

Charity Reference No. 287780

BRITISH FILM INSTITUTE

Report and Financial Statements

31 March 2003

Deloitte & Touche LLP
London

BRITISH FILM INSTITUTE
REPORT AND FINANCIAL STATEMENTS 2003

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OFFICERS AND PROFESSIONAL ADVISERS

GOVERNORS

The Governors who are also the trustees of the charity and who either served during the financial year or as Governors at the date of signing these accounts are:

Joan Bakewell (Chair)	(resigned 31 December 2002)
Anthony Minghella CBE (Chair)	(appointed 1 January 2003)
Jenny Abramsky	
John Akomfrah	
Tim Angel	(appointed 1 October 2002)
Ray Deahl	(resigned 29 September 2003)
Tony Elliott	(resigned 29 September 2003)
Eric Fellner	(appointed 30 September 2003)
Lizzie Francke	(appointed 1 October 2002)
Alan Frank	(resigned 30 September 2002)
Stephen Frears	(appointed 1 October 2002)
Terry Gilliam	(resigned 30 September 2002)
Leslie Hardcastle	(appointed 30 September 2003)
Terry Ilott	
Nasreen Munni Kabir	
Ronnie Kells	(resigned 29 September 2003)
David Kustow	
Roger Laughton	(appointed 1 October 2002)
Rodney Payne	(resigned 30 September 2002)
Eric Senat	(resigned 29 September 2003)
Elan Closs Stephens	
Jean Young	(resigned 30 September 2002)

Governors also served on the following committees during the year:

Audit and Governance	-Jenny Abramsky, Ronnie Kells, Ray Deahl, Tim Angel, Roger Laughton
Budget and Performance	-Joan Bakewell, Tony Elliot, Rodney Payne, Terry Ilott, Eric Senat, Tim Angel
Nominations and Appointments	-Joan Bakewell, Eric Senat, Jean Young, Munni Kabir, Stephen Frears, Lizzie Franke, Anthony Minghella
Digital	-Ronnie Kells, Tony Elliott, Jenny Abramsky
Property	-David Kustow, Rodney Payne, Terry Gillian, Joan Bakewell
Remuneration	-Joan Bakewell, Jean Young, Eric Senat, Ronnie Kells
Archive and Access	-Ray Deahl, Eric Senat
Exhibition	-Terry Ilott, Alan Frank
Education	-Elan Closs Stephens, Jean Young
Diversity	-Munni Kabir, David Kustow

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OFFICERS AND PROFESSIONAL ADVISERS (continued)

DIRECTOR OF THE BRITISH FILM INSTITUTE

Jon Teckman (resigned 10 November 2002)
Amanda Nevill (appointed 24 May 2003)

ACTING DIRECTOR OF THE BRITISH FILM INSTITUTE

Adrian Wootton (appointed 11 November 2002, resigned 23 May 2003)

REGISTERED OFFICE

21 Stephen Street, London W1T 1LN

SOLICITORS

Nicholson Graham & Jones
110 Cannon Street, London EC4N 6AR

BANKERS

Barclays Media Banking Centre, 27 Soho Square, London W1D 3QR
Lloyds TSB Bank, 32 Oxford Street, London, W1A 2LD

PROPERTY ADVISERS

Hutchinson Morrison Childs, 10 Saville Row, London, W1X 1AF

INTERNAL AUDITORS

Littlejohn Frazer, 1 Park Place, Canary Wharf, London E14 4HJ

AUDITORS

Deloitte & Touche LLP
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

BRITISH FILM INSTITUTE

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Governors' Report

The Governors, who are also the trustees of the charity, submit their annual report and the audited financial statements for the year ended 31 March 2003. 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 October 2000 (SORP 2000).

The British Film Institute (*bfi*) is a body incorporated by Royal Charter and a registered charity, number 287780. The *bfi* is governed subject to the terms and conditions set out in its Royal Charter. A copy of the Royal Charter is available on request.

The *bfi*'s main funder is the UK Film Council (UKFC) using resources delegated by the Department for Culture, Media and Sport (DCMS).

The *bfi* is governed subject to the terms and conditions set out in its Royal Charter which defines 5 "objects":

- to encourage the development of the art of film, television and the moving image throughout United Kingdom;
- 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 United Kingdom.

Review of Activities

The Statement of Financial Activities for the year is set out on page 14 of the financial statements. A summary of the financial results and the work of the charity are set out below. The *bfi* cannot operate as effectively as it does without the support of sponsors, donors, partners, funders and customers. The Governors wish to express their thanks to the principal funders of the *bfi* especially the Heritage Lottery Fund and to the late J Paul Getty KBE for their support over the last 5 years at the National Film and Television Archive.

Income Generation

The total income figure increased from £29.7m to £30.9m. Grant in Aid income from the Film Council, at £14.5m awarded at the same rate as 2002 except that £0.45m of 2002's grant was paid over ahead of schedule in 2001. The level of commercial and sponsorship income increased from £11m to £11.6m. Other grants and lottery awards recognised in the year decreased to £4.5m from £4.6m in the previous year, the difference being largely attributable to the recognition of two grants from the late J Paul Getty in the previous year. The significant grants received in the

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Governors' Report (continued)

current year included: £1m of TV grants to record TV programmes, £0.9m from the New Opportunities Fund for the creation of Screenonline, £1.5m grant from the Heritage Lottery Fund for the continuation of the restoration project at the archive and £0.7m match funding from the late J Paul Getty KBE.

Fund Raising

Fund-raising costs of £0.3m (2002: £0.4m) represent the cost of running the *bfi* sponsorship and development department in raising funds for the *bfi*'s main film festivals, special seasons and events at the NFT and for specific restoration projects within the National Film and Television Archive.

Resources Expended and Services

Access to Moving Image Materials

Increasing and broadening access to a diversity of film and moving image material, for this and future generations continues to be a priority for the *bfi*. Expenditure in this area was £24.2m (2002: £24.6m).

Key highlights in relation to cultural activities undertaken over the year are as follows:

- The National Film Theatre (NFT) achieved good attendances throughout the year to its seasons and special events, resulting in 224,000 total admissions. This figure was achieved in spite of disruptions to the facility over two months whilst a capital renewal programme took place. The capital programme was designed to enhance the visitor experience and included improved access (including disabled access) to the NFT box office, new cinema seats in the main auditorium and improved public conveniences. The renewal programme finished in time to celebrate the NFT's 50th anniversary which commenced in October 2002 and received positive press coverage over that period. The NFT also hosted, for the first time, the Lifting the Lid Disability Film Festival described as the most accessible film festival in Europe.
- The two major *bfi* Festivals, the Regus London Film Festival and the *bfi* London Lesbian and Gay Film Festival (LLGFF), were delivered to schedule in the year and attracted audiences of circa 125,000 and 23,000 respectively. A showcase from both Festivals toured as part of the *bfi* touring programme which was taken up by more than 50 venues around the UK, attracting over 54,000 admissions in total.
- In April 2002 the *bfi* launched its applauded ImagineAsia project, working with more than 50 partners across England, Scotland, Wales and Northern Ireland and gave new and existing audiences the opportunity to see films from India, Pakistan and Sri Lanka. The project significantly demonstrated the *bfi*'s ability to produce a co-ordinated range of

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Governors' Report (continued)

- products including exhibitions, DVDs, Video, publications and education activity impacting across the UK.
- *bfi* Access department made available a range of excellent titles this year on DVD and video as well as for theatrical and non theatrical distribution. Titles released in the year included Saturday Night and Sunday Morning, Brighton Rock, A Taste of Honey, Sans Soleil, Freaks, Vivre Sa Vie and Mughal E Azam.

Other activities providing access to moving image materials have been undertaken through the *bfi*'s subsidiaries. The two active subsidiaries are Connoisseur Video Limited and *bfi* (Big Screen) Limited both of which are wholly owned by the *bfi* and gift aid all profits made to the *bfi*.

The results of the trading subsidiaries are consolidated in the overall results of the *bfi* and are summarised separately in Note 12 of the financial statements. The subsidiary *bfi* (Big Screen) Limited operates the *bfi* London IMAX and the management of the operation was transferred from the National Museum of Science and Industry to the *bfi* in December 2002. Despite attracting audiences of 339,000, including many family groups, agency activity generated a net loss for the Group of £0.24m (2002 loss £0.27m). The facility suffered from a significant drop in attendance during the Spring which can be attributed to the down turn in tourism to London at the time of the war in Iraq. Non-agency activities consist of corporate hire of the IMAX premises (which are owned by the *bfi*); these generated profits of £0.02m (2002: £0.12m). Aggregate impact on the Group was a net loss of £0.22m (2002: loss of £0.15m).

Educating People to appreciate Arts of Film and TV.

The *bfi* exists to educate people of all ages to enjoy and appreciate the arts of film and television. The acquisitions, restorations, screening and publications all play an integral part in furtherance of this objective. A total of £5.6m (2002: £5.1m) was expended on activities undertaken to educate people to appreciate the arts of film and television in the year.

Key highlights to report over the year are as follows:

- the publication of the first ever teaching pack on South Asian cinema called 'Bollywood and Beyond' and five other titles on South Asian cinema in support of the *bfi* ImagineAsia project;
- 28 new book titles published in the year, achieving 105,906 sales;
- 9 restorations were completed at the Archive, which included A Cottage on Dartmoor (1930) which premiered at the Regus London Film Festival and Sunrise (1923) which premiered at the Berlin Film Festival;
- Sight and Sound maintained its circulation in the year at 299,000 (2002:300,000); and

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Governors' Report (continued)

- achieved significant media coverage for its 10-year directors' poll of favourite films;
- the use of the *bfi* website increased significantly, achieving over 9 million webpage impressions; and
 - the launch of the *bfi* 'virtual galleries' facility on the website, allowing audiences to access *bfi* collections of stills, posters and designs on-line.

Partnerships and Collaborations

The film festivals receive significant support from commercial organisations. The *bfi* is particularly grateful to Regus, as the major title sponsor of the London Film Festival, but would also like to express its thanks to other sponsors including American Airlines, Morgan Stanley, ntl:home Broadband, Orange, The Guardian, Skymovies, TCM and Max Factor, The Evening Standard, TimeOut and Renault Cars to name a few.

The *bfi* Access department has also developed a close working relationship with the TATE which has enabled new audiences to access *bfi* materials to complement exhibitions at both TATE Modern and TATE Britain. The *bfi* also works closely with the BBC on a number of joint projects, most notably the Mitchell and Kenyon project which will bring this fabulous collection of archive films to our television screens in 2004. The *bfi*'s strong relationship with the David Lean Foundation also continued with the launch of the David Lean website in June 2003, where enthusiasts and students are now able to view extracts of David Lean films on-line.

Net Outgoing Resources

Net resources expended for the year amounted to £1.9m (2002: £2.3m).

Reserves Policy

The *bfi* funds both current and long term developments from grants and donations received and income generated from its activities. The Governors were successful in achieving its objective of holding unrestricted cash balances at £2.2m (2002: £2.1m) equivalent to one month of recurrent expenditure on unrestricted activities. The *bfi* however has negative free reserves of £3.9m and the Governors are considering as part of the strategic review what level of free reserves would be needed by the *bfi* to meet any unforeseen expenditure or fall in income and is incorporating this into the budgets going forward.

At 31 March 2003 the *bfi* had total consolidated reserves of £45m (2002: £47m).

Restricted funds of £17.5 m represents £16.4m invested in the *bfi*'s restricted fixed assets and the balance of £1.1m represents net unspent monies from donors who have set specific conditions for the use of those funds. A summary of restricted fund balances are set out in Note 18.

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Governors' Report (continued)

Changes in Fixed Assets

The movement in tangible fixed assets is disclosed in Note 11.

Governance and Internal Control

All Governors are appointed by the *bfi* Board of Governors, subject to ratification by the UK Film Council.

Two places on the Board are reserved for Member Governors. These are nominated and voted for by the *bfi*'s various members and subscribers throughout the United Kingdom. Such appointments would also need to be ratified but would not normally be withheld except in matters where there is a conflict of interest arising.

Since October 2002 positions on the Board are publicly advertised. All Board positions fall for re-election every three years with a total limit of six years service being set in accordance with the *bfi* Royal Charter.

Corporate Governance

The Board of Governors delegates specific responsibilities to its Committees. Membership of these Committees is identified on page 1, Officers and Professional Advisers. 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.

Budget and Performance Committee approves capital and revenue budgets and operational targets and monitors performance against both.

Nominations and Appointments Committee makes recommendations to the Board of Governors about appointments to the Board.

Property Committee manages on-going capital development projects and considers future options and recommends preferred options to the Board.

Remuneration Committee determines the levels of pay for the Director. It reviews the salary, terms and conditions of the Director and *bfi* senior managers make recommendations to the Board.

Diversity Committee advises the Board so as to ensure that the *bfi*, as a public body, properly serves and reflects the diverse audiences within the UK, by delivering its services to meet the needs of these different groups with the ultimate aim of recognising and celebrating diversity in all its activities.

Audit and Governance Committee reviews the effectiveness of processes, structure, and controls used to direct, manage and account for the financial and business affairs of the *bfi*. The Audit and Governance Committee considers all internal and external audit reports and recommendations.

Digital Committee assesses options for digital developments by the *bfi* with a view to making recommendations. The Committee also monitors the progress of key digital projects.

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Governors' Report (continued)

Access and Archive Committee reviews the latest developments and policies in the standards of care and preservation of the nation's moving image heritage and of relevant initiatives and policies to make *bfi* collections more widely accessible to the public for education and enjoyment throughout the UK.

Education Committee reviews and advises on relevant initiatives and issues in formal and informal education throughout the UK.

Exhibition Committee reviews strategies and initiatives which will continually enhance the work of the NFT, festivals, touring exhibitions, cinema services to regional exhibitors, as well as the latest developments in relation to partnerships with commercial cinema operators.

Organisation Structure

At the start of the financial year the *bfi* was re-organised such that the ongoing operational work of the *bfi* was delegated to the *bfi* Director and an Executive made up of the Director of Culture and Education, responsible for leading on all cultural activities and appointed Deputy Director, the Director of Development and Communications with responsibility for the coordination of internal and external communications, as well as capital development programmes and fundraising and the Director of Planning and Resources with responsibility for the management of the central services of Estates and Facilities, Finance, HR, IT, Planning and Diversity.

Reporting into the Executive are heads of departments covering the whole of the *bfi*.

In November 2002 the Director, Jon Teckman, left the *bfi* having decided not to renew his fixed term contract. Whilst the process of recruitment of a new Director took place, Adrian Wootton, Director of Culture and Education and Deputy Director was appointed as Acting Director. Adrian Wootton resigned in May 2003 to take up a new appointment as Managing Director of Film London.

The Governors, under the new Leadership of Chair Anthony Minghella (appointed in January 2003), recruited a new Director, Amanda Nevill, whom they welcomed to the *bfi* in May 2003. The Governors also determined that a Director of Finance should be appointed to strengthen the capability of the Executive. This decision followed a review of the finance function in the Autumn 2002, which led to the appointment of an Interim Finance Director. The new Finance Director commenced employment in July 2003 following an extensive recruitment process.

Following the changes to senior management outlined above a new Interim Executive team was established comprising the *bfi* Director, the Directors of Finance, Planning and Resources, Development and Communications and the Heads of Departments of Exhibition, Access, Library and Education, National Film and Television Archive, Festivals, Marketing and Sponsorship. The Interim Executive will remain in place whilst the *bfi* undertakes a strategic review designed to develop its vision for the next five to ten years. Expanding the executive group is seen to be a positive change that will help to ensure effective communications throughout the *bfi* and a sharing of responsibility.

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Governors' Report (continued)

Statement on Risk Mitigation

During 2002 a new process of quarterly management reporting was introduced and Heads of Department and other budget holders received training to further develop their knowledge of financial and business management to support this process.

A review of the insurance identified additional requirements for the *bfi* as a result of the change to its status when the UK Film Council was created. This change of status meant that the Government Indemnity provided by the DCMS no longer covered the *bfi*. The result was a significant increase in expenditure on insurance that was increased further in April 2003 following a risk assessment conducted with our insurance advisors AON. The Board instigated insurance on the *bfi*'s fixed assets and required that terrorism cover be included.

The Audit and Governance Committee commissioned the Executive to carry out a comprehensive review of financial, operational and commercial risks. The Committee has reviewed the resulting work.

Equal Opportunities

The *bfi* has an agreement with the recognised trade unions on Equal Opportunities. During this year there has been an improvement in practices relating to disability. This is reflected in the policies and practices of recruitment, promotion and training. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the *bfi* continues and that appropriate training is arranged. It is *bfi*'s policy that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Transactions with Related Parties.

It is the policy of the Board to conduct all business with any related party at arm's length. Transactions with Governors are outlined in Note 4b of the notes to the accounts.

Employee Involvement

The many activities of the *bfi* would not be achieved without the commitment and dedication of the *bfi* staff. The changes in the senior management of the *bfi* during the year delayed a programme of change designed to improve not only the *bfi*'s customer service approach but also its staff approach and impacted adversely on staff morale. However, significant efforts were made to improve the working relationship with the *bfi*'s recognised trade unions and a programme of team meetings with a core brief was instigated in July 2003. The strategic review of the *bfi*, a requirement of the DCMS and UK Film Council is being led by the Director, but with the significant involvement of all staff of the *bfi* through a series of staff workshops and specific task workgroups.

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Governors' Report (continued)

Looking Ahead

During 2002/03 the *bfi* experienced significant challenges in the form of changes at senior management level, a National Audit Office review as to the value for money of the *bfi* in relation to its provision to the UK Film Council and its involvement in a Select Committee investigation into the future of the UK Film Industry. In 2003/04 under the leadership of the new Chair and new Director the *bfi* is undertaking a review to determine its future vision. The four pillars of the review are that the *bfi* will:

- engage with wider audiences;
- maximise impact across the UK;
- increase its effectiveness; and
- remain an international champion of film and TV culture.

The Board is convinced that the *bfi* has a significant role to play in the UK and has the ability to develop and change such that this role is recognised and applauded both in the UK and internationally.

On behalf of the Board of Governors

Signature  Date 26-11-03
(Name)

Signature  Date 26-11-03
(Name)

BRITISH FILM INSTITUTE

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STATEMENT OF GOVERNORS' RESPONSIBILITIES

Charity law require the Governors to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the surplus or deficit of the charity for that period. In preparing those financial statements, the *bfi* has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards and statements of recommended practice have been followed; and
- prepared the financial statements on the going concern basis.

The Governors have overall responsibility for ensuring that the charity has appropriate systems of controls, financial and otherwise. They are also responsible for keeping accounting records, which disclose with reasonable accuracy at any time the financial position of the *bfi* and enable them to ensure that the financial statements comply with the Charities Act 1993 and the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2000). They are also responsible for safeguarding the assets of the *bfi* and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that:

- the charity is operating effectively and efficiently;
- its assets are safeguarded against unauthorised use or disposition;
- proper records are maintained and financial information used within the charity or for publication is reliable;
- the charity complies with relevant laws and regulations; and
- the Audit and Governance Committee acts on behalf of the Governors in this respect.

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 is available for inspection, on request, at the *bfi*'s main administrative centre at 21 Stephen Street, London W1T 1LN.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE BRITISH FILM INSTITUTE

We have audited the financial statements of the British Film Institute for the year ended 31 March 2003, which comprise the statement of financial activities, the balance sheets, the cash flow statement and the related notes 1 to 20, which have been prepared under the accounting policies set out therein.

This report is made solely to the charity's Governors, who are also the trustees of the charity, as a body, in accordance with Regulation 6 of The Charities (Accounts and Reports) Regulations 1995. 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 auditors' 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 that we have formed.

Respective responsibilities of governors and auditors

As described in the statement of Governors' responsibilities, you are responsible as Governors for the preparation of the financial statements, which you are required to prepare in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you. We have been appointed as auditors under s43 Charities Act 1993 and report in accordance with regulations made under s44 of that Act.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993, Regulation 3 of the Charities (Accounts and Reports) Regulations 2000.

We read the Governors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

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

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

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**INDEPENDENT AUDITORS' REPORT TO
THE MEMBERS OF THE BRITISH FILM INSTITUTE (continued)**

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Group's and charity's state of affairs as at 31 March 2003 and of its incoming resources and application of resources in the year then ended and have been properly prepared in accordance with the Charities Act 1993, Regulation 3 of the Charities (Accounts and Reports) Regulations 2000.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London

26 November 2003

BRITISH FILM INSTITUTE

STATEMENT OF FINANCIAL ACTIVITIES
Year ended 31 March 2003

		Unrestricted	Restricted	2003	Restated
	Note	£'000	£'000	Total	(Note1)
				£'000	2002
					Total
					£'000
Incoming resources					
Grant-in-aid	4	14,500	-	14,500	14,050
Other grants		-	2,120	2,120	2,953
Lottery awards	5	-	2,379	2,379	1,605
<i>Activities in furtherance of the charity's objects:</i>					
Donated services		856	-	856	518
Access to moving image materials		8,778	55	8,833	8,661
Educating people to appreciate arts of film and TV		1,956	-	1,956	1,844
<i>Activities for generating funds:</i>					
Investment income	6	68	-	68	108
Other incoming resources		149	-	149	-
Total incoming resources for year		26,307	4,554	30,861	29,739
Resources expended					
<i>Cost of generating funds</i>					
Fundraising and publicity		310	-	310	414
		310	-	310	414
Charitable expenditure:					
<i>Cost of activities in furtherance of the charity's objects:</i>					
Access to moving image materials		20,844	3,319	24,163	24,590
Educating people to appreciate arts of film and TV		4,416	1,146	5,562	5,131
Support services		871	-	871	768
Management and administration		1,246	5	1,251	1,117
Increase in provision arising on unfunded pension liabilities	17	621	-	621	-
		27,998	4,470	32,468	31,606
Total resources expended	7,10	28,308	4,470	32,778	32,020
Net (resources expended)/incoming resources		(2,001)	84	(1,917)	(2,281)
Transfer between funds	18	570	(570)		
Fund balances brought forward		28,900	18,044	46,944	49,225
Fund balances carried forward at 31 March	18	27,469	17,558	45,027	46,944

All gains and losses recognised in the year are included in this Statement of Financial Activities.
The above results are from continuing operations.
The accompanying notes form an integral part of this Statement of Financial Activities.

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**CONSOLIDATED AND CHARITY BALANCE SHEET
31 March 2003**

	Note	Group 2003 £'000	Group 2002 £'000	Charity 2003 £'000	Charity 2002 £'000
Fixed assets					
Tangible fixed assets	11	47,126	47,597	47,115	47,591
Investments	12	-	-	96	150
		<u>47,126</u>	<u>47,597</u>	<u>47,211</u>	<u>47,741</u>
Current assets					
Stocks and work in progress	13	429	501	401	491
Debtors	14	2,793	4,115	2,904	3,857
Cash at bank and in hand	15	2,880	2,245	2,264	1,867
		<u>6,102</u>	<u>6,861</u>	<u>5,569</u>	<u>6,215</u>
CREDITORS: amounts falling due within one year	16	<u>(6,124)</u>	<u>(5,922)</u>	<u>(5,676)</u>	<u>(5,368)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(22)</u>	<u>939</u>	<u>(107)</u>	<u>847</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>47,104</u>	<u>48,536</u>	<u>47,104</u>	<u>48,588</u>
Provision for liabilities and charges:	17	<u>(2,077)</u>	<u>(1,592)</u>	<u>(2,077)</u>	<u>(1,592)</u>
NET ASSETS		<u>45,027</u>	<u>46,944</u>	<u>45,027</u>	<u>46,996</u>
FUNDS:					
Unrestricted funds	18	27,469	28,900	27,469	28,952
Restricted funds	18	17,558	18,044	17,558	18,044
TOTAL FUNDS	18	<u>45,027</u>	<u>46,944</u>	<u>45,027</u>	<u>46,996</u>

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

The Board of Governors of the *bfi* approved these financial statements on behalf of the Board of Governor: and they are signed on



Governor

26 November 2003



Governor

26 November 2003

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CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2003

	Notes	2003 £'000	2002 £'000
Net cash inflow/(outflow) from operating activities	2	1,660	(153)
Return on investments and servicing of finance	3	68	108
Capital expenditure and financial investment	3	(1,093)	(620)
Increase/(decrease) in cash in year		<u>635</u>	<u>(665)</u>

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

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS Year ended 31 March 2003

1. ACCOUNTING POLICIES

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 for Charities" published in October 2000 and applicable accounting standards. The statement of financial activities for the prior year has been restated to include the value of donated services. The corresponding expenditure has been shown with 'Access to moving image materials'. There has been no effect on the net assets of the *bfi*. The following principal accounting policies have been applied:

Basis of consolidation

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. No separate SOFA has been presented for the charity, as permitted by paragraph 304 of the SORP. The balance sheet and related notes, however, show the assets and liabilities of the Group as well as the Charity.

Incoming resources

All incoming resources are included in the SOFA when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Material donated services are included in income and expenditure at valuation.

Grants to which the *bfi* will become entitled in future periods are included in the accounts as deferred income.

Resources expended

All expenditure is accounted for on an accrual basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources. Premises overheads have been allocated on a floor area basis and other overheads have been allocated on the basis of staff numbers. Fund-raising and publicity costs are those incurred in seeking voluntary contributions and do not include the cost of disseminating information in support of charitable activities. Support services' costs are those incurred directly in support of expenditure on the objects of the charity and include the planning and management of development projects. Management and administration costs are those incurred in connection with administration of the charity, compliance with constitutional and statutory requirements and also include redundancy and restructuring costs.

Collections: films etc

All expenditure on acquiring and improving the national collection of films, television material, photographic stills, posters, books and other related materials held by the *bfi* is included in charitable expenditure in the year incurred. The Collections also comprise donated material and these items are not susceptible to formal valuation. A nominal value of £1 has been placed on these collection:

Investments

Investments are stated at cost less provision for impairment.

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

1. ACCOUNTING POLICIES (CONTINUED)

Tangible fixed assets and depreciation

Expenditure greater than £500 on tangible fixed assets is capitalised and included at cost.

Depreciation is provided on all tangible fixed assets except freehold land at rates calculated to write off the cost less estimated residual values on a straight line basis over their expected useful economic lives as follows

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

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. The former consist of goods held for resale and the latter expenditure on book publications and DVD and video development costs carried forward and written off over the expected commercial life of the individual titles.

Pension costs

Contributions to a defined benefit pension scheme are charged to the SOFA so as to spread the cost of pensions evenly over employees' working lives within the *bfi* on the basis of a constant percentage of earnings which is an estimate of the regular cost. The contributions are determined by a qualified actuary on the basis of periodic valuations using the projected unit method. Variations from regular cost, arising from periodic actuarial valuations are allocated over the expected remaining service lives of current employees on the basis of a constant percentage of current and estimated future earnings.

Operating lease transactions

Payments made under operating leases are charged to the SOFA as they are incurred.

Fund accounting

Unrestricted funds are available for use at the discretion of the Governors in the furtherance of the general objectives of the *bfi*.

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

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.

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

2. CASH FLOW STATEMENT

Reconciliation of changes in resources to net inflow/(outflow) from operating activities:

	2003	2002
	£'000	£'000
Net outgoing resources before lottery funding	(4,296)	(3,886)
Lottery funding	<u>2,379</u>	<u>1,605</u>
Net outgoing resources	(1,917)	(2,281)
Less interest receivable	(68)	(108)
Depreciation	1,564	1,641
Loss on disposal of fixed assets	-	23
Decrease/(increase) in stocks	72	(181)
Decrease/(increase) in debtors	1,322	(758)
Increase in creditors	202	1,643
Increase/(decrease) in provision for liabilities and charges	<u>485</u>	<u>(132)</u>
Net cash inflow/(outflow) from operating activities	<u><u>1,660</u></u>	<u><u>(153)</u></u>

3. ANALYSIS OF CASH FLOWS

	2003	2002
	£'000	£'000
Return on investments and servicing of finance		
Interest receivable	<u>68</u>	<u>108</u>
Capital expenditure and financial investments		
Purchase of tangible fixed assets	<u>(1,093)</u>	<u>(620)</u>
	<u><u>(1,093)</u></u>	<u><u>(620)</u></u>

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

	2003	2002
	£'000	£'000
Increase/(decrease) in cash in the year	635	(665)
Net funds at 1 April 2002	<u>2,245</u>	<u>2,910</u>
Net funds at 31 March 2003	<u><u>2,880</u></u>	<u><u>2,245</u></u>

b) Analysis of net funds

	1 April	Cash flow	31 March
	2002		2003
	£'000	£'000	£'000
Cash at bank and in hand	<u>2,245</u>	<u>635</u>	<u><u>2,880</u></u>

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS Year ended 31 March 2003

4. RELATED PARTY TRANSACTIONS

a) Film Council Grant in Aid

The Film Council is regarded as a related party, being the *bfi*'s main funder, using resources delegated by the Department for Culture, Media and Sports (DCMS). During the year the *bfi* had the following material transactions with the Film Council

	2003	2002
	£'000	£'000
Unrestricted funds	<u>14,500</u>	<u>14,050</u>

Grant-in-aid is spent in accordance with the funding agreement between the *bfi* and the Film Council and is directed at published Film Council objectives:

- 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 and regions and ensure that national and regional bodies work in concert towards the Film Council's goals.

b) Governors

The Governors neither received nor waived any emoluments during the year (2002 £Nil). Five Governors received reimbursed expenses amounted to £10,032 in the year (2002 £16,032). This primarily represents reimbursed travelling expenses incurred in attending Governors' meetings. Payments totalling £Nil (2002 £1,730) were made in the year for services. There were no other material connected party transactions involving Governors in their personal capacity

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

5. LOTTERY FUNDED PROJECTS

	Gross costs of projects 2002/3 £'000	Less lottery monies received £'000	<i>bfi</i> funded £'000
Heritage Lottery Fund - film preservation project	1,989	(1,457)	532
New Opportunities Fund - Screen-on-Line project	1,012	(922)	90
	<u>3,001</u>	<u>(2,379)</u>	<u>622</u>

6. INVESTMENT INCOME

	2003 £'000	2002 £'000
Interest receivable	<u>68</u>	<u>108</u>

7. TOTAL RESOURCES EXPENDED

	Staff £'000	Other £'000	Overheads £'000	2003 Total £'000	2002 Total £'000
Fund raising and publicity	188	120	2	310	414
Access to moving image materials	9,314	9,932	4,917	24,163	24,590
Educating people to appreciate arts of film and TV	2,047	2,456	1,059	5,562	5,131
Support services	2,425	3,167	(4,721)	871	768
Management and administration	786	197	268	1,251	1,117
Increase in provision arising on unfunded pension liabilities (see Note 17)	621	-	-	621	-
Total resources expended	<u>15,381</u>	<u>15,872</u>	<u>1,525</u>	<u>32,778</u>	<u>32,020</u>

Support services, including staff and other costs, which are allocated across the activities of the *bfi*, are shown in the overheads column.

8. STAFF COSTS

	2003 £'000	2002 £'000
Staff costs consists of:		
Wages & salaries	13,493	12,186
Social security costs	915	832
Pension costs (see Note 9)	352	225
Increase in provision arising on unfunded pension liabilities (see Note 17)	<u>621</u>	<u>-</u>
	<u>15,381</u>	<u>13,243</u>

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

8. STAFF COSTS (CONTINUED)

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

	2003	2002
	Number	Number
Funded by Film Council grant and operating income:		
Culture and education	318	323
Planning and resources	60	45
Development & communications	16	11
Directorate	<u>1</u>	<u>4</u>
	395	383
Employees funded by other grants or sponsorship monies	<u>89</u>	<u>79</u>
	<u><u>484</u></u>	<u><u>462</u></u>

	Age at		
	31 March		
	2003	2003	2002
		£'000	£'000
Director			
J.S.P Teckman	39	<u>107</u>	<u>87</u>
Including bonuses totalling £27,176 (2002 £6,130). J.S.P Teckman was an ordinary member of the London Pensions Fund Authority pension scheme			
Acting Director			
A. Wootton (annual rate from date of appointment 11 November 2002)	40	<u>83</u>	<u>-</u>

	2003	2002
	Number	Number
Other senior staff		
(including employers' pension contributions)		
£70,000 - £79,999	4	1
£60,000 - £69,999	3	2
£50,000 - £59,999	<u>8</u>	<u>10</u>

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS Year ended 31 March 2003

9. PENSIONS

The *bfi* is an admitted body to the London Pensions Fund Authority (LPFA), which provides a defined benefit pension scheme for its salaried employees. 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.

The pension cost charge for the year for the defined benefit scheme was £352,000 (2002: £225,000).

SSAP 24 Disclosure

The most recent full actuarial valuation at 31 March 2001 showed that the market value of the scheme's assets was £2,981m and that the actuarial value of those assets represented 101% of the benefits that had accrued to members as at 31 March 2001, after allowing for expected future increases in earnings.

The most significant actuarial assumptions were:

	2001 Valuation
	%
	Per annum
Rate of increase in salaries	4.30
Rate of increase in pensions in payment	2.80
Return on scheme investment:	
Equities	6.75
Bonds	5.75
Cash	4.00

As a result of the 2001 valuation, the contributions of *bfi* were set at 4.9% (previously 3.4%) of pensionable earnings for the year ended 31 March 2002 and at 6.3% for years ended 31 March 2003 and 200

An updated "fair valuation" of total fund assets was carried out as at 31 March 2003 by a qualified independent actuary and showed a much reduced £1,079 m.

The most significant actuarial assumptions in this recent valuation are:

	2003
	%
	Per annum
Rate of increase in salaries	4.00
Rate of increase in pensions in payment	2.50
Return on scheme investment:	
Equities	8.00
Bonds	4.80
Cash	4.00

The present indications are that an increase in employers' pension contribution of approximately 5% would be necessary from 1 April 2005 if all underlying assumptions in this latest valuation were not to change.

FRS17 Disclosure

Additional disclosures regarding the *bfi*'s defined benefit pension scheme are required under the transitional provisions of FRS 17 " Retirement benefits "; these are set out below. The disclosures relate to the second year of the transitional provisions. They provide information, which will be necessary for full implementation of FRS 17 in the year ending 31 March 2006.

The actuarial valuation described above has been updated at 31 March 2003 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued for this purpose at fair value.

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

9. PENSIONS (CONTINUED)

For the whole of the London Pensions Fund Authority Pension Fund, of which *bfi*'s employees are eligible to be members, the fair value of the total assets, the present value of the liabilities and the expected rate of return at the balance sheet date were

	Long term rate of return expected at 31/03/2003	Value at 31/03/2003 £'000	Long term rate of return expected at 31/03/2002	Value at 31/03/2002 £'000
Equities	8.0%	893,200	7.50%	1,341,000
Bonds	4.80%	153,400	5.50%	1,329,000
Cash	4.0%	33,200	4.00%	106,000
Total market value of assets		<u>1,079,800</u>		<u>2,776,000</u>

The *bfi* share of the net pension liability as at 31 March 2003 is as follows:

	2003 £'000	2002 £'000
<i>bfi</i> 's estimated share of employer assets	25,446	34,800
Present value of <i>bfi</i> 's share of scheme liabilities	(42,050)	(38,462)
Present value of <i>bfi</i> 's unfunded liabilities (see Note 17)	(2,210)	(2,181)
<i>bfi</i> 's share of net pension deficit	<u>(18,814)</u>	<u>(5,843)</u>
	2003 £'000	2002 £'000
Total funds excluding pension liabilities	45,027	46,994
Amounts relating to defined benefit pension scheme	(16,604)	(4,122)
	<u>28,423</u>	<u>42,872</u>

In the event that:

- a) the assumptions underlying the present value of scheme liabilities; and
- b) the estimated employer asset valuation were both to remain unchanged by 31 March 2006, then that part of the deficit stated above pertaining to the funded pension scheme - £16,604,000 (£18,814,000 less the provided unfunded scheme of £2,210,000) will fall to be absorbed out of the *bfi*'s unrestricted reserves which currently stand at £26,899,000.

Accounting standard FRS17 differs from the current standard SSAP24 in requiring the financial statement of *bfi* to include all the assets and liabilities of the group's defined benefit pension scheme as if they belonged to *bfi* itself. The standard also adopts methods for determining the surplus or deficit of the pension scheme that differ from those adopted in actuarial valuations used at present.

On the assumption that FRS17 comes into full effect for the year ended 31 March 2006, the board will in the meantime give careful consideration to whether or not a deficit is likely to arise at that date and take appropriate steps to ensure that adequate provision is made to deal with any such deficit.

Analysis of the amount chargeable to resources expended under FRS17

	2003 £'000
Current service cost	993
Curtailed and settlement	19
Total operating charge	<u>1,012</u>

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

9. PENSIONS (CONTINUED)

We set out below the effect that FRS17 would have had on the financial statements for the year to 31 March 2003.

Projected amount debited to other finance charges under FRS17

	2003 £'000
Expected return on pension scheme assets	2,230
Interest on pension scheme liabilities	<u>(2,398)</u>
Net costs	<u>(168)</u>
Net revenue account cost	<u>1,180</u>

Analysis of amount that would have been recognised in the statement of financial activities (SOFA)

	2003 £'000
Actual return less expected return on pension scheme assets	(10,972)
Experience gains and losses arising on the scheme liabilities	167
Changes in assumptions underlying the present value of the scheme liabilities	(1,316)
Actuarial loss that would have been recognised in SOFA	<u>(12,121)</u>

Movement in deficit during the year

	2003 £'000
Deficit in scheme at beginning of year	(5,843)
Movement in year:	
Current service cost	(993)
Contributions	330
Impact of settlements and curtailments	(19)
Net return on assets	(168)
Actuarial loss	<u>(12,121)</u>
Deficit in scheme at end of the year	<u>(18,814)</u>

History of experience gains and losses

	2003 £'000
Difference between the expected and actual return on scheme assets:	
amount	(10,972)
percentage of scheme assets	43.1%
Experience gains and losses on scheme liabilities:	
amount	(167)
percentage of the present value of the scheme liabilities	0.40%
Total amount recognised in statement of total recognised gains and losses:	
amount	(12,121)
percentage of the present value of the scheme liabilities	28.8%

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

10. NET RESOURCES

Net resources expended before transfers are stated after charging:

	2003	2002
	£'000	£'000
Auditors' remuneration:		
Audit	50	45
Other services	25	55
Depreciation	1,564	1,641
<i>Charges for operating leases:</i>		
Land & buildings	82	78
Other	25	30
	<u> </u>	<u> </u>

11. TANGIBLE FIXED ASSETS

Group	Long leasehold property	Freehold land and buildings	Furniture fittings and equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2002	25,555	22,691	9,474	84	57,804
Additions	-	8	1,085	-	1,093
Disposals	-	-	(565)	-	(565)
At 31 March 2003	<u>25,555</u>	<u>22,699</u>	<u>9,994</u>	<u>84</u>	<u>58,332</u>
Depreciation					
At 1 April 2002	(1,532)	(1,353)	(7,245)	(77)	(10,207)
Disposals	-	-	565	-	565
Charge for the year	(511)	(452)	(598)	(3)	(1,564)
At 31 March 2003	<u>(2,043)</u>	<u>(1,805)</u>	<u>(7,278)</u>	<u>(80)</u>	<u>(11,206)</u>
Net Book Value					
At 31 March 2003	<u>23,512</u>	<u>20,894</u>	<u>2,716</u>	<u>4</u>	<u>47,126</u>
At 31 March 2002	<u>24,023</u>	<u>21,338</u>	<u>2,229</u>	<u>7</u>	<u>47,597</u>

£11,832 (2002: £6,000) of the net book value of furniture, fittings and equipment are held within the trading subsidiaries.

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

12. SUBSIDIARIES

	<i>bfi</i> Big Screen £'000	Conn. Video Ltd £'000	2003 Total £'000	2002 Total £'000
Trading Account				
Income	2,294	25	2,319	2,244
Expenditure	(2,512)	(25)	(2,537)	(2,392)
Net operating loss	(218)	-	(218)	(148)
Losses recovered from <i>bfi</i> under agency agreement	241	-	241	270
Non agency surplus gift aided to the <i>bfi</i>	(23)	-	(23)	(122)
Net result	-	-	-	-
Balance Sheets				
Tangible fixed assets	12	-	12	6
Stocks and work in progress	29	-	29	10
Debtors	221	96	317	269
Cash at bank and in hand	616	-	616	367
Current liabilities	(878)	-	(878)	(556)
Total net assets	-	96	96	96

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
 Connoisseur Video Limited
 Connoisseur Films Limited (dormant)
 MOMI Limited (dormant)
 Rosebud Project Limited (dormant)
 Glenbuck Films Limited (struck off December 2002)

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 financial statements.

bfi (Big Screen) Limited operates the commercial activities of the *bfi* London Imax and the theatrical operations of the Imax.

Connoisseur Video Limited comprises the *bfi*'s video publishing export activity.

The investment held by the Charity is summarised as follows:

	2003 £'000
Cost	
At 1 April 2002 and 31 March 2003	150
Impairment	
Charge for the year	(54)
At 31 March 2003	(54)
Net Book Value	
At 31 March 2003	96
At 31 March 2002	150

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

13. STOCKS AND WORK IN PROGRESS

	Group 2003 £'000	Group 2002 £'000	Charity 2003 £'000	Charity 2002 £'000
Books and video publishing	174	188	146	178
Publications work in progress	88	80	88	80
Video work in progress	167	233	167	233
	<u>429</u>	<u>501</u>	<u>401</u>	<u>491</u>

14. DEBTORS

	Group 2003 £'000	Group 2002 £'000	Charity 2003 £'000	Charity 2002 £'000
Trade debtors	1,021	1,098	887	961
Other debtors	836	500	833	438
Prepayments and accrued income	562	1,974	477	1,902
Lottery awards	374	543	374	543
Amount owed by subsidiary undertakings	-	-	333	13
	<u>2,793</u>	<u>4,115</u>	<u>2,904</u>	<u>3,857</u>

15. CASH AT BANK AND IN HAND

	Group 2003 £'000	Group 2002 £'000	Charity 2003 £'000	Charity 2002 £'000
Cash at bank	2,858	2,218	2,242	1,845
Cash in hand	22	27	22	22
	<u>2,880</u>	<u>2,245</u>	<u>2,264</u>	<u>1,867</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2003 £'000	Group 2002 £'000	Charity 2003 £'000	Charity 2002 £'000
Trade creditors	(1,783)	(1,763)	(1,486)	(1,497)
Other creditors including taxes and social security costs	(1,681)	(829)	(1,530)	(717)
Accruals and deferred income	(2,660)	(3,330)	(2,660)	(3,154)
	<u>(6,124)</u>	<u>(5,922)</u>	<u>(5,676)</u>	<u>(5,368)</u>

Included in accruals and deferred income is £186,000 of deferred income in respect of Lottery grants (2002: £175,000). The 2002 balance was credited to income during the year ended 31 March 2003.

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

17. PROVISIONS FOR LIABILITIES AND CHARGES - GROUP AND CHARITY

In addition to the amounts payable for current members of the pension scheme (Note 9), the *bfi* has an un-funded liability to pay pensions to 44 (2002: 46) former employees and their spouses. The total actuarial valuation for this liability at 31 March 2003 is £2,210,000 (2002: £1,721,000). The anticipated cost falling due in the year to 31 March 2004 of £133,600 is included within creditors, and the balance of £2,077,000 is included in provisions.

The prior year's fair valuation was based on assumptions which have been updated to reflect the latest estimates of investment returns, inflation and salary increases. The independent actuarial valuation has been adopted requiring an adjustment of £621,000 in the current year.

	2003	2002
	£'000	£'000
Unfunded pension liability		
Valuation as at 1 April 2002	<u>(1,721)</u>	<u>(1,854)</u>
Utilised in the year	132	130
(Charge)/credit to SOFA	<u>(621)</u>	<u>3</u>
Net movement in year	<u>(489)</u>	<u>133</u>
Valuation as at 31 March 2003	<u>(2,210)</u>	<u>(1,721)</u>
Creditors: amounts falling due within one year	(133)	(129)
Provision for liabilities & charges	<u>(2,077)</u>	<u>(1,592)</u>
	<u>(2,210)</u>	<u>(1,721)</u>

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

18. STATEMENT OF FUNDS

	At 1 April 2002 £'000	Income £'000	Expenditure £'000	Transfers £'000	At 31 March 2003 £'000
Unrestricted funds	28,900	26,307	(28,308)	570	27,469
Restricted funds:					
Fixed Assets	16,713	-	(346)	-	16,367
Charitable Activities:					
TV Grants - recording TV programmes for Access to moving image materials	486	976	(862)	-	600
TV Grants - as above for Educational purposes	20	102	(102)	-	20
JP Getty	671	659	(465)	(570)	295
Digital Test Bed	-	20	(50)	-	(30)
Imagine Asia	-	5	(5)	-	-
ITC Library Grant	-	115	(6)	-	109
NOF Project	154	922	(1,012)	-	64
NFT Refurbishment Donations	-	55	(55)	-	-
Summer Madness	-	9	(9)	-	-
Channel 4 Animation	-	9	(9)	-	-
Awards for All	-	5	(1)	-	4
NIACE	-	7	(7)	-	-
Sasakawa Foundation	-	3	(3)	-	-
Lambeth/Westminster Grant	-	10	(1)	-	9
Other Exhibition Grant	-	11	(11)	-	-
Chaplin Foundation	-	100	(2)	-	98
Matching funding for Archive renovation	-	89	(89)	-	-
Heritage Lottery Fund for Archive renovation	-	1,457	(1,435)	-	22
Total restricted funds	18,044	4,554	(4,470)	(570)	17,558
Total funds	46,944	30,861	(32,778)	-	45,027

The expenditure on the digital test bed project has been carried forward in anticipation of the receipt of further restricted grant in the next financial year.

Analysis of group net assets between funds

Fund balances at 31 March 2003 are represented by:

	Unrestricted £'000	Restricted £'000	Total £'000
Tangible fixed assets	30,759	16,367	47,126
Stocks and Work in Progress	429	-	429
Debtors	1,727	1,066	2,793
Cash at Bank and in hand	2,735	145	2,880
Current assets	4,891	1,211	6,102
Current liabilities	(6,104)	(20)	(6,124)
Long term liabilities	(2,077)	-	(2,077)
Total net assets	27,469	17,558	45,027

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.

The transfer represents expenditure previously expensed in the general funds which should have been charged against the restricted grant received from JP Getty.

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS Year ended 31 March 2003

19. LEASE COMMITMENTS

Annual commitments in respect of operating leases payable in the year ending 31 March 2003 are as follows:

	Land and buildings 2003 £'000	Land and buildings 2002 £'000	Other 2003 £'000	Other 2002 £'000
Leases which expire:				
Less than 1 year	-	-	-	7
Within 2 to 5 years	40	40	25	26
Over 5 years	42	42	-	-
Total	<u>82</u>	<u>82</u>	<u>25</u>	<u>33</u>

20. TAX STATUS

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

bfi's 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.