptionally bright future, with the BFI now in a stronger position than at any time in the recent past.

Greg Dyke
Chair, Board of Governors

Amanda Nevill
Chief Executive

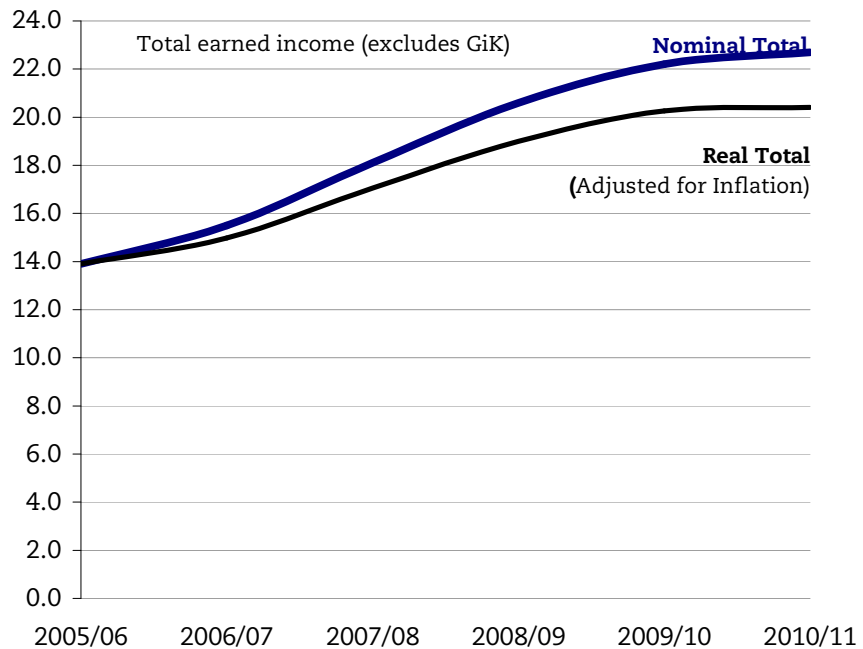
BFI: Summary of longer-term financial performance

The real value of the BFI's revenue Grant in Aid, £m:



Self-generated operating income trend:

GiK =
Gifts in Kind



REPORT ON THE CULTURAL PROGRAMME

While dealing with one of the most challenging and complex funding and governance environments in the BFI's history, we have continued to have a truly exceptional cultural impact.

This year the reappraisal and celebration of British film and TV has been central to our programme of building audiences for a rich range of historical and contemporary film from across the world. With the BFI taking on the lead role for film in the UK, our contribution to the development of a thriving British production environment, within a rich film culture in the UK, becomes ever more important.

With the ongoing investment from Screen Heritage UK programme in storage, documentation and digital we are creating a major stepping stone to widening access to archival film in 2012 and beyond. To celebrate the 75th anniversary of the BFI National Archive we launched Long Live Film, a season featuring the rarely projected and dangerous beauty of films shot on nitrate stock; a reappraisal of the work of Alberto Cavalcanti, whose documentary and experimental films are central to the story of GB cinema; and we publicised the BFI's Most Wanted titles that we are seeking to add to the national collection. In 2010-11 we were thrilled to have been able to acquire the collections of Richard Lester, Jack Clayton and Ken Loach into the national collection.

Our major restoration this year, of Herbert Ponting's *The Great White Silence* (1924), was among the first films in this year's London Film Festival to sell out and has gone on to be a great success on DVD and television. *Boom Britain* – one of the most significant projects undertaken by the archive in a number of years had *Shadows of Progress: British Post-war documentary film*, at the centrepiece of this major BFI project to reappraise British documentary filmmaking during the 50s, 60s and 70s. This project, which included a 4-disc DVD release, received extensive, hugely appreciative press coverage.

The public's appetite for archival films continues to grow across all areas of our programme: our YouTube premiere of the newly restored *Alice in Wonderland* (1903) – tying in with the release of the Tim Burton version – became a viral sensation, the 27th most-watched viral film in the world according to the Viral Video Chart; the opening of our latest mediatheques in Wrexham and Newcastle were packed, and featured special programmes of films from local collections; and TV co-productions based on archival collections consistently attracted audiences of more than 1 million – for example, *Titanic: the Mission* (Channel 4/National Geographic) had audience average of 1.4 million per episode for each of the 5 episodes.

DVD releases of key British material held in the archive continued with outstanding non-fiction collections such as the COI's *They Stand Ready* (UK 1946–85) and *Secrets of Nature* (1922–33); an impressive international archive collaboration of early Chaplin; restored versions of *They Made Me a Fugitive* (Cavalcanti, 1947) and *The Edge of the World* (Michael Powell, 1937); key British independent titles *Institute Benjamenta* (Quay Brothers, 1995), *Bronco Bullfrog* (Barney Platts-Mills, 1970), *A Zed and Two Noughts* (Peter Greenaway, 1985) and in our *Flipside* strand, the cult movie *Here We Go Round the Mulberry Bush* (Clive Donner, 1968) proved hugely popular, reaching no.249 in the Amazon sales rankings (the highest ever BFI ranking) and selling out within the first week of sales. We also launched a new children's strand with Ken Loach's *Black Jack* (1979), and two Children's Film Foundation adaptations of Famous Five novels, *Five on a Treasure Island* and *Five Have a Mystery to Solve* (also launching this series were live-action *Tintins* from the 1960s) – all these have gathered considerable media attention and critical reappraisal.

With *Don't Look Now* voted the Best British Film of All Time in a recent *Time Out* poll, our Nicolas Roeg season proved extremely timely, with the great man himself introducing a number of the films. And continuing our celebration of British talent, the Jack Cardiff season included many of his major achievements as a cinematographer, with the UK premiere of the restoration of John Huston's *African Queen* – introduced by Anjelica Huston and script supervisor Anglea Allen – an extended run of *Pandora* and the *Flying Dutchman* (Albert Lewin, 1951) and a cinema and DVD release of *The Innocents* (Jack Clayton, 1961) alongside Cardiff's key directorial work.

With *Second Coming*, we looked afresh at contemporary British TV drama, featuring one-off dramas by Abi Morgan, Dominic Savage, Peter Kosminsky and others, we exploded the myth that the golden age of British TV drama has long since passed. In a major new partnership with BAFTA we hosted four major screenwriting lectures with Sir David Hare, Christopher Hampton, Simon Beaufoy and Sir Ronald Harwood, each accompanied by a screening of a key work by each screenwriter. James Cellan-Jones's outstanding work for TV was celebrated in a short season, as was Alan Plater's mastery of wide-ranging dramatic form on TV, and we paid tribute to the thrilling work of Brian Clemens, best known as the creator of the landmark TV series *The Avengers*, his TV work ranges from the *Invisible Man* to *Captain Kronos: Vampire Hunter*. Our TV programme also included a look at *Variety* shows on TV, and our previews of the *Doctor Who* Christmas Special and *Upstairs Downstairs* both with lead actors, writers and directors present, were both quick to sell out.

Our main showcase for contemporary British film is the London Film Festival, with gala screenings and a strand devoted to showcasing the best of new British cinema in the context of an ever more popular festival of the best of world filmmaking, where in 2010 we had our biggest and most diverse offering to date, with 201 feature films and 112 shorts from 68 countries. A total of 629 filmmaker guests attended to present their films, of

whom 50% were from the UK, reflecting the strength of the British work. The Opening and Closing Night galas were both European premieres of British features, *Never Let Me* (Mark Romanek), with Keira Knightley, Carey Mulligan and Andrew Garfield, and Danny Boyle's *127 Hours*. In an important first for the festival, the Centrepiece screening of Mike Leigh's *Another Year* was screened simultaneously in 33 cinemas across the UK, and the onstage interview with Mike Leigh, Lesley Manville, Jim Broadbent and Ruth Sheen which followed was transmitted by live satellite link.

Offering context and new writing on contemporary and classic cinema, Sight & Sound continued to hold steady in its sales and develop its online presence in an increasingly uncertain marketplace. We started a new strand of publishing, re-printing classic but out-of-print texts on Godard, Mamoulian and amongst others published books on British film costume design, the use of colour in British cinema, and *Shadows of Progress: Documentary Film in Post-War Britain*, to tie in with the archival 'Boom Britain' season. The Colonial Film Project – a major collaboration between the University of London, University of Pittsburgh, the BFI and the Imperial War Museum – and funded through the AHRC, was launched with a conference and a website: <http://www.colonialfilm.org.uk>. This will be incorporated into bfi.org.uk when we relaunch our site later in 2011.

As part of an ongoing look at popular acting styles we showcased the films of Deborah Kerr, Steve McQueen, Paul Newman, Audrey Hepburn, Grace Kelly and the TV work of Julie Walters. Both Sir Michael Caine and Tippi Hedren were interviewed onstage to sell-out audiences.

As always, our programme offered audiences many opportunities to see the world through other eyes, to hear voices from around the world: we staged over-due retrospectives of Serbian director Goran Paskaljevic, and of Frantisek Vlacil, who is compared to Welles and Kurosawa in the scope and ambition of his work; Hong Sangsoo's work has always sold-out during the London Film Festival yet his films had not been distributed in the UK.

We also had major and very popular retrospectives and moments of re-appraisal of some of the greats of world cinema: two of the most revered of all American directors, Frank Capra and Howard Hawks were the subject of major retrospectives and publications; in a sell-out season audiences could chart the international reputation of Francois Truffaut as one of the leading director's of his generation, and the great French director Agnes Varda spent four days at BFI Southbank, providing an illuminating career interview; we also paid homage to Akira Kurosawa in his centenary year with a selection of films that both testified to his enduring appeal outside of Japan as well as the influences he drew from the west itself, with *Rashomon*, the film that introduced western audiences to his thrilling artistry, playing on general release in UK cinemas, and a DVD 5-disc box set proving the enduring appeal of one of Japan's greatest directors.

In our major thematic season of the year, marking the 350th anniversary of the Royal Society, we explored ideas of science, and what it means to be human, where the stand-out event was the staging of 2001: A Space Odyssey at the Royal Festival Hall, with the Philharmonia Orchestra and Philharmonia Voices playing live to a specially remixed version of the film. One of the biggest cinematic events was our presentation of the UK premiere of the most recent and the longest – 25 minutes extra material – restoration of Fritz Lang’s Metropolis.

Our rich diversity of specialist festivals and events and seasons included the 25th edition of the London Lesbian and Gay Film Festival; classic and contemporary work from South Africa; onedotzero attracted many thousands of visitors over six days; Birds Eye View’s had a focus on heroic female leads; a sell-out BUG special featured Norwegian electronica maestro’s Royksopp; the annual We the Peoples youth film festival, had over 350 young people and filmmakers participating in live video link ups with youth groups in Ghana and South Africa – all of whom had been watching the same group of youth films on development issues; the Coming To England events looked at issues of migration, race, class and identity and were rapturously received by 900 schoolchildren and teachers; and of course Bruce Springsteen’s personal appearance and introduction to the UK Premiere of The Promise: The Making of Darkness at the Edge of Town was met with enthusiasm by a sell-out audience.

SUMMARY OF OUR PERFORMANCE 2010-11

Transformative projects

<i>What we aimed to deliver</i>	<i>How we performed</i>
SCREEN HERITAGE UK	
Move to construction phase of vaults for the master collection at Gaydon, to be in operation by end 2011.	On schedule and on budget.
Construction of “union catalogue”, joined-up data from all participating archives in SHUK, for delivery in 2012.	On schedule and on budget.
BFI DIGITAL	
A new bfi.org.uk showcasing our contemporary content from Sight & Sound and BFI Live, engaging new experiences around our collections.	Delayed by transfer of substantial new functions from UKFC, necessitating a major restructure of the website at a late stage. Now on schedule for launch in late 2011.
A cross-BFI programme integrating customer engagement infrastructure, and including development of a customer relationship management system.	Partially achieved: good progress has been made on this project but some elements of it were delayed by the structural changes.
Research to understand better our digital audiences.	Achieved.
Identification of business models for Digital BFI.	Good progress has been made on this.
Ongoing programme	
<i>What we aimed to deliver</i>	<i>How we performed</i>
3) PRESERVING AND CURATING THE NATION’S HERITAGE	
Restoration of British post-war documentaries.	Achieved.
Agreeing and implementing a new Collections Policy.	Partially achieved: public consultation on the new draft policy held pending completion of the Film Policy Review
4) GENERATING NEW KNOWLEDGE – TELLING STORIES	
Major cultural project on Russia.	Achieved.
Deliver the London Film Festival development plan.	Achieved (all performance measures exceeded).
5) REACHING NEW AUDIENCES	
Development of BFI Membership programme.	Achieved.

Key Performance Measures

Overall, the BFI's core operations have performed very well during 2010-11, with variations in performance in different sectors largely due to external factors.

<i>All figures are '000</i>	2009-10 Actual	2010-11 Target	2010-11 Actual	2011-12 Target	Notes
BFI Southbank cinema admissions	273	275	287	261	Another exceptionally strong year for BFI Southbank
BFI Imax cinema admissions	502	376	405	389	A good year for BFI Imax, but exceptionally strong films available in 2009-10
Education admissions	70	58	61	56	Good performance.
London Festivals admissions	180	148	147*	132	Very good performance: the LFF exceeded all targets, the LLGFF was dramatically curtailed for 2011 due to budget cuts.
Cinema admissions to non-BFI UK venues	472	500	500	510	Continued very strong performance in this area, providing films to venues across the UK.
Cinema admissions to overseas venues	276	289	343	327	The strength of performance here is due to the quality of the archive film available.
DVD+Blu-ray units sold	257	285	267	278	The overall market has suffered major reductions and the BFI has performed very well.
Sight & Sound units sold	246	259	228	274	The overall market has suffered major reductions and the BFI has performed very well.
Books sold	52	48	54	52	A modest increase in performance.
bfi.org.uk website users	7,007	7,660	6,305	7,300	The decline in users is due to the lack of investment pending the delayed relaunch of the site.
BFI Film & TV Database users	2,470	2,520	1,641	2,200	The decline in users is again due to the lack of investment.
YouTube downloads	2,399	2,500	2,549	2,700	A good performance reflecting the strength of public demand for archive film.

* The London Lesbian & Gay Film Festival was split over two financial years.

Next year's Annual Report will include KPIs for an expanded range of activities including those transferred from the UK Film Council and a number of funded partners, as well as for Lottery-funded activities.

BFI STRATEGY

TOWARDS THE NEXT CHAPTER FOR FILM

The main strategic objective for next year is:

1) to lead the development of a three year plan for film which will have at its heart both audiences and filmmakers.

Whilst doing this we aim:

2) to manage change at the BFI – effectively creating a new organisation fit to provide leadership for public-funded film;

3) to support funded partners in the transition year and ensure they are involved in the development of the new plan for film;

4) to create opportunities right across the UK to nurture and engage audiences with the widest diversity of film;

5) to support new and existing talented filmmakers to enable them to produce new and distinctive work, including through our Festivals;

6) to position the BFI and communicate effectively in such a way that there is confidence in the BFI's new overall leadership role.

Our **capital** programme will be:

a) to complete the Screen Heritage Project which will provide secure storage for all the master film materials in the National Collection;

b) to achieve the first phase of the BFI Digital Plan;

c) to complete the feasibility plan for moving the Library to BFI Southbank, providing an enhanced public offer there;

d) to deliver an estates plan for the future which supports the full integration of BFI and former UKFC activities, and provides our users and audiences with an improved experience.

PUBLIC BENEFIT

The Board of Governors has continued to take heed of the Charity Commission's guidance on public benefit, the guidance on public benefit and fee charging being particularly borne in mind while shaping our objectives for the year and planning activities. The Board also continues to be conscious of its responsibilities as the custodian of a National Collection which it holds in trust for the nation.

The BFI's Charter includes a requirement to "promote access to and appreciation of the widest possible range of British and world cinema". The BFI relies on grants and income from ticket and other sales, fees and charges to cover its operating costs. In setting the level of prices, fees and charges, the Governors have given careful consideration to accessibility to the BFI's services for those on low incomes. A key part of our longer-term development strategy has involved providing free access to a wide range of BFI services – through our Mediatheques and our websites, to free public screenings and broadcast partnerships.

The BFI is also far and away the UK's biggest distributor of world cinema – non-commercial film culture from all parts of the world, giving the public access to a diversity of film culture which would not otherwise be available. Each year, the BFI makes available to the public more than double the number of titles screened by the entire commercial sector: the diversity of Britain's cultural life would be dramatically reduced without the BFI's intervention. A significant number of these titles are made permanently available through DVD publishing, and they are contextualised by our web- and journal based publications.

The BFI continues to grow its reach and impact – we probably reach a larger number of people than any other of Britain's National Collections, and in this respect we do better than any national cultural institution saving the national broadcasters. There are many ways in which the public accesses the BFI's work, and this range ensures we deliver the maximum public benefit for our charitable resources. The BFI activities which deliver public benefit are described in more detail in the pages of this report.

The BFI has worked hard to diversify access to cultural cinema to maximise public benefit. We make material available to venues nationwide, and our television co-productions ensure that even the most remote households have access to some cultural and historical cinema. Our DVD label is freely available, and all our titles are contextualised and explained (some include book-length essays and notes) – and many of these are available for distribution through the public library network.

The Board of Governors carefully considers the opportunities for access that exist for people with very low incomes, and offers a range of concessionary prices for venues while ensuring a large amount of material is distributed free of charge – particularly through our broadcast partnerships and online.

DEVELOPMENT 2010-11

The BFI has hugely ambitious targets for generating sponsorship and support, and has a long track-record of achievement in this area. Support comes from Trusts and Foundations, from private companies and funding bodies, and from a large number of private individuals, all of whom generously support our work.

BFI Patrons

BFI Patrons are at the heart of the BFI. They provide invaluable philanthropic support to the BFI's core charitable work at the same time as enjoying a unique relationship with the best of the BFI. The tailor-made event programme draws on the expertise of the BFI's curators and film industry connections, as well as the excellence to be found in our BFI Southbank programme, the London Film Festival and our Archive collections.

In 2010-11, Patrons enjoyed a wide range of events, from advance previews of *Tamara Drewe*, *Black Swan* and *Beautiful* to special screenings of classics such as *The African Queen* and *The Shop Around the Corner*. They also enjoyed onstage interviews with filmmakers and stars that included Joan Collins and Anjelica Huston. Director's Cut Patrons were able to join us for the BFI events at the Cannes Film Festival in May, and they also attended an evening with Colin Firth at the BFI Chair's Annual Dinner, which also included a sneak peek of *The King's Speech*, months before its release. On our first-ever annual Patrons trip in June, a group of Patrons delighted in the magic of Bologna's archive film festival, as we watched *The Leopard* on an outdoor screen in the magnificent Piazza Maggiore. During October's 54th BFI London Film Festival, all Patrons benefited from the highest level of access to priority tickets and were invited to join us at the Centrepiece Gala for the premiere of Mike Leigh's *Another Year*. Director's Cut Patrons also mingled with the stars at the Opening and Closing Night Galas of the Festival.

For more information on how Patron support can make a difference, please contact Claire Alfrey, Individual Giving Manager on 020 7815 1400 / claire.alfrey@bfi.org.uk

Corporate case-study

The landmark, multi-year partnership between American Express and the BFI was built upon a mutual history of supporting the best in film from around the world, and is an important cornerstone of American Express' strategy of providing their Cardmembers with special access to memorable experiences across a broad range of entertainment categories.

American Express began their major support of the BFI in October 2010 by becoming the Principal Sponsors of the 54th BFI London Film Festival, the first year of a three year profile-raising partnership. Our most successful Festival yet was attended by over 130,000 people and gave American

Express unparalleled exposure and opportunities for the public to engage with the brand. American Express supported the gala screening of *The King's Speech* starring Colin Firth, which went on to win international acclaim and multiple high-profile awards. They sponsored American Express Screen Talks, which saw such cinematic greats as Peter Mullen and Darren Aronofsky participate in on-stage career interviews before sold-out audiences and presented the Best Film In Partnership With American Express Award at the glamorous BFI London Film Festival Awards 2010. The Festival was a fantastic resource for American Express to entertain guests, with exclusive parties and a generous allowance of complimentary tickets, and their Cardmembers were given priority ticket booking, a benefit which had previously been exclusive to BFI Patrons and Members.

In addition to the Festival partnership, American Express supports the BFI's year-round cultural programme. Sponsorship of quarterly screenings at the BFI IMAX and the acclaimed 'Screen Epiphanies' series at BFI Southbank, where personalities from the world of stage and screen introduce and discuss films that inspired them personally or professionally, has given American Express Cardmembers and BFI audiences access to incredible film-making and one-off events. The relationship is a major addition to American Express' award winning 'Preferred Seating' programme, which offers Cardmembers priority booking, best seats in the house and meet-and-great opportunities across a broad spectrum of the most sought after events in the cultural calendar.

Trusts and Foundations

The Eric Anker-Petersen Charity
 Sir John Cass's Foundation
 The Chandris Foundation
 The Chapman Charitable Trust
 The City Bridge Trust
 Community Union
 The Film Foundation
 The Great Britain Sasakawa
 Foundation

The Japan Foundation
 The David Lean Foundation
 The Reuben Foundation
 The Rose Foundation
 The Philip and Irene Toll Gage
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 The Worshipful Company of
 Shipwrights

Individual Supporters

James Dalton
 Shivendra Singh Dungarpur
 Simon W Hessel

Ian & Beth Mill
 Matt Spick
 Peter & Nancy Thompson

And thank you to all our anonymous donors

Director's Cut Patrons

Eric Abraham
 Amanda Eliasch
 Fares & Tania Fares

Simon W Hessel
 Ian & Beth Mill

Epic Patrons

Eric Fellner
Lynn M Lewis

Carol Sellars

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And thank you to all our anonymous Patrons

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M A C

The May Fair Hotel
NH Hoteles
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Soho House
Stella Artois

HOW THE BFI IS GOVERNED

The BFI is governed by a Board of up to 15 Governors subject to the BFI's Royal Charter. The Governors, who are also the trustees of the Charity, now submit their annual report and the audited financial statements for the year ended 31 March 2011. In preparing the annual report and financial statements of the Charity, the Governors have adopted the Statement of Recommended Practice, Accounting and Reporting by Charities issued in February 2005 (SORP 2005).

Governors

Governors who were in post for at least part of the financial year 2010-11 or at the date of signing these accounts:

Greg Dyke (Chair)
Josh Berger (from 1 April 2011)
Shami Chakrabarti CBE
Eric Fellner (to 25 March 2011)
Peter Foy
Sir Christopher Frayling
Matthew Freud (to 31 March 2011)
Ashley Highfield
Tom Hooper (from 11 May 2011)
Matthew Justice (from 1 April 2011)
Beeban Kidron (from 1 April 2011)
Caroline Michel (to 25 March 2011)
Sir Howard Newby CBE
Rt Hon James Purnell (from 1 April 2011)
Tessa Ross CBE (from 8 July 2010)
Lisbeth Savill (from 1 April 2011)
David Thompson
Peter Watson (to 31 March 2011)
Cy Young

Methods of Appointment

The Chair and, if one is appointed, Deputy Chair of the BFI are appointed by the Board of Governors subject to the consent of the Secretary of State for Culture Media and Sport. All other Governors are appointed by the BFI Board of Governors.

The Board of Governors reserves two places on the Board for elected Governors. These are nominated and voted for by the BFI's various members and subscribers throughout the United Kingdom. These appointments are also subject to approval by the BFI Board of Governors. All other Board positions are publicly advertised.

A Governor's term of office is normally three years, with a limit of two terms of office being set in the BFI's Royal Charter. Newly appointed Governors receive a letter of appointment and an induction programme

which together cover general responsibilities, committee membership and involvement outside of formal Governor meetings. Governors are people with a wide experience of and a range of interests in film, television, the moving image generally, and public service, business and industry. All are part-time, unremunerated non-executives.

The Board of Governors has corporate responsibility for:

- delivering the mission set out in the BFI Royal Charter; delivering the BFI's charitable objectives; and developing the overall strategic direction of the BFI within the policy framework agreed with the UK Film Council;
- ensuring that the BFI as a public service body complies with any statutory or administrative requirements for the use of public funds and to maximise value for money;
- ensuring that the BFI acts reasonably and prudently in all matters relating to its charity status;
- appointing the Chief Executive and other members of the Executive Team, and monitoring senior management performance;
- ensuring that all BFI properties and assets are protected and effectively utilised in the pursuit of the BFI's overall mission;
- ensuring commercial activities are self financing and aligned to the BFI core purpose and that these activities uphold fair trading standard requirements;
- ensuring that any fund-raising activity carried out on behalf of the BFI is properly undertaken and that all funds collected are properly accounted for;
- overseeing the delivery of planned results by monitoring performance against agreed strategic objectives and targets;
- ensuring that the BFI's rules for the recruitment and management of staff provide for appointment and advancement on merit on the basis of equal opportunity for all applicants and staff; and
- ensuring the board operates sound environmental policies and practices in accordance with the approach set out in the 1990 White Paper *This Common Inheritance*, the Government's green initiatives and other relevant guidance.

Statement of Governors' Responsibilities

The Governors as the trustees of the Charity are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the Governors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the Governors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- observe the methods and principles in the Charities SORP;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Charity will continue in operation.

The Governors are responsible for keeping proper accounting records which are such as to disclose, with reasonable accuracy, the financial position of the Charity at any time, and to enable them as trustees to ensure that the accounts comply with charity law. The Governors are also responsible for safeguarding the Charity's assets and ensuring their proper application in accordance with the Charities Act 1993 and the Trust Deed, and hence for taking reasonable steps for the prevention and detection of error, fraud and other irregularities.

The governors are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Governors confirm that they have met the responsibilities set out above and complied with the requirements for preparing the accounts. The financial statements set out on pages 27 to 43 attached have been compiled from and are in accordance with the financial records maintained by the Governors.

The Board of Governors has adopted the Code of Best Practice for board members of Public Bodies and maintains a Register of Interests of board members. This Register is available for inspection at the BFI's registered offices at 21 Stephen Street, London W1T 1LN, on request to the Board Secretary.

Organisational Structure

The Board of Governors delegates specific responsibilities to its Committees. Recommendations made by Committees are presented to the Board as a whole for approval.

A brief description of each Committee and its function is given below:

- **Audit, Risk and Governance Committee** reviews the effectiveness of the processes, structures, and controls used to direct, manage and account for the financial and business affairs of the BFI. The Audit, Risk and Governance Committee considers all internal and external audit reports and recommendations. In line with best practice there are two non-Governor members of the committee.
- **Nominations and Appointments Committee** makes recommendations to the Board of Governors about appointments to the Board, committees and other bodies.
- **Remuneration Committee** determines and keeps under review the levels of pay, and the terms and conditions of service, for the BFI Director and other senior managers.

Committee members during the year were:

Audit, Risk & Governance:

Peter Foy (Chair)
Shami Chakrabarti CBE
Nick Cowley (non-Governor member)
Dr Sree Kamineni (non-Governor member)

Nominations & Appointments:

Caroline Michel (Chair)
Greg Dyke

Remuneration:

Greg Dyke (Chair)
Peter Watson

The independent Board Secretary to the Board of Governors and its committees is Paul Crake.

Executive

The Board of Governors employs a chief executive, Amanda Nevill.

Amanda leads an executive team that during the year consisted of:

Eddie Berg, Artistic Director BFI Southbank
Gail Cohen, Director of Marketing
Sandra Hebron, Artistic Director, Festivals
Paula Le Dieu, Director, Digital BFI
Nick Mason Pearson, Director of Press & Public Affairs
Trevor Mawby, Interim Finance & Resources Director
Jill McLaughlin, Director of Strategic Projects
Heather Stewart, Director UK Wide
Francesca Vinti, Director of Development

The Executive makes day-to-day management decisions on behalf of the Board of Governors under the Financial Procedures approved by the Board.

Risk Management Statement

As part of the BFI's risk management process the Governors acknowledge their responsibility for the Charity's system of internal control and reviewing its effectiveness. It is also recognised by the Governors that such a system is designed to manage rather than eliminate the risk of failure to achieve the Charity's objectives and can only provide reasonable, not absolute, reassurance against material misstatement or loss.

The Governors, through the Executive Directors, have set policies on risk and internal controls, which cover the following:

- the responsibility of management to implement the Governors' policies and identify and evaluate risks for their consideration on an ongoing basis;
- consideration of the type of risks the Charity faces;
- the level of risks which they regard as acceptable;
- the likelihood of the risks concerned materialising;
- the Charity's ability to reduce the incidence and impact on the business of risks that do materialise;
- the costs of operating particular controls relative to the benefit obtained; and
- arrangements for monitoring and reporting on risk and control matters of importance, together with details of corrective action being undertaken.

The Charity's risk map and risk register, together with individual divisional risk registers, identifying strengths and weaknesses of control together with actions required and taken to rectify the latter, have been updated and reviewed by the directors. The Charity's risk register and risk map are formally reviewed and updated by the directors each year, and are reviewed by the Audit, Risk & Governance Committee annually.

During the year the Governors, through the officers of the Audit, Risk & Governance Committee, have received reports from the directors and from the external and internal auditors relating to risk and control. The reports have enabled the Governors to satisfy themselves that the above policies are being implemented, that significant weaknesses of control identified are being promptly addressed and on the overall adequacy and effectiveness of the Charity's system of internal control at the year end.

FINANCIAL REVIEW

Funding, Income & Investment in Charitable Activities

Over recent years the BFI's funding challenge has grown as we maintained and developed our public programmes, while receiving no increase in public funding, and simultaneously dealing with the additional sums that had to be expended on preserving the BFI National Archive, maintaining our ageing premises and rising pension costs. We put enormous amounts of energy into squeezing efficiencies out of the organisation and by working hard to grow our revenues. This year those challenges were added to with the announcements of significant reduction in state funding from April 2011 and the abolition of the UK Film Council.

In order to deal with the new landscape the BFI undertook a comprehensive review of all its existing activities and structure, making difficult decisions in order to create a new organisation that can take on the wider role as the lead body for film in the UK. The resulting costs of change, primarily relating to redundancies, of £3.2m are included in the accounts. With the BFI becoming a lottery distributor and "Non-Departmental Government Body" from 1 April 2011 the BFI also took steps to protect its freehold properties as charitable assets by selling them to an independent charity, the BFI Trust, for a nominal sum. This resulted in a reduction in net assets of £25.8m which has been charged to charitable activities. The BFI retains the use of the properties under 10 year operating leases.

Whilst dealing with all of these enormous changes, during the year we largely maintained our revenue streams despite the difficult economic circumstances. As a result there was a £0.1m increase in non-DCMS incoming resources (excluding one-off property disposals).

This year also saw further investment in the BFI National Archive, with construction well underway of the new enhanced storage for the master film collection and new database to access and manage the collection. This despite the disruption and disappointment over the withdrawal of £2.5m of funding for digital access to the Archive and the £45m previously pledged towards developing a new BFI Film Centre to replace the ageing BFI Southbank site.

The financial strategy remains to achieve efficiencies and to re-focus existing resources, most notably in developing our digital strategy and making the Archive both safe and accessible for the nations and regions.

Summary of Grant in Aid from DCMS via UKFC

£m	10-11	09-10	08-09	07-08	06-07	05-06
Revenue Grant in Aid	14.5	14.5	14.5	14.8	16.0	16.0
Capital Grant in Aid	1.5	1.5	1.5	1.2	0.0	0.0
Sub-Total Grant in Aid	16.0	16.0	16.0	16.0	16.0	16.0
Revenue Grant – Modernisation	0.0	0.0	0.0	0.0	0.0	1.0
Capital Grant – BFI						
Southbank/other one-off	0.0	0.0	0.0	0.0	2.5	2.0
Screen Heritage UK Capital Grant	7.6	2.9	1.2	0.0	0.0	0.0
Total	23.6	18.9	17.2	16.0	18.5	19.0

Because of the nature of its funding the BFI does not hold large cash balances, and its financial investment is focused on its property asset base and investing in people and activities to achieve its charitable objectives.

Incoming resources

The BFI recorded total income of £48.5m (2010: £43.3m), an increase of 12% despite flat Grant-in-Aid income from the UKFC of £16.0m (2010: £16.0m). Other grants totalling £10.0m (2010: £5.5m) included £7.6m (2010: £2.9) from DCMS for developing the Screen Heritage UK programme. Donated services income was lower at £1.8m (2010: £2.3m) largely due to the timing of the LLGFF.

Income from Charitable Activities increased by 4% to £19.4m (2010: £18.7m), with the growth generated by a successful year for BFI Southbank, the LFF and a one-off VAT recovery on past Membership income offsetting a drop in IMAX sales, which although good were not a match for the phenomenal prior year success of Avatar.

Resources expended

Total expenditure was £62.5m (2010: £42.5m), with 93% invested in Charitable Activities – £58.2m (2010: £41.4m) – an increase of 40%, primarily driven by the sale of properties to the BFI Trust creating a grant of value to the charity (£25.9m), partially offset by pension credits under FRS17 (£7.9m) and slightly lower support costs. The underlying net investment was similar to the prior year. Charitable Activities invested in the following:

- Lifelong Learning, Research and Debate;
- Distribution and Exhibition; and
- Cinema Heritage.

In addition there was £8.1m of capital investment in the current year under the Screen Heritage UK programme (2010: £2.7m).

Fund Raising

Fund-raising costs of £0.8m (2010: £0.8m) represent the cost of running the BFI Development Division in order to raise funds for the BFI. It was another successful year in raising funds for the BFI Southbank, Festivals and a host of BFI activities, including film restorations, in challenging economic conditions.

Net Incoming/Outgoing Resources

Net outgoing resources for the year amounted to £14.0m (2010: £0.8m net incoming resources), largely due to the sale of properties to the BFI Trust and restructuring costs, partially offset by other grant income invested in capital expenditure on the Screen Heritage UK programme and pension credits under FRS17, largely arising from the change in pension increases from RPI to CPI.

Actuarial gains on defined pension schemes

The net deficit decreased by £17.7m (2010: increase of £10.0m) from £39.8m to £22.1m, including an actuarial gain of £11.2m (2010: loss of £10.0m). The latest triennial actuarial valuation, as at 31 March 2010, upon which future contributions are based, showed a net pension liability of £11.9m (2007: £11.6m) with future contributions similar to recent levels.

Reserves Policy

The Governors are committed to maintaining an adequate level of free reserves to meet any unforeseen expenditure or fall in income. This is incorporated into the budgets going forward and the ongoing management of activities within the available income, a significant element of which is subject to market conditions.

The BFI's net free reserves (Note 18 – Notes to the Accounts) were down to £0.4m (2010: £1.2m) as a result of the restructuring costs. Forward plans over the current spending review period to March 2015 are designed to return net free reserves to 2010 levels.

At 31 March 2011 the BFI had total consolidated reserves of £11.1m (2010: £14.0m) after the impact of FRS 17, which reduces reserves by £22.1m (2010: £39.8m).

Restricted funds of £14.8m (2010: £18.8m) comprises £14.4m (2010: £18.0m) in fixed assets and £0.4m of current assets (2010: £0.8m), the latter primarily being Screen Heritage funds committed to fixed assets being delivered in 2011/12.

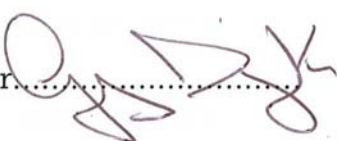
Unrestricted reserves are in deficit by £3.6m (2010: £4.8m) as a result of the long term net pension liability under FRS17: Retirement Benefits of £22.1m (2010: £39.8m). As at 31 March 2010, the latest actuarial valuation date, the net pension deficit to be funded was £11.9m and this is being addressed over the next 20 years (subject to future triennial valuations) with additional contributions being made to the London Pension Fund Authority. These contributions are factored into our forward plans and the governors, having considered Charity Commission guidance on FRS17 deficits, are satisfied that this approach is appropriate. If the accounts were to include the triennial valuation deficit instead of the FRS17 deficit then the BFI would have positive net unrestricted reserves of £6.6m (2010: £23.1m).

Going Concern

The BFI has received £16m of Grant in Aid per annum for each of the last 7 years from the UKFC as part of the Department of Culture, Media and Sport's assessment of its commitment to recognising the cultural impact of film, the Archive and the Nation's heritage. This level of funding, in common with other Government-funded bodies, is reduced during the period 2011–15, although the cash amount is increased to fund the activities previously the responsibility of the UKFC.

Given the recent review of BFI activities and structures, together with the government commitment to funding, the Governors and Executive have a reasonable expectation that the BFI has adequate resources to continue operating. Accordingly, the accounts have been prepared on a going concern basis.

Approved by the Board of Governors for signature on 18 October 2011.

Governor.....

CORPORATE INFORMATION

British Film Institute

The British Film Institute is incorporated by Royal Charter and is registered in England as a charity, number 287780.

Registered office: 21 Stephen Street, London W1T 1LN

www.bfi.org.uk

Solicitors

Farrer & Co

66 Lincoln's Inn Fields, London WC2A 3LH

Bankers

Lloyds TSB Bank

32 Oxford Street, London W1A 2LD

Internal auditors

Tribal Business Assurance

54 Gosport Business Centre, Aerodrome Road, Gosport PO13 0FQ

Auditors

Deloitte LLP

PO Box 3043, Abbots House, Abbey Street, Reading RG1 3BD

Following the acquisition of new activities from the UKFC on 1 April 2011 the BFI will in the future be audited by the National Audit Office.

INDEPENDENT AUDITOR'S REPORT TO THE GOVERNORS OF BRITISH FILM INSTITUTE

We have audited the group and charity financial statements of British Film Institute for the year ended 31 March 2011 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's governors, as a body, in accordance with section 43 of the Charities Act 1993 and regulations made under section 44 of that Act. Our audit work has been undertaken so that we might state to the charity's governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of governors and auditor

As explained more fully in the Governors' Responsibilities Statement, the governors are responsible for the preparation of the financial statements which give a true and fair view.

We have been appointed as auditor under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charity's affairs as at 31 March 2011, and of the group's incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 1993 and the trust deed.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 1993 requires us to report to you if, in our opinion:

- the information given in the Governors' Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept by the parent charity; or
- the parent charity financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Deloitte LLP

Deloitte LLP

Chartered Accountants and Statutory Auditor
Reading, United Kingdom

31 October 2011

Deloitte LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006 and consequently to act as the auditor of a registered charity.

STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING AN INCOME AND EXPENDITURE ACCOUNT)
Year ended 31 March 2011

	Note	Unrestricted £'000	Restricted £'000	2011 Total £'000	Restated 2010 Total £'000
Incoming resources					
<i>Incoming resources from charitable activities</i>					
Lifelong Learning		4,209	-	4,209	3,967
Distribution & Exhibition		13,326	-	13,326	13,004
Cinema Heritage		1,872	-	1,872	1,688
<i>Incoming resources from generated funds</i>					
Voluntary Income	19				
Grant-in-Aid - Revenue Funding	4	14,550	-	14,550	14,550
Grant-in-Aid - Capital Funding	4	-	1,450	1,450	1,450
Other Grants, Legacies and Donations	18	27	9,988	10,015	5,499
Lottery Awards	5	-	640	640	844
Donated Services and Facilities	6	-	1,805	1,805	2,256
Investment Income	7	69	-	69	23
Other incoming resources	12	517	-	517	-
Total incoming resources		34,570	13,883	48,453	43,281
Resources expended					
<i>Charitable activities</i>					
Lifelong Learning		(6,267)	(1,847)	(8,114)	(10,730)
Distribution & Exhibition		(13,792)	(3,178)	(16,970)	(20,283)
Cinema Heritage		(5,412)	(1,793)	(7,205)	(10,351)
Sale and transfer of assets to a new charitable trust	12	(24,329)	(1,560)	(25,889)	-
<i>Total charitable activities (after an exceptional pension credit to unrestricted resources expended in the year of £7,899,000)</i>		<i>(49,800)</i>	<i>(8,378)</i>	<i>(58,178)</i>	<i>(41,364)</i>
<i>Costs of generating funds</i>					
Costs of generating voluntary income	19	(838)	-	(838)	(849)
Governance costs		(249)	-	(249)	(248)
Restructuring costs		(3,224)	-	(3,224)	-
Total resources expended	8,11	(54,111)	(8,378)	(62,489)	(42,461)
Net (outgoing)/incoming resources		(19,541)	5,505	(14,036)	820
Transfer of pension liabilities	10	-	-	-	999
Net (outgoing)/incoming resources before transfers		(19,541)	5,505	(14,036)	1,819
Gross transfers between funds	18	9,537	(9,537)	-	-
Net (outgoing)/incoming resources before other recognised gains and losses		(10,004)	(4,032)	(14,036)	1,819
Other recognised gains/(losses)					
Actuarial gains/(losses) on defined benefit pension schemes	10	11,213	-	11,213	(9,963)
Net movement in funds		1,209	(4,032)	(2,823)	(8,144)
Reconciliation of funds					
Total funds brought forward		(4,833)	18,799	13,966	22,110
Total funds carried forward	18	(3,624)	14,767	11,143	13,966

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

The accompanying notes form an integral part of this Statement of Financial Activities.

Prior year restated: other incoming resources have been reclassified into charitable activities, with no impact on net incoming resources.

CONSOLIDATED AND CHARITY BALANCE SHEET
31 March 2011

	Note	Group 2011 £'000	Group 2010 £'000	Charity 2011 £'000	Charity 2010 £'000
Fixed assets:					
Tangible fixed assets	12	44,648	51,701	44,648	51,701
Investments	13	-	-	93	93
Total fixed assets		44,648	51,701	44,741	51,794
Current assets:					
Stocks & work in progress	14	763	844	733	805
Debtors	15	5,245	2,884	6,491	3,685
Cash at bank and in hand		8,320	5,974	6,470	4,036
Total current assets		14,328	9,702	13,694	8,526
Liabilities:					
Creditors: amounts falling due within one year	16	(25,774)	(7,650)	(25,233)	(6,567)
Net current (liabilities)/assets		(11,446)	2,052	(11,539)	1,959
Total assets less current liabilities		33,202	53,753	33,202	53,753
Defined benefit pension scheme liability	10	(22,059)	(39,787)	(22,059)	(39,787)
Net assets including defined benefit pension scheme liability		11,143	13,966	11,143	13,966
Funds:					
Restricted income funds	18	14,767	18,799	14,767	18,799
Unrestricted income funds :					
Unrestricted income funds excluding pensions asset/liability		18,435	34,954	18,435	34,954
Pension reserve		(22,059)	(39,787)	(22,059)	(39,787)
Total unrestricted funds	18	(3,624)	(4,833)	(3,624)	(4,833)
Total funds	18	11,143	13,966	11,143	13,966

The accompanying notes form an integral part of this consolidated and Charity balance sheet.

The Governors and Director of the BFI, registered charity number 287780, approved these financial statements and authorised their issue on 18 October 2011.



Governor



Chief Executive

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 2011

	Notes	2011 £'000	2010 £'000
Net cash inflow from operating activities	2	10,723	5,068
Return on investments and servicing of finance	3	69	23
Capital expenditure and financial investment	3	(8,446)	(3,441)
Increase in cash in the year		<u>2,346</u>	<u>1,650</u>

The accompanying notes form an integral part of this consolidated cash flow statement.

NOTES TO THE ACCOUNTS**Year ended 31 March 2011****1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. The accounting policies have been applied consistently throughout the year and the preceding year.

Basis of preparation

The financial statements of the BFI are prepared under the historical cost convention and in accordance with the Charities Act, the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities Statement of Recommended Practice (revised 2005)" and applicable accounting standards.

The statement of financial activities (SOFA) and balance sheet consolidate the financial statements of the Charity and its subsidiary undertakings. The results of the subsidiaries are consolidated on a line by line basis within the SOFA. A separate Income and Expenditure account has not been presented for the Charity, as permitted by paragraph 397 of the SORP. However, a summary Operating Statement is included at note 18. The balance sheet and related notes show the assets and liabilities of the Group as well as the Charity.

Going concern

The accounts have been prepared on a going concern basis. After making enquiries, the Board of Governors has a reasonable expectation that the BFI has adequate resources to continue provided that it receives ongoing funding and sales based on past experience. In the year to 31 March 2011 the BFI received £16,000,000 from the UK Film Council (UKFC) as part of the Department of Culture, Media and Sport's (DCMS) assessment of its commitment to recognising the cultural impact of film, the BFI National Archive and the Nation's heritage. This funding continues directly from DCMS in 2011-12 through to 2014-15 but in common with other government funded bodies we face a reduction in funding during the period 2011-15 on a like-for-like basis.

The government's abolition of the UKFC has however increased both the activities and the funding of the BFI going forward. The commitment to the National Archive, through the Strategy for UK Screen Heritage funding, which concludes in 2011-12, will also have a major impact in meeting the substantial costs of looking after the Nation's film archive. As the lead body for film, the BFI is actively engaged with the government in developing the strategy for film in the UK which will impact on future funding. As from 1 April 2011 the BFI is now a Lottery distributor and is considered by government to be a "Non Departmental Public Body", both of which give support to our future financial stability.

As a consequence of these changes, the BFI recorded a deficit in the year as a result of restructuring costs (£3,224,000), disposal of assets (£13,640,000) and agreement to sell assets (£12,198,000), without which a net increase in funds of £26,239,000 would have been achieved. That movement includes significant funding for capital investment and a reduction in the pension liability. The BFI's plans for the current government funding period are being developed in greater detail, with the intention of recovering the restructuring costs in the period. The pension deficit of £22,058,000 contributes to negative unrestricted reserves of £3,624,000 and is being addressed in the longer term with additional contributions being made to the London Pension Fund Authority, based on the triennial actuarial valuations, and these contributions are factored into our forward plans.

As at 31 March 2010, the latest actuarial valuation date, the deficit to be funded was £11,893,000 and this is being addressed over the next 20 years, subject to future triennial valuations. This is considerably less than the deficit in the accounts of £22,058,000 under FRS17 and governors are satisfied that this approach is appropriate.

At the year end, the BFI held reserves of £11,143,000 (2010: £13,966,000) which included unrestricted cash balances of £3,419,000 (2010: £3,392,000) and a free reserves of £373,000 (2010: £1,238,000) (Note 18).

Charitable activities

The BFI engages in a diverse range of activities in order to meet its objects, which are described in more detail in the Governors' Report. The BFI accounts categorise its activities across three of its core objects:

Lifelong Learning - to promote education about film, television and the moving image generally, and their impact on society;
Distribution & Exhibition - to promote access to and appreciation of the widest possible range of British and world cinema; and
Cinema Heritage - to establish, care for and develop collections reflecting the moving image history and heritage of the UK.

Incoming resources

All incoming resources are included in the SOFA when the Charity is legally entitled to the income, entitlement is virtually certain and the amount can be quantified with reasonable accuracy. The following specific policies apply to categories of income:

Donated Services and Facilities: including gifts in kind, are included in income and expenditure at the value to the Charity where this can be quantified (Note 6).

Grants & Deferred Income: where related to performance and specific deliverables, grants are accounted for as the Charity earns the right to consideration by its performance. Where income is received in advance of its recognition, it is deferred and included in creditors: amounts falling due within one year. Where entitlement occurs before income being received, the income is accrued. Capital grants are accounted for as income as soon as they are receivable.

Other incoming resources: primarily relates to the recharge of facilities, such as utility, security and cleaning costs to third parties using BFI premises.

NOTES TO THE ACCOUNTS
Year ended 31 March 2011

1. ACCOUNTING POLICIES (CONTINUED)

Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category concerned. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources, as detailed in Note 8. Costs of generating funds are fund-raising and publicity costs incurred in seeking voluntary contributions and do not include the cost of disseminating information in support of charitable activities. Governance costs comprise all costs identified as wholly or mainly attributable to ensuring the public accountability of the Charity and its compliance with regulation. These costs include external and internal audit and Governors' costs.

Donated Services and Facilities: including gifts in kind, are included in income and expenditure at the value to the Charity where this can be quantified (Note 6).

Charitable expenditure: Collections: films etc

The BFI has built the National Archive since its establishment in 1933, with film and other materials dating back to the 19th century. The collection of films, television material, photographic stills, posters, books and other related materials are held for use in the BFI's operations, as described in more detail in the Governors' Report. All expenditure on acquiring and improving the collection is included in charitable expenditure in the year incurred. In the main, this expenditure is of a curatorial or restoration nature and the Governors are of the opinion that any value attributed to fixed assets would not be material. The collections also comprise donated materials that are not subject to formal valuation. Therefore a nominal value of £1 has been placed on the collection.

In order to give an indication of the physical size and diversity of the collections, the main elements are summarised below.

Fiction film

60,000 titles. The collection includes the original camera negatives of some of the most important feature films in British film history. The BFI also looks after an extensive international collection of films.

Non fiction film

120,000 titles including documentaries, newsreels, government films, sponsored films, advertisements and home movies. It is the world's most important collection of documentary films.

Television

Around 750,000 television titles including material recorded off-air, as it was seen by the viewer, as well as production and transmission material. The collection includes all BBC output since 1980 including unique live broadcasts and extensive samples of commercial terrestrial television, with emphasis on key British productions. As well as the recorded material, significant collections of transmitted programming donated by broadcasters include the Rediffusion Collection (the earliest ITV contractor) and material preserved on analogue videotape from the sixties and seventies donated by the BBC and ITV. The collection also includes recordings of the proceedings of the two houses of Parliament and select committees (approximately 60,000 hours).

Library

The library holds some 45,000 books including major film, TV and video directories and yearbooks from around the world, all major film and TV festival catalogues, programmes and brochures and all UK based festival catalogues. It also includes major film catalogues from around the world, annual reports from relevant companies and bodies; official publications including copyright, arts policy, and government reports; biographies and autobiographies of UK film/TV personalities.

One of the greatest strengths of the library is its near comprehensive collections of UK trade and academic journals (5000 titles; many hundreds of thousands of issues). An extensive collection of newspaper cuttings, publicity and press material are also held (on microfilm) as are brochures, leaflets, prospectuses etc. describing the work of organisations that are relevant to film and television.

Special collections

20,000 unpublished scripts, from first drafts to release scripts, relating primarily to British film and TV titles.

25,000 pressbooks, 25,000 film posters and 2,000 items of cinema ephemera such as programmes, tickets, autographed letters, promotional material and personal memorabilia.

600 collections of personal and company papers reflecting the history of British film and television production from the earliest days to the present time.

Approximately 1 million still images from or related to films and television, including publicity material, production shots, and portraits.

Other items include: 3,000 production and costume designs; 3,000 animation cels including artwork by leading animators; and extensive audio collections including oral history recordings and interviews with many key industry figures.

Tangible fixed assets, depreciation and impairment

Expenditure on tangible fixed assets is capitalised and included at cost.

Depreciation is provided on all tangible fixed assets, except freehold land, to write off the cost less estimated residual values over their expected useful economic lives. It is calculated on a straight line basis, except freehold buildings which are on a reducing balance basis, at the following rates:

Freehold buildings	2.9-5.3% per annum
Long leasehold property	2% per annum
Furniture, fittings and equipment	10-33% per annum
Motor vehicles	20% per annum

NOTES TO THE ACCOUNTS
Year ended 31 March 2011

1. ACCOUNTING POLICIES: Tangible fixed assets, depreciation and impairment (CONTINUED)

The carrying value of fixed assets is reviewed at least annually. Where the carrying value is considered to be greater than the value of the asset to the activities of the charity, an impairment charge will be made in the year to reflect that loss in value.

Heritage assets

The assets of the BFI are primarily used in its charitable activities and therefore FRS 30: Heritage Assets is not applicable. To the extent that making materials available for public benefit leaves artefacts which are retained by the BFI as Heritage Assets, the Governors do not consider that reliable cost or valuation information can be obtained for them, due to the diverse nature of the assets held and the lack of comparable market values.

A further consideration is the issue of intellectual property rights to the images held in the collection. A significant proportion of the collection has been donated to the BFI for safekeeping but the copyrights to those materials remain, at least in part, with the donor or other third parties. This adds a further layer of complexity in assessing the value of the collection, either as operating or heritage assets.

Therefore a nominal value of £1 has been placed on these elements of the collection.

Investments

Investments in subsidiaries are stated at cost less provision for impairment.

Stocks and work in progress

Raw materials, stocks and work in progress are valued at the lower of cost and net realisable value. Stocks consist of goods held for resale and work in progress consists of expenditure on DVD and Blu-Ray development carried forward and written off over the expected commercial life of the individual titles.

Pension costs

For defined benefit pension schemes the amounts charged in resources expended are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the SOFA if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised in the 'Other recognised gains / losses'.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Charity, in separate trustee-administered funds which are part of the London Pension Fund Authority (LPFA). The LPFA is a local government pension scheme and the BFI is an Admitted Body member. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained every three years and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Until 31 March 2010 employees of the British Universities Film & Video Council were members of the LPFA under the BFI's membership. They are now an Admitted Body in their own right and a share of the assets and liabilities of the fund has been directly apportioned to them. The impact was a reduction in the net liability under FRS17: Retirement Benefits of £999,000 and this was reflected in the Statement of Financial Activities last year.

For defined contribution schemes, the amount charged to the SOFA in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Operating lease transactions

Payments made under operating leases are charged to the SOFA on a straight line basis as they are incurred.

Fund accounting

Unrestricted funds are funds available for use at the discretion of the Governors in the furtherance of the general objectives of the BFI and which are not subject to externally imposed restrictions.

Restricted funds are funds to be used in accordance with specific restrictions imposed by donors. The aim and use of each restricted fund is set out in the notes to the accounts.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities are retranslated at the rate of exchange ruling at the balance sheet date.

Taxation

The BFI is a registered charity and as such its income and gains falling within s.505 ICTA 88 or s.256 TCGA 92 are exempt from corporation tax to the extent that they are applied to its charitable objectives. Its subsidiaries have not incurred a tax charge as they gift all profits to the BFI.

NOTES TO THE ACCOUNTS
Year ended 31 March 2011

2. CASH FLOW STATEMENT

	2011	2010
	£'000	£'000
Reconciliation of changes in resources to net inflow from operating activities:		
Net (outgoing)/ incoming resources before other recognised gains and losses and lottery funding	(14,676)	975
Lottery funding	640	844
Net (outgoing)/incoming resources before other recognised gains and losses	(14,036)	1,819
Less interest receivable	(69)	(23)
Depreciation	2,037	2,012
Impairment of fixed assets	289	-
Loss on fixed asset disposals	13,173	18
Decrease/(increase) in stocks	81	(42)
(Increase)/decrease in debtors	(2,361)	1,525
Increase/(decrease) in creditors	18,124	(243)
(Decrease)/increase in defined benefit pension scheme liability	(6,515)	2
Net cash inflow from operating activities	<u>10,723</u>	<u>5,068</u>

3. ANALYSIS OF CASH FLOWS

	2011	2010
	£'000	£'000
Return on investments and servicing of finance		
Interest receivable	69	23
Net cash inflow from return on investments and servicing of finance	<u>69</u>	<u>23</u>

	2011	2010
	£'000	£'000
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(9,537)	(3,617)
Disposal of tangible fixed assets	1,091	176
Net cash outflow from capital expenditure and financial investment	<u>(8,446)</u>	<u>(3,441)</u>

a) Reconciliation of net cash flow to movement in net funds

	2011	2010
	£'000	£'000
Increase in cash in the year	2,346	1,650
Net funds at 1 April 2010	5,974	4,324
Net funds at 31 March 2011	<u>8,320</u>	<u>5,974</u>

b) Analysis of net funds

	1 April	Cash flow	31 March
	2010		2011
	£'000	£'000	£'000
Cash at bank and in hand	5,974	2,346	8,320

This year's accounts are affected by some large non-cash transactions relating to pension liability movements under FRS17: Retirement Benefits and property. These are explained in more detail in Notes 8, 10, 12 and 16 to these accounts.

4. RELATED PARTY AND OTHER SIGNIFICANT TRANSACTIONS

a) UK Film Council Grant-in-Aid

The UKFC is not a related party, but has been the BFI's largest single source of funding, using resources delegated by the DCMS. It has therefore been included in this category in order to provide supplementary disclosure. During the year, the BFI had the following material transactions with the UKFC:

	2011	2010
	£'000	£'000
Unrestricted funds - Grant-in-Aid, Revenue Funding	<u>14,550</u>	<u>14,550</u>
Restricted funds - Grant-in-Aid, Capital Funding	<u>1,450</u>	<u>1,450</u>
Restricted funds - Other Grant Funding (included within 'Other grants', see Note 18)	<u>8,607</u>	<u>4,221</u>

The balances carried forward at the end of the year are £Nil (2010: £Nil) for unrestricted funds and £273,000 (2010: £773,000) for restricted funds (see Note 18).

NOTES TO THE ACCOUNTS
Year ended 31 March 2011

4. RELATED PARTY AND OTHER SIGNIFICANT TRANSACTIONS (CONTINUED)

Grant-in-aid is spent in accordance with the funding agreement between the BFI and the UKFC. The UKFC objectives were to:

- extend & improve access to film culture, serving the diverse geographical needs of the UK's nations and regions and recognising the differing needs of rural, suburban and metropolitan locations;
- improve education about the moving image;
- support & encourage cultural diversity and social inclusiveness; and
- promote film activity in the nations & regions and ensure that national and regional bodies work in concert towards the UKFC's goals.

b) Governors

The Governors neither received nor waived any emoluments during the year (2010: £Nil). Governors expenses amounted to £2,431 in the year (2010: £2,932). This primarily represents reimbursed travelling expenses for three governors (2010: one) and the provision of food and beverages for meetings. No payments were made in the year for services (2010: £Nil).

During the year, the BFI received payments of advances in relation to international film sales totalling £Nil (2010: £40,000) from Hanway Films Limited. A former Governor, Peter Watson, who retired from the Board on 31 March 2011, is a minority shareholder in the company. The contract was awarded in accordance with the BFI's tendering and notifiable interest procedures and an Order was obtained from the Charity Commission to authorise this payment. The initial advances, totalling £200,000, have now been recouped from sales, for which Hanway Films Ltd receive a commission consistent with the open market. There were no other material connected party transactions involving Governors in their personal or business capacities.

The Charity has purchased insurance to indemnify the Governors against the consequences of any neglect or default on their part. The cost amounted to £4,753 (2010: £4,753), which includes cover for Governors and Officers of the Charity.

c) BFI Trust

The BFI Trust is not a related party, it is an independent registered charity with objectives consistent with those of the BFI. It has therefore been included in this category in order to provide supplementary disclosure. During the year, the BFI had the following material transactions with the BFI Trust:

	2011 £'000	2010 £'000
Sale of land and buildings - loss on disposal	(13,640)	-
Agreement to sell land and buildings - net book value as at 31 March 2011	(12,198)	-

5. LOTTERY FUNDED PROJECTS

	Gross costs of projects 2011 £'000	Less lottery monies received 2011 £'000	BFI funded 2011 £'000	Lottery monies received 2010 £'000	BFI funded 2010 £'000
Heritage Lottery Fund	(36)	36	-	69	17
UKFC Lottery Funding	(608)	604	4	775	26
	(644)	640	4	844	43

6. DONATED SERVICES AND FACILITIES

	2011 £'000	2010 £'000
Publicity and advertising	1,036	1,293
Buildings and facilities	236	289
Services & equipment hire	352	452
Food and drink	115	70
Other goods	66	152
	1,805	2,256

NOTES TO THE ACCOUNTS
Year ended 31 March 2011

7. INVESTMENT INCOME

	2011	2010
	£'000	£'000
Bank interest receivable	69	23

8. TOTAL RESOURCES EXPENDED

	Direct	Allocated	Allocated	2011	Restated
	Costs	Pension credits	Support costs	Total	2010
	£'000	£'000	£'000	£'000	Total
				£'000	£'000
Lifelong Learning	(8,589)	1,307	(832)	(8,114)	(10,730)
Distribution & Exhibition	(17,253)	1,424	(1,141)	(16,970)	(20,283)
Cinema Heritage	(7,929)	1,606	(882)	(7,205)	(10,351)
Costs of generating voluntary income	(838)	-	-	(838)	(849)
Governance costs	(249)	-	-	(249)	(248)
Total resources expended, before restructuring costs	<u>(34,858)</u>	<u>4,337</u>	<u>(2,855)</u>	<u>(33,376)</u>	<u>(42,461)</u>

On the 31 March 2011 the BFI sold its freehold interest in land and buildings in central London and Berkhamsted to an independent charity, BFI Trust, for the nominal sum of £2. The assets had a net book value of £13,691,000. The charitable objects of the BFI Trust are consistent with those of the BFI and this sale therefore includes a donation of valuable assets to that charity, which is included in resources expended on charitable activities, equivalent to the carrying value. The BFI occupies the properties on a ten year lease at open market value from the BFI Trust.

On the 31 March 2011 the BFI entered into an agreement to sell its freehold interest in land and buildings in Warwickshire to an independent charity, BFI Trust, for the nominal sum of £1. The sale will formally complete early in 2012 once the current building works have concluded. As a result, assets with a net book value of £12,198,000 will be disposed of in the year ending 31 March 2012, and a corresponding liability is included in other creditors. The charitable objects of the BFI Trust are consistent with those of the BFI and this sale therefore includes a donation of valuable assets to that charity, which is included in resources expended on charitable activities, equivalent to the carrying value. The BFI has also entered into an agreement to occupy the property on a ten year lease at open market value from the BFI Trust.

Support services, including staff and other costs, which are allocated across the activities of the Charity, are shown in the allocated support costs column. The basis of allocation is as follows:

Nature of cost	Allocation basis	2011	2010
		£'000	£'000
IT & finance support	Combination of Head Count and Departmental Spend	(1,333)	(1,363)
Human resources	Head Count	(303)	(350)
Premises and utilities	Combination of Floor Area and Head Count	(460)	(553)
Communication and marketing	Direct Spend and percentage of income generated	(301)	(258)
Other overheads	Combination of time and departmental spend	(459)	(591)
Total support		<u>(2,856)</u>	<u>(3,115)</u>
Pension credit/(cost) (Note 10)	Salary costs	<u>4,337</u>	<u>(3,170)</u>

	2011	2010
	£'000	£'000
Governance costs:		
Audit fees: Charity	(50)	(45)
Audit fees: subsidiary (British Film Institute (Big Screen) Limited)	(9)	(9)
Legal and professional fees	(32)	(35)
Trustees costs	(3)	(6)
Corporate planning	(155)	(153)
Total governance	<u>(249)</u>	<u>(248)</u>
Restructuring costs	<u>(3,224)</u>	<u>-</u>

In recent years the BFI has had to manage with real terms funding cuts in Grant in Aid from the UK Film Council. In November 2010 the Department of Culture, Media & Sport announced further cuts to the BFI's underlying Grant in Aid allocation for the next four years' funding, commencing April 2011. In December 2010 the government announced its intention to close the UK Film Council. The BFI undertook a review of its existing activities and capacity to take on many of the activities previously carried out by the UK Film Council. As a result the BFI took difficult decisions to stop some non-core activities and restructure teams and processes, losing over 60 staff. Included in the restructuring costs is £592,000 which is the impact of the redundancies on the FRS17 pension liability.

NOTES TO THE ACCOUNTS
Year ended 31 March 2011

9. STAFF COSTS

	2011	2010
	£'000	£'000
Staff costs consists of:		
Wages & salaries	(15,183)	(14,636)
Social security costs	(1,187)	(1,178)
Pension costs (see Note 10)	(1,981)	(1,106)
	<u>(18,351)</u>	<u>(16,920)</u>

The average number of full time equivalent employees of the BFI during the year was:

	2011	2010
	Number	Number
Costs of generating voluntary income	16	12
Lifelong Learning	116	119
Distribution & Exhibition	173	165
Cinema Heritage	132	138
Governance costs	2	2
	<u>439</u>	<u>436</u>

Higher paid employees

	Age at		
	31 March		
	2011	2011	2010
		£'000	£'000
Director			
A. Nevill	54	<u>(137)</u>	<u>(137)</u>

Including bonuses totalling £Nil (2010: £Nil). Employer's pension contributions for the year amounted to £19,336 (2010: £20,431).

	2011	2010
	Number	Number
Other senior staff		
(including employer's pension contributions)		
£140,000 - £149,999	1	1
£120,000 - £129,999	-	1
£110,000 - £119,999	1	-
£100,000 - £109,999	3	4
£90,000 - £99,999	4	1
£80,000 - £89,999	6	7
£70,000 - £79,999	9	5
£60,000 - £69,999	<u>8</u>	<u>11</u>

Included in the above are 29 (2010: 28) staff who are ordinary members of the London Pensions Fund Authority pension scheme. The amount of employer's pension contributions attributable to these staff amounted to £280,000 (2010: £264,000).

10. PENSIONS

The BFI is an admitted body to the London Pensions Fund Authority (LPFA), which provides a defined benefit pension scheme for the salaried employees of the Charity. It is a funded scheme and the assets are administered by trustees and are independent of the BFI. The related costs are assessed in accordance with the advice of professionally qualified actuaries. A defined contribution pension scheme is available for employees of the subsidiary company, British Film Institute (Big Screen) Limited.

The BFI has accounted in full for pensions' benefits in 2010/11 under the requirements of FRS17. Therefore, as at 31 March 2011, a pension liability of £22,059,000 (2010: £39,787,000) is included in the BFI balance sheet.

In addition to the amounts payable for current members of the pension scheme, within this scheme the BFI has an unfunded liability to pay pensions to 43 (2010: 43) former employees and their spouses. The total actuarial valuation for this liability at 31 March 2011 is included in the pension provision.

For FRS17 disclosure, the full valuation at 31 March 2010 has been updated by the actuaries Barnett Waddingham to assess the liabilities of the scheme as at 31 March 2011.

NOTES TO THE ACCOUNTS
Year ended 31 March 2011

10. PENSIONS (CONTINUED)

The most significant actuarial assumptions in this recent valuation are:

		2011	2010
		%	%
		Per annum	Per annum
Rate of increase in prices	RPI	3.5	3.7
Rate of increase in prices	CPI	2.7	N/A
Rate of increase in salaries		4.0	4.2
Rate of increase in pensions in payment		2.7	3.7
Expected return on assets		6.7	6.8
Discount rate		5.4	5.4
Return on scheme investment:			
Equities		7.4	7.5
Target return funds		4.5	4.5
Alternative assets		6.4	6.5
Cash		3.0	3.0
Corporate bonds		5.5	5.5

The BFI share of the net pension liability as at 31 March 2011:

	2011	2010	2009	2008
	£'000	£'000	£'000	£'000
Fair value of employer assets	48,584	44,610	34,318	43,081
Present value of scheme liabilities	(68,328)	(82,071)	(61,590)	(65,632)
Net underfunding in funded plans	(19,744)	(37,461)	(27,272)	(22,551)
Present value of unfunded liabilities	(2,315)	(2,326)	(2,550)	(2,769)
Net pension deficit	(22,059)	(39,787)	(29,822)	(25,320)

Assets - Split of Investments by Category

Assets whole fund	2011	Asset	2010	Asset
	£'000	Distribution	£'000	Distribution
		%		%
Equities	1,924,410	69%	1,764,000	70%
Target return funds	334,680	12%	252,000	10%
Alternative assets	390,460	14%	352,800	14%
Cash	83,670	3%	126,000	5%
Corporate bonds	55,780	2%	25,200	1%
Total	2,789,000	100%	2,520,000	100%

Analysis of the amount chargeable to resources expended under FRS17

	2011	2010
	£'000	£'000
Current service cost	(1,973)	(1,115)
Losses on curtailments and settlements	(592)	-
Past service cost	7,899	-
Total operating credit/(charge)	5,334	(1,115)

Amount credited/(debited) to other finance charges under FRS17

	2011	2010
	£'000	£'000
Expected return on pension scheme assets	3,072	2,232
Interest on pension scheme liabilities	(4,069)	(4,172)
Net costs	(997)	(1,940)
Net revenue account credit/(cost)	4,337	(3,055)
Transfer of Pension Liabilities *	-	999

* Transfer out of employees of a third party charitable organisation

NOTES TO THE ACCOUNTS
Year ended 31 March 2011

10. PENSIONS (CONTINUED)

Analysis of amount recognised in the Statement of Financial Activities (SOFA)	2011	2010
	£'000	£'000
Actual return less expected return on pension scheme assets	143	7,947
Experience gains arising on the scheme liabilities	13,980	618
Changes in assumptions underlying the present value of the scheme liabilities	(2,910)	(18,528)
Actuarial gain/(loss) recognised in SOFA	<u>11,213</u>	<u>(9,963)</u>
Reconciliation of defined benefit obligation	2011	2010
	£'000	£'000
Defined benefit obligation in scheme at beginning of year	(84,397)	(64,140)
Movement in year:		
Current service cost	(1,973)	(1,115)
Interest cost	(4,069)	(4,172)
Past service cost	7,899	-
Contributions by members	(691)	(645)
Unfunded benefits paid	158	160
Impact of settlements and curtailments	(592)	1,910
Benefits paid	2,028	1,515
Actuarial gains/(losses)	<u>10,994</u>	<u>(17,910)</u>
Deficit in scheme at end of the year	<u>(70,643)</u>	<u>(84,397)</u>
Reconciliation of fair value of employer assets	2011	2010
	£'000	£'000
Fair value of employer assets in scheme at beginning of year	44,610	34,318
Movement in year:		
Expected return on assets	3,072	2,232
Contributions by members	691	645
Contributions by the employer	2,020	1,894
Contributions in respect of unfunded benefits	158	160
Actuarial gains	219	7,947
Curtailement and settlement *	-	(911)
Unfunded benefits paid	(158)	(160)
Benefits paid	<u>(2,028)</u>	<u>(1,515)</u>
Fair value of employer assets in scheme at end of year	<u>48,584</u>	<u>44,610</u>

* Transfer out of employees of a third party organisation with associated assets.

History of experience gains and losses	2011	2010	2009	2008	2007
	£'000	£'000	£'000	£'000	£'000
Fair value of employer assets	48,584	54,902	34,318	43,081	44,197
Present value of defined benefit obligation	(70,643)	(104,654)	(64,140)	(68,401)	(67,083)
Surplus/(deficit)	<u>(22,059)</u>	<u>(49,752)</u>	<u>(29,822)</u>	<u>(25,320)</u>	<u>(22,886)</u>
Experience gains/(losses) on assets	143	7,947	(12,264)	(4,505)	391
Experience gains/(losses) on liabilities	13,980	618	59	1,155	(86)

11. NET RESOURCES

Net resources expended before transfers are stated after charging:	2011	2010
	£'000	£'000
<i>Auditors' remuneration:</i>		
Audit: Charity	(50)	(45)
Audit: subsidiary (British Film Institute (Big Screen) Limited)	(9)	(9)
Other services: Charity	(246)	(59)
Other services: subsidiaries	-	-
Foreign exchange gains / (losses)	3	(3)
Depreciation	(2,037)	(2,012)
Loss on disposal of fixed assets	(13,173)	(18)
Agreement to sell land and buildings - net book value as at 31 March 2011	(12,198)	-
Impairment of fixed assets	(289)	-

NOTES TO THE ACCOUNTS
Year ended 31 March 2011

11. NET RESOURCES (CONTINUED)

Charges for operating leases:

Plant & machinery	(500)	(504)
Other	-	(37)

12. TANGIBLE FIXED ASSETS

Group and Charity	Long leasehold property £'000	Freehold land and buildings £'000	Furniture fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2010	31,698	25,890	13,495	69	71,152
Additions	143	4,884	4,510	-	9,537
Disposals	(24)	(16,706)	(841)	-	(17,571)
At 31 March 2011	31,817	14,068	17,164	69	63,118
Depreciation					
At 1 April 2010	(6,635)	(3,867)	(8,885)	(64)	(19,451)
Charge for the year	(837)	(252)	(945)	(3)	(2,037)
Impairments	-	(289)	-	-	(289)
Disposals	3	2,538	766	-	3,307
At 31 March 2011	(7,469)	(1,870)	(9,064)	(67)	(18,470)
Net Book Value					
At 31 March 2011	24,348	12,198	8,100	2	44,648
At 1 April 2010	25,063	22,023	4,610	5	51,701

During the year the BFI sold a leasehold interest in the Grade II listed cottages at the entrance to the BFI National Archive at Berkhamsted, which had been used as offices. The 150 year lease was sold through a competitive tender, raising a net profit of £517,000. The assets had a net book value of £527,000.

On the 31 March 2011 the BFI sold its freehold interest in land and buildings in central London and Berkhamsted to an independent charity, BFI Trust, for the nominal sum of £2. The assets had a net book value of £13,691,000. The charitable objects of the BFI Trust are consistent with those of the BFI and this sale therefore includes a donation of valuable assets to that charity, which is included in resources expended on charitable activities, equivalent to the carrying value. The BFI occupies the properties on a ten year lease at open market value from the BFI Trust.

On the 31 March 2011 the BFI entered into an agreement to sell its freehold interest in land and buildings in Warwickshire to an independent charity, BFI Trust, for the nominal sum of £1. The sale will formally complete early in 2012 once the current building works have concluded. As a result, assets with a net book value of £12,198,000 will be disposed of in the year ending 31 March 2012, and a corresponding liability is included in other creditors. The charitable objects of the BFI Trust are consistent with those of the BFI and this sale therefore includes a donation of valuable assets to that charity, which is included in resources expended on charitable activities, equivalent to the carrying value. The BFI has also entered into an agreement to occupy the property on a ten year lease at open market value from the BFI Trust.

Included within freehold property is property with a net book value of £12,198,000 relating to the BFI National Archives in Warwickshire. The Trustees of the National Heritage Memorial Fund (NHMF) funding of £1,806,000 in respect of original funding for the building costs is potentially repayable in the event of a change of use of the buildings until 2023, at the discretion of NHMF.

Included within long leasehold property is property with a net book value of £13,100,000 relating to the BFI IMAX cinema building. Arts Council England has a legal charge on the property to the value of £15,000,000 in respect of original funding for the building costs.

In addition to costs capitalised as shown above, BFI incurred costs of £265,000 (2010: £226,000) which relate to Screen Heritage UK. Whilst the costs incurred relate to a capital project, they could not be capitalised under the accounting rules set out in FRS15.

The aggregate amount of capital expenditure contracted for but not capitalised at the balance sheet date was £273,000 (2010: £773,000).

NOTES TO THE ACCOUNTS
Year ended 31 March 2011

13. SUBSIDIARIES

	BFI Big Screen £'000	Conn. Video Ltd £'000	2011 Total £'000	2010 Total £'000
Trading Account				
Income	6,921	-	6,921	7,715
Expenditure	(4,969)	-	(4,969)	(5,748)
Net operating profit	1,952	-	1,952	1,967
Interest receivable and similar income	11	-	11	1
Surplus gift aided to the BFI	(1,963)	-	(1,963)	(1,968)
Net loss	-	-	-	-
Balance Sheets				
Stocks and work in progress	30	-	30	39
Debtors	617	93	710	631
Cash at bank and in hand	1,850	-	1,850	1,938
Current liabilities	(2,497)	-	(2,497)	(2,514)
Total (BFI interest)	-	93	93	93

Shareholdings in subsidiaries

The BFI holds 100% of the issued share capital of the following undertakings, which are registered in England and Wales:

BFI (Big Screen) Limited (operates the theatrical and commercial activities of the BFI IMAX)
 Connoisseur Video Limited (DVD publishing overseas - dormant)
 Project Rosebud Limited (e-commerce development - dormant with nil assets and investment value)

Trading subsidiaries are involved in activities wholly consistent with the BFI's charitable aims and objectives and remit taxable profits to the BFI under Gift Aid. Their income and expenditure are consolidated into the Group accounts.

The investments held by the Charity are summarised as follows:

	2011 £'000
Cost	
At 1 April 2010 and 31 March 2011	150
Impairment	
At 1 April 2010 and 31 March 2011	(57)
Net Book Value	
At 31 March 2011 and at 1 April 2010	93

14. STOCKS AND WORK IN PROGRESS

	Group 2011 £'000	Group 2010 £'000	Charity 2011 £'000	Charity 2010 £'000
Raw materials	11	13	11	13
Work in progress	183	423	183	423
Finished goods	569	408	539	369
	763	844	733	805

15. DEBTORS

	Group 2011 £'000	Group 2010 £'000	Charity 2011 £'000	Charity 2010 £'000
Trade debtors	3,274	1,557	2,711	1,114
Lottery awards	-	6	-	6
Amount owed by subsidiary undertakings	-	-	1,863	1,340
Other debtors	853	189	853	189
Prepayments and accrued income	1,118	1,132	1,064	1,036
	5,245	2,884	6,491	3,685

NOTES TO THE ACCOUNTS
Year ended 31 March 2011

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2011 £'000	Group 2010 £'000	Charity 2011 £'000	Charity 2010 £'000
Trade creditors	(2,916)	(1,743)	(2,816)	(1,409)
Amount owed to subsidiary undertakings	-	-	(93)	(93)
Other taxes and social security costs	(404)	(397)	(394)	(376)
Other creditors	(12,877)	(719)	(12,468)	(163)
Accruals	(5,369)	(2,786)	(5,369)	(2,786)
Deferred income (see Note 17)	(4,208)	(2,005)	(4,093)	(1,740)
	<u>(25,774)</u>	<u>(7,650)</u>	<u>(25,233)</u>	<u>(6,567)</u>

Included in other creditors is a liability of £12,198,000 arising from the agreement to sell land and buildings in Warwickshire to the BFI Trust (see Notes 8 and 13). This liability equates to the carrying value of the fixed assets as at 31 March 2011 and is included in Other creditors as a constructive liability has been incurred equating to the awarding of a grant of value to the BFI Trust charity. This has the effect of creating net current liabilities, however, the liability will be met by reducing the carrying value of fixed assets in 2011/12 and not from current assets.

17. DEFERRED INCOME

	Group 2011 £'000	Group 2010 £'000	Charity 2011 £'000	Charity 2010 £'000
Balance as at 1 April 2010	(2,005)	(1,465)	(1,740)	(1,347)
Amount released to incoming resources	2,005	1,465	1,740	1,347
Amount deferred in year	(4,208)	(2,005)	(4,093)	(1,740)
Balance as at 31 March 2011	<u>(4,208)</u>	<u>(2,005)</u>	<u>(4,093)</u>	<u>(1,740)</u>

Mainly relates to performance related grants received in the year, deferred to match future performance, and advance ticket sales.

18. STATEMENT OF FUNDS

	At 1 April 2010 £'000	Income £'000	Expenditure £'000	Transfers £'000	At 31 March 2011 £'000
Unrestricted funds	(4,833)	34,570	(42,898)	9,537	(3,624)
Restricted funds:					
Fixed Assets	17,985	-	(3,597)	-	14,388
Charitable Activities:					
Donated Services and Facilities	-	1,805	(1,805)	-	-
TV Grants	-	1,251	(1,223)	(28)	-
David Lean Foundation	-	65	(65)	-	-
Chaplin Foundation	41	-	-	-	41
Eric Anker-Petersen Charity	-	45	(45)	-	-
ECF Hub Grant	-	6	(6)	-	-
Arts & Humanities Research Council	-	40	(40)	-	-
Film London - LFF	-	80	(80)	-	-
Skillset - LFF and LLGFF	-	33	(33)	-	-
Moët Hennessy	-	13	(13)	-	-
Skillset - BFI website	-	4	(4)	-	-
Arts Council	-	38	(38)	-	-
The City Bridge Trust	-	10	(10)	-	-
Europa Cinemas	-	19	(19)	-	-
The Rose Foundation	-	6	(6)	-	-
Film Foundation	-	103	(103)	-	-
HLF - Screen Heritage	-	36	-	(36)	-
Screen Yorkshire - Screen Heritage	-	250	-	(250)	-
UKFC - Capital Grant in Aid	-	1,450	-	(1,385)	65
UKFC - Screen Heritage	773	7,602	(264)	(7,838)	273
UKFC - Film Centre	-	392	(392)	-	-
UKFC - Lottery funding for LFF	-	604	(604)	-	-
UKFC - Other	-	9	(9)	-	-
Other under £3,000	-	22	(22)	-	-
Total restricted funds	<u>18,799</u>	<u>13,883</u>	<u>(8,378)</u>	<u>(9,537)</u>	<u>14,767</u>
Total funds	<u>13,966</u>	<u>48,453</u>	<u>(51,276)</u>	<u>-</u>	<u>11,143</u>

Transfers represent fixed assets funded by restricted grants, which have been transferred to unrestricted assets on completion.

NOTES TO THE ACCOUNTS
Year ended 31 March 2011

18. STATEMENT OF FUNDS (CONTINUED)

Restricted funds:	Description:
TV Grants	Archiving services for both Independent Television and the BBC
David Lean Foundation	Restoration work
Chaplin Foundation	Charlie Chaplin archive and research projects
Eric Anker-Petersen Charity	Restoration of projects, "The End of Innocence" and "This Working Life"
ECF Hub Grant	Supporting the Hub Network of the Youth and Media Programme
Arts & Humanities Research Council	Digitising the "Monthly Film Bulletin"
Film London - LFF	Support for projects associated with The Times BFI London Film Festival
Skillset - LFF and LLGFF	Projects associated with The Times BFI London Film Festival and the London Lesbian & Gay Film Festival
Moët Hennessy	Support for "Toast for a Cause" - the Film Critics Circle Awards
Skillset - BFI website	BFI website support
Arts Council	Support for exhibitions in the BFI Southbank Gallery
The City Bridge Trust	To encourage older people's participation in the BFI's activities
Europa Cinemas	To increase the screening of European films at the BFI Southbank
The Rose Foundation	Refurbishing the BFI IMAX box office
Film Foundation	Restoration of "The Ring"
HLF - Screen Heritage	Support for the "Portrait of Britain" project
Screen Yorkshire - Screen Heritage	Support for the development of the Union Search & Index facility
UKFC - Capital Grant in Aid	Grant-in-Aid annual funding for capital renewals
UKFC - Screen Heritage	Development and planning for the Screen Heritage programme of projects. Total funding of £22.5m has been made available by the Department of Culture, Media & Sport towards securing the UK's film archives and improving public access and the BFI will be a major beneficiary between 2008/9 and
UKFC - Film Centre	Support for the new Film Centre Project
UKFC - Lottery funding for LFF	Film Festival Fund plus additional funding
UKFC - Other	Support for the distribution of David Lean films plus other projects
Other under £3,000	Various grant awards towards education, restoration and programming

Fund balances at 31 March 2011 are represented by:	Unrestricted £'000	Restricted £'000	Total £'000
Tangible fixed assets	30,260	14,388	44,648
Stocks and work in progress	763	-	763
Debtors	4,017	1,228	5,245
Cash at bank and in hand	3,419	4,901	8,320
Current assets	8,199	6,129	14,328
Current liabilities	(20,024)	(5,750)	(25,774)
Income funds excluding pensions asset/liability	18,435	14,767	33,202
Long term liabilities	(22,059)	-	(22,059)
Total net assets	(3,624)	14,767	11,143

Restricted funds are committed as directed by the donors. Unrestricted Funds are available to fund revenue initiatives identified during the year and to provide a reserve against unforeseen costs arising.

Net free reserves	2011 Unrestricted £'000	2010 Unrestricted £'000
Current assets	8,199	6,990
Current liabilities	(20,024)	(5,752)
Less: Other creditors - value of assets per sale agreement with BFI Trust	12,198	-
Net free reserves	373	1,238

Included in other creditors is a liability of £12,198,000 arising from the agreement to sell land and buildings in Warwickshire to the BFI Trust (see Notes 8 and 13). This liability equates to the carrying value of the fixed assets as at 31 March 2011 and is included in Other creditors as a constructive liability has been incurred equating to the awarding of a grant of value to the BFI Trust charity. This has the effect of creating net current liabilities, however, the liability will be met by reducing the carrying value of fixed assets in 2011/12 and not from current assets.

Operating statement - Charity only	2011 Total £'000	2010 Total £'000
Incoming resources	41,521	35,547
Resources expended	(57,520)	(36,695)
Operating deficit	(15,999)	(1,148)
BFI (Big Screen) Ltd surplus gift aided to the BFI	1,963	1,968
Transfer of pension liabilities	-	999
Actuarial losses on defined benefit pension schemes	11,213	(9,963)
Charity only funds brought forward	13,966	22,110
Charity only funds carried forward	11,143	13,966

NOTES TO THE ACCOUNTS
Year ended 31 March 2011

19. VOLUNTARY INCOME

	2011	2010
	£'000	£'000
Grant-in-Aid - Revenue Funding	14,550	14,550
Grant-in-Aid - Capital Funding	1,450	1,450
Other grants, legacies and donations	10,015	5,499
Lottery awards	640	844
Donated services and facilities	1,805	2,256
	<u>28,460</u>	<u>24,599</u>

Costs of generating funds

Costs of generating voluntary income	838	849
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Costs of generating voluntary income is the staff, direct and indirect costs of the inhouse teams who source funding from individuals, trusts, foundations and corporations. The cost includes some press and public relations expenditure. In addition to the above Voluntary income, income from charitable activities includes sponsorship income of £753,000 (2010: £613,000) raised by the Sponsorship department. This income primarily relates to the corporate sponsorship of the London Film Festival and the London Lesbian & Gay Film Festival. The costs of the BFI Sponsorship department, which also raises grants and donations for the festivals and other activities, are included in the costs of generating voluntary income and amounted to £301,000 (2010: 304,000).

% Expenditure/Income	2.9%	3.5%
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Including the income reported in charitable activities the equivalent % Expenditure/Income is 2.9% (2010: 3.4%).

20. LEASE COMMITMENTS

At 31 March 2011, the Charity had annual commitments in respect of non-cancellable operating leases as set out below:

	Land and buildings 2011 £'000	Land and buildings 2010 £'000	Other 2011 £'000	Other 2010 £'000
Leases which expire:				
Less than 1 year	-	-	(46)	(17)
Within 2 to 5 years	-	-	(213)	(350)
Over 5 years	(1,483)	-	-	-
Total	<u>(1,483)</u>	<u>-</u>	<u>(259)</u>	<u>(367)</u>

21. CONTINGENT LIABILITIES

Some grant funding in the current and previous years could potentially become repayable in the event of the assets funded being disposed of by the BFI, subject to time and other restrictions set out in the grant agreements. These are disclosed in Note 12.

22. POST BALANCE SHEET EVENTS

On 1 April 2011, as a result of the closure of the UK Film Council announced in December 2010, the BFI took on a number of new activities and associated staff, together with associated public funding. In recognition of this the government now considers the BFI to be a Non-Departmental Public Body, with some direct funding from the Department of Culture, Media & Sport. The BFI also became a Lottery distributor, with responsibility for distributing funds relating to film. The BFI is now the lead body for film in the UK and is working with the government on its strategy for film and to create a new BFI to most effectively deliver its ongoing charitable objectives.

On 28 June 2011 UK Film Council sold its shares in British Screen Finance Ltd to the BFI for £2.3m, funded in full by a matching grant from the DCMS. This provides the BFI with additional film rights, together with associated revenue streams which will help to deliver the BFI's charitable objectives.

23. TAX STATUS

The BFI is a registered charity and as such is potentially exempt from taxation of its income and gains to the extent that they are applied to its charitable objectives.

Its subsidiaries' total taxable profits are gifted to the Charity and therefore no tax is payable.

Irrecoverable VAT is charged to the cost category to which it relates.