

Charity Reference No. 287780

BRITISH FILM INSTITUTE

Report and Financial Statements

31 March 2002

**Deloitte & Touche
London**

BRITISH FILM INSTITUTE

REPORT AND FINANCIAL STATEMENTS 2002

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BRITISH FILM INSTITUTE

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OFFICERS AND PROFESSIONAL ADVISERS

GOVERNORS

The Governors are also the trustees of the charity.

Joan Bakewell (Chair)	(resigned 31 December 2002)
Anthony Minghella CBE (Chair)	(appointed 1 January 2003)
Jenny Abramsky	
John Akomfrah	(appointed 1 October 2001)
Ray Deahl	
Tony Elliott	
Terry Gilliam	(resigned 30 September 2002)
Alan Frank	(resigned 30 September 2002)
Terry Ilott	
Nasreen Munni Kabir	
Ronnie Kells	
David Kustow	
Barry Norman	(resigned 30 September 2001)
Rodney Payne	(resigned 30 September 2002)
Eric Senat	
Elan Closs Stephens	(appointed 1 October 2001)
Brian Winston	(resigned 30 September 2001)
Jean Young	(resigned 30 September 2002)
Tim Angel	(appointed 1 October 2002)
Roger Laughton	(appointed 1 October 2002)
Stephen Frears	(appointed 1 October 2002)
Lizzie Francke	(appointed 1 October 2002)

Governors also served on the following committees during the year:

Audit & Governance	- Jenny Abramsky, Ronnie Kells, Ray Deahl
Budget and Performance	- Joan Bakewell, Tony Elliot, Rodney Payne, Terry Ilott, Eric Senat
Nominations	- Joan Bakewell, Eric Senat, Jean Young, Munni Kabir
Digital	- Ronnie Kells, Tony Elliott, Jenny Abramsky
Property	- David Kustow, Rodney Payne, Terry Gilliam, Joan Bakewell
Remuneration Committee	- Joan Bakewell, Jean Young, Eric Senat
Collections (Archive and Access)	- Barry Norman, Ray Deahl, Brian Winston, Eric Senat
Exhibition	- Terry Ilott, Alan Frank
Education	- Elan Closs Stephens, Jean Young
Diversity	- Munni Kabir, David Kustow

DIRECTOR OF THE BRITISH FILM INSTITUTE

Jon Teckman (resigned 10 November 2002)

ACTING DIRECTOR OF THE BRITISH FILM INSTITUTE

Adrian Wootton (appointed 11 November 2002)

REGISTERED OFFICE

21 Stephen Street, London W1T 1LN

SOLICITORS

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

BRITISH FILM INSTITUTE

REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

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, 180 Strand, London WC2R 1BL
Chartered Accountants

BRITISH FILM INSTITUTE

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 2002. 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 Film Council (FC) using resources delegated by the Department for Culture, Media and Sport (DCMS).

The objects of the *bfi* are:

- to encourage the development of the art of film in the United Kingdom,
- to promote its use as a record of contemporary life and manners,
- to foster study and appreciation of film and television programmes generally and
- to encourage the best use of television in the United Kingdom.

REVIEW OF ACTIVITIES

The Statement of Financial Activities for the year is set out on page 1 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 and partners. The Governors wish to express their thanks to the *bfi*'s benefactors, and in particular to the late J Paul Getty KBE, for his generosity over many years towards every aspect of our work, in particular the preservation of the heritage of our national cinema.

INCOME GENERATION

The headline total income figure decreased from £32.0m to £29.2m. There was a £2.4m decrease in the Grant-in-aid. This was primarily due to a reduction, following the transfer of the regional funding activities previously managed by the *bfi* to the Film Council. There was a further reduction of £2.8m resulting from the discontinuance of donated services from commercial partners in the IT industry for the Rosebud Project, an E-commerce development that ceased operations on 31st March 2001. Commercial and sponsorship income, comprising Access and Education, increased marginally in aggregate to £10.5m from £9.9m in the previous year. Other Grant and Lottery award income recognised in the year increased to £4.6m from £2.4m in the previous year and included £1.4m from the Heritage Lottery Fund.

The *bfi* has secured a grant from New Opportunities Fund (NOF) worth £1.3m over two years for development of a screen-on-line facility. On completion, the project will provide a groundbreaking reference resource on British film and television history, targeted at students and life long learners. The total income of £213,000 receivable from NOF in the financial year is included in Lottery awards.

FUND-RAISING

Fund-raising costs of £0.41m (2001: £0.76m) represent the cost of running the *bfi* Development Department, which is responsible for developing and implementing strategy for raising funds from potential donors. The department's remit was to raise funds for the *bfi* Film Centre. However, the department's efforts were re-directed mid way through the year towards raising funds for the Moving Pictures touring programme, and the *bfi*'s flagship diversity project, ImagineAsia.

BRITISH FILM INSTITUTE

GOVERNORS' REPORT

RESOURCES EXPENDED AND SERVICES

Access to Moving Image Materials

Increasing access, to a diversity of film and moving image material, for this and future generations, continues to be a significant part of the *bfi*'s activities. Expenditure under the Access to Moving Image Materials heading increased to £24.1m from £22.5m in the previous year.

The National Film Theatre achieved good attendances throughout the year, with final admission figures of almost 226,000, a seven percent increase on the previous year's figures. Three seasons stand out as particularly popular: Godard, Kurosawa and Herzog. The Godard season was a complete retrospective, never before achieved at any cinemathèque. The Kurosawa season attracted audiences of more than 24,000. The *bfi* made 10 new English subtitled prints of Kurosawa films, including the neglected and forgotten titles like *Stray Dog* and *Red Beard*.

In November 2001, the Regus London Film Festival hosted 363 screenings of 173 features and 84 short films, together with a wide range of master classes, Guardian interviews, seminars, education screenings and workshops. The *bfi* offered 232 opportunities for film-makers, writers and actors to introduce their work to both the public and professional audiences. The Festival had more than 110,000 admissions, a per event average increase of almost 5% on the figures for last year including 112 sold-out screenings. Like the RLFF, the London Lesbian and Gay Film Festival (LLGFF), which took place after the end of the financial year achieved significant increases in attendance figures, up 10 % on last year at more than 23,500 as well as 56 sold out performances. Highlights of both film festivals toured to a total of 46 cities and towns in the country after the London Festival dates.

Other activities providing access to moving image materials have been undertaken through the *bfi*'s subsidiaries.

The results of the trading subsidiaries are summarised separately in Note 12 of the financial statements. The 2001 comparatives include turnover of £2.8m and net losses on ordinary activities of £0.7m for Project Rosebud Limited, which ceased to trade on 31st March 2001.

The two remaining active subsidiaries are Connoisseur Video Limited and *bfi* (Big Screen) Limited both of which are wholly owned.

The activities of Connoisseur Video Limited consist of sales of DVDs and videos. The relatively minor portion of this activity relating to overseas sales remains in this company but the remainder was transferred back to *bfi* with effect from 1 April 2001. Overall sales in this category across the whole enterprise increased by 45% to £1.1m, generating income to support charitable activities as well as creating a wider audience for *bfi* materials.

Bfi (Big Screen) Limited operates the IMAX cinema for the *bfi* on a co-agency basis with the National Museum of Science and Industry. This activity generated a net loss for the Group of £0.27m (2001 loss £0.08m). Non-agency activities consist of corporate hire of the IMAX premises (which are owned by the *bfi*); these generated profits of £0.12m (2001 £0.16m). Aggregate impact on the Group was a net loss of £0.15m (2001- profit £0.08m). In December 2002 the management of this company's entire operation was transferred to the *bfi*.

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 Institute's acquisitions, restorations, screenings and publications all play an integral part in furtherance of this object. The *bfi* also works specifically to encourage awareness of moving image culture, regardless of people's age or level of knowledge. A total of £5.1m (2001 £4.9m) was expended on activities undertaken to educate people to appreciate the arts of film and television in the year. As a moving image resource provider, the *bfi* produced a series of new publications and an expanded catalogue in the year. Examples of the outputs are:

Video/ CD ROM

Story Shorts
Macbeth on Film
An Introduction to Film Language

Video to develop "cineliteracy" in primary schools
Video for Secondary schools
CD ROM for post 16 Students

Teaching guides

Target Group

Show us a Story Primary Schools
Macbeth Secondary Schools
Reading Films Secondary Schools
Representation Post 16 Students

BRITISH FILM INSTITUTE

GOVERNORS' REPORT

To raise the standards of teaching and learning about film, the *bfi* delivered media studies conferences where 334 media teachers were trained. A further 107 teachers enrolled on distance-learning courses in the year. A total of 9,200 training hours (2001 7,500) was achieved on Teacher training activities.

Sight and Sound, movie buff's magazine of choice retained its circulation against the competition achieving sales of 300,000 copies (2001 310,000). One of the highlights of the year, reflecting the profound changes in the international film industry was the digital road show that the Institute put on in partnership with the Film Council. The mix of screening and discussions travelled to six cities across the whole of the UK and reached a new audience of regional filmmakers and enthusiasts. The performance of *bfi* Publishing was similarly robust achieving total sales of 99,950 books (2001 95,600). This has been achieved even though the number of titles published was reduced from 32 in the previous year to 28.

PARTNERSHIPS AND COLLABORATIONS

The *bfi* is particularly grateful for the support it received from commercial organisations in pursuing its corporate objectives in the year, notably sponsorships by Regus and Accenture. Regus were the title sponsors for the London Film Festival for the second year. The Accenture sponsorship enabled the Institute to release new prints of three classic films, Alfie, Annie Hall and If in the year. The *bfi* has also established a strong working relationship with the David Lean Foundation, which has funded a project to catalogue Lean materials and make these accessible via the web.

NET OUTGOING RESOURCES

Net resources expended for the year amounted to £2.3m (2001 £0.2m).

RESERVES POLICY

The *bfi* funds both current and long term developments from grants and donations received and income generated from its activities. The Board was successful in achieving its objective of holding unrestricted cash balances (at £2.0m) approximately equivalent to one month's recurrent expenditure on general and designated activities.

At 31 March 2002 the *bfi* had total consolidated reserves of £47.0m (2001 £49.2m). The composition of these reserves is discussed briefly below.

Restricted Funds of £18.1m represent £16.7m invested in the *bfi*'s fixed assets and the balance of £1.3m represent unspent monies from donors who have set specific conditions for the disposal of those funds.

CHANGES IN FIXED ASSETS

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

BRITISH FILM INSTITUTE

GOVERNORS' REPORT

GOVERNANCE AND INTERNAL CONTROL

All Governors were appointed by the Department of Culture & Media & Sport up to 31st March 2000, thereafter by the Board of Governors, subject to ratification by the Film Council.

Two places on the Board are reserved for Member Governors who are nominated and voted for by the *bfi*'s various members and subscribers throughout the United Kingdom. Such appointments would fall to be ratified as above but would not normally be withheld except if there were perceived to be a conflict of interest arising.

Since October 2002 positions on the Board can be publicly advertised whereas previously all nominations were made exclusively by existing members of the Board. All Board positions fall for re-election every three years with a total limit of 6 years service being set.

ORGANISATION STRUCTURE

The ongoing operational work of the *bfi* is delegated to the *bfi* Director and a Senior Management Team (SMT), which is made up of heads of departments of the three *bfi* operating units – Exhibition, Collections and Education, and six Central Support Service units. For the first eleven months of the year the Exhibition department was responsible for delivery of a range of services aimed at broadening public access to UK and World film and moving image materials. The department ran the National Film Theatre (NFT), organised Film Festivals, touring exhibitions and provided cinema services to regional exhibitors.

All the activities the *bfi* undertakes as the guardian and national resource of film, television and moving image heritage were managed by the Collections Department. The department applied the latest developments in the film archive industry to enhance the standards of care and preservation of the nation's moving image heritage, taking relevant initiatives to make the collections more widely accessible to the public for education and enjoyment throughout the UK. The third operating unit, the Education Department developed the UK's film and moving image resources to achieve their full educational and learning potential and worked with teachers and others to raise the standards in the teaching of, and learning about film, television and the moving image in the formal and informal settings.

In March 2002 the *bfi* embarked on a reorganisation programme designed to integrate the three operating units into one Culture and Education Directorate and provide a structure that will support the effective achievement of its cultural and business objectives. The three Heads of Department posts were deleted and replaced with the post of Director of Culture & Education and Deputy Director. Two other posts were created at Director level: Director of Planning and Resources, responsible for management of the Central Support services and a Director of Development and Communications, responsible for coordination of internal and external communications, as well as capital development programmes and fundraising. The *bfi* Director, and the three Directors constitute the new Executive team that is responsible for the on going operational management of the *bfi*. In July 2002 departmental budgets were restructured to align resource allocation with the re-defined objectives of the Institute and the new management structure.

CORPORATE GOVERNANCE

In April 2001, the Board of Governors established terms of reference for a number of sub-committees to which it delegates specific responsibilities. Membership of these committees is identified within the Legal and Administrative section of this report. Recommendations made by sub-committees are presented to the Board as a whole for approval. A brief description of their functions appears below.

Budget and Performance approves capital and revenue budgets and operational targets, monitoring performance against both.

Nominations 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 makes recommendations to the Board.

Education, Exhibition and Collection Committees advise the Board on relevant initiatives, developments, strategies and priorities in the operational areas of the *bfi*'s business.

BRITISH FILM INSTITUTE

GOVERNORS' REPORT

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.

The Audit & 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.

STATEMENT ON RISK MITIGATION

The Board is responsible for the management of the risks faced by the *bfi*. Detailed considerations of risk are delegated to the Audit & Governance Committee, which is assisted by senior *bfi* staff and outside advisors as required.

A comprehensive review of financial, operational and commercial risks has been recently commissioned by this Committee and a report will be produced and reviewed during the period to end September 2003

EQUAL OPPORTUNITIES

The *bfi* has an agreement with the recognised trade unions on Equal Opportunities. 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* 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

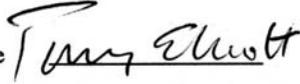
It is the policy of the Board to conduct all business with any related party at arm's length.

Transactions with Governors are outlined in Note 4b of the notes to the accounts. Permission of the Charity Commissioners has been obtained for payments for services performed.

EMPLOYEE INVOLVEMENT

The flow of information to staff is maintained by office notices and regular departmental meetings, and at general meetings of all staff held from time to time where matters of current interest and concern to the *bfi* are discussed. Regular meetings are held with representatives of the recognised trade unions.

On behalf of the Board of Governors

Signature		Date	19/5/03	Jenny Abramsky
Signature		Date	19-5-03	Tony Elliott

BRITISH FILM INSTITUTE

STATEMENT OF GOVERNORS' RESPONSIBILITIES

Company and 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, subject to any material departures disclosed and explained in the financial statements; 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 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.
- 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BRITISH FILM INSTITUTE

We have audited the financial statements of the British Film Institute for the year ended 31 March 2002, which comprise the statement of financial activities, the balance sheet, 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 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 are required to be prepared 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 judgments made 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.

Opinion

In our opinion, the financial statements give a true and fair view of the charity's state of affairs as at 31 March 2002 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
Chartered Accountants and Registered Auditors
180 Strand
London WC2R 1BL

19 May 2003

BRITISH FILM INSTITUTE

STATEMENT OF FINANCIAL ACTIVITIES
Year ended 31 March 2002

	Note	Unrestricted £'000	Restricted £'000	2002 Total £'000	2001 Total £'000
Incoming resources					
Grant-in-aid	4	14,050	-	14,050	16,450
Other Grants		-	2,953	2,953	1,539
Lottery awards	5	-	1,605	1,605	905
<i>Activities in furtherance of the charity's objects:</i>					
Donated Services (Project Rosebud)		-	-	-	2,814
Access to moving image materials		8,607	54	8,661	7,981
Educating people to appreciate arts of film and TV		1,844	-	1,844	1,928
<i>Activities for generating funds:</i>					
Investment income	6	108	-	108	225
Other incoming resources		-	-	-	200
Total incoming resources for year		24,609	4,612	29,221	32,042
Resources expended					
<i>Cost of generating funds</i>					
Fundraising & publicity		414	-	414	757
		414		414	757
Charitable expenditure:					
<i>Cost of activities in furtherance of the charity's objects:</i>					
Cost of donated services (Project Rosebud)		-	-	-	2,814
Access to moving image materials		20,654	3,418	24,072	22,466
Educating people to appreciate arts of film and TV		4,865	266	5,131	4,726
Support services		768	-	768	581
Management & administration		1,117	-	1,117	924
		27,404	3,684	31,088	31,511
Total resources expended	7,10	27,818	3,684	31,502	32,268
Net (resources expended) / incoming resources		(3,209)	928	(2,281)	(226)
Fund balances bought forward		32,109	17,116	49,225	49,451
Fund balances carried forward at 31 March		28,900	18,044	46,944	49,225

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.

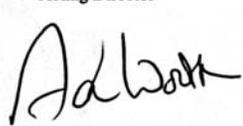
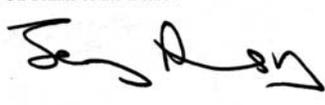
BRITISH FILM INSTITUTE

**CONSOLIDATED AND CHARITY BALANCE SHEET
31 March 2002**

	Note	Group 2002 £'000	Group 2001 £'000	Charity 2002 £'000	Charity 2001 £'000
Fixed assets					
Tangible fixed assets	11	47,597	48,641	47,591	48,640
Investments		-	-	150	150
		<u>47,597</u>	<u>48,641</u>	<u>47,741</u>	<u>48,790</u>
Current assets					
Stocks & work in progress	13	501	320	491	244
Debtors	14	4,115	3,357	3,857	3,955
Cash at bank and in hand	15	2,245	2,910	1,867	2,322
		<u>6,861</u>	<u>6,587</u>	<u>6,215</u>	<u>6,521</u>
CREDITORS: amounts falling due within one year	16	<u>(5,922)</u>	<u>(4,279)</u>	<u>(5,368)</u>	<u>(3,669)</u>
NET CURRENT ASSETS		<u>939</u>	<u>2,308</u>	<u>847</u>	<u>2,852</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>48,536</u>	<u>50,949</u>	<u>48,588</u>	<u>51,642</u>
Provision for liabilities and charges	17	<u>(1,592)</u>	<u>(1,724)</u>	<u>(1,592)</u>	<u>(1,724)</u>
NET ASSETS		<u>46,944</u>	<u>49,225</u>	<u>46,996</u>	<u>49,918</u>
FUNDS:					
Unrestricted funds	18	28,900	32,109	28,952	32,802
Restricted funds	18	18,044	17,116	18,044	17,116
TOTAL FUNDS	18	<u>46,944</u>	<u>49,225</u>	<u>46,996</u>	<u>49,918</u>

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

The governors and director of the *bfi* approved these financial statements on

Acting Director	On behalf of the Board	
		19/5/03

BRITISH FILM INSTITUTE

CONSOLIDATED CASH FLOW STATEMENT Year ended 31 March 2002

	Notes	2002 £'000	2001 £'000
Net cash (outflow)/inflow from operating activities	2	(45)	2,384
Capital expenditure and financial investment	3	(620)	(1,140)
(Decrease)/increase in cash in year		<u>(665)</u>	<u>1,244</u>

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

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

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 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.

Income and expenditure for 2002 have been stated to reflect the main activities of *bfi* and this has led to a restatement of 2001 comparatives.

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 and compliance with constitutional and statutory requirements.

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 collections.

Tangible fixed assets and depreciation

Expenditure of £500 or more 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

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

1. ACCOUNTING POLICIES (CONTINUED)

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

2. CASH FLOW STATEMENT

Reconciliation of changes in resources to net inflow from operating activities:

	2002	2001
	£'000	£'000
Net (outgoing) resources before lottery funding	(3,886)	(1,746)
Assets funded by lottery	1,605	1,520
	<u>(2,281)</u>	<u>(226)</u>
Depreciation	1,641	1,641
Loss on fixed asset write offs	23	6
(Increase)/Decrease in stocks	(181)	34
(Increase)/Decrease in debtors	(758)	903
Increase/(Decrease) in creditors	1,643	(50)
(Decrease)/Increase in provision for liabilities and charges	(132)	76
	<u>(45)</u>	<u>2,384</u>
Net cash (outflow)/inflow from operating activities	<u>(45)</u>	<u>2,384</u>

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS Year ended 31 March 2002

3. ANALYSIS OF CASH FLOWS

	2002	2001
	£'000	£'000
Capital expenditure and financial investments	(620)	(1,140)
Purchase of tangible fixed assets	(620)	(1,140)

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

	2002	2001
	£'000	£'000
(Decrease)/Increase in cash in the period		
Cash (outflow)/inflow from (decrease)/increase in liquid resources	(665)	1,244
Movement in net funds in the period	(665)	1,244
Net funds at 1 April 2001	2,910	1,666
Net funds at 31 March 2002	2,245	2,910

b) Analysis of net funds

	1 April	Cash flow	31 March
	2001	£'000	2002
	£'000	£'000	£'000
Cash at bank and in hand	2,910	(665)	2,245

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

4. RELATED PARTY TRANSACTIONS

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:

a) Film Council Grant in Aid

	2002 £'000	2001 £'000
Unrestricted funds	14,050	16,450

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

	2002 £'000	2001 £'000
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	6,520	7,665
Improve education about the moving image	4,629	4,915
Support & encourage cultural diversity and social inclusiveness	1,284	1,500
Promote film activity in the nations & regions and ensure that national and regional bodies work in concert towards the Film Council's goals	1,617	2,370
	<u>14,050</u>	<u>16,450</u>
Grant from the Film Council for provision of regional cinema support services	<u>93</u>	<u>90</u>

b) Governors

The Governors neither received nor waived any emoluments during the year (2001 £Nil). Five Governors received reimbursed expenses amounted to £16,032 in the year (2001 £16,192). This primarily represents reimbursed travelling expenses incurred in attending Governors' meetings. Payments totalling £1,730 (2001 £2,071) 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 2002

5. LOTTERY FUNDED PROJECTS

	Gross costs of projects 1/02 £'000	Less lottery monies received £'000	bfi funded £'000
Heritage Lottery Fund - film preservation project	1,837	1,392	445
New Opportunities Fund – Screen-on-Line project	213	213	-
	<u>2,050</u>	<u>1,605</u>	<u>445</u>

6. INVESTMENT INCOME

	2002 £'000	2001 £'000
Interest receivable	108	225
	<u>108</u>	<u>225</u>

7. TOTAL RESOURCES EXPENDED

	Staff £'000	Other £'000	Overheads £'000	2002 Total £'000	2001 Total £'000
Cost of donated services	-	-	-	-	2,814
Fund-raising & publicity	155	183	76	414	757
Access to Moving Image Materials	8,685	9,738	5,649	24,072	22,466
Educating people to appreciate Arts of Film & TV	2,076	1,924	1,131	5,131	4,726
Support Services	1,916	3,217	(4,365)	768	581
Management & Administration	411	562	144	1,117	924
Total Resources expended	<u>13,243</u>	<u>16,624</u>	<u>2,635</u>	<u>31,502</u>	<u>32,268</u>

Support services, including staff and other costs, which are allocated across the activities of the charity, are shown in the Overheads column.

8. STAFF COSTS

	2002 £'000	2001 £'000
Staff costs consists of:		
Wages & salaries	12,186	11,038
Social security costs	832	798
Pension costs (see Note 9)	225	206
	<u>13,243</u>	<u>12,042</u>

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

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

8. STAFF COSTS (continued)

	2002	2001
	Number	Number
Funded by Film Council grant and operating income:		
Exhibition	91	87
Collections	160	158
Education	72	67
Planning & resources	45	44
Development & communications	11	8
Directorate	4	9
	<hr/>	<hr/>
	383	373
Employees funded by other grants or sponsorship monies	79	75
	<hr/>	<hr/>
	<u>462</u>	<u>448</u>

	Age at		
	31 March		
	2002	2002	2001
	£'000	£'000	£'000
Director			
J.S.P Teckman	38	87	82
	<hr/>	<hr/>	<hr/>

Including performance related bonus of £6,130. J.S.P Teckman is an ordinary member of the London Pensions Fund Authority pension scheme.

	2002	2001
	Number	Number
Other senior staff		
(including employers' pension contributions)		
£70,000 - £79,999	1	-
£60,000 - £69,999	2	3
£50,000 - £59,999	10	5
	<hr/>	<hr/>

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS Year ended 31 March 2002

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.

SSAP 24 Disclosure

The most recent 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 2002, after allowing for expected future increases in earnings.

The most significant actuarial assumptions were:

	%
	Per annum
Rate of increase in salaries	4.3
Rate of increase in pensions in payment	2.8
Rate of dividend increase	3.8
Return on scheme investment:	
Equities	6.75
Bonds	5.75

As a result of the 2001 valuation, the contributions of *bfi* have been set at 4.9% (previously 3.4%) of pensionable earnings for the year commencing 1 April 2002 and at 6.3% thereafter for two years.

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 first 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 2002 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 2002

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 of assets, the present value of the liabilities and the expected rate of return at the balance sheet date were:

	Expected return rate %	2002 £'m
Equities	7.5	1,341
Bonds	5.5	1,329
Cash	4.0	106
		<hr/>
Total fair value of assets		2,776
		<hr/> <hr/>
Net Pension Liability as at 31 March 2002		£000
Estimated employer asset		34,800
Present value of scheme liabilities	(38,462)	
Present value of un-funded liabilities	(2,181)	
		<hr/>
Total Value of Liabilities		(40,643)
		<hr/> <hr/>
Net Pension Liability		(5,843)

The un-funded liabilities of the scheme include amounts that relate to the *bfi*. The *bfi*'s share of the unfunded pensions has been provided against as described in Note 17.

As a result of the 2001 SSAP 24 valuation, the contributions of *bfi* have been set at 4.9% (previously 3.4%) of pensionable earnings for the year commencing 1 April 2002 and at 6.3% thereafter for two years.

The pension cost charge for the year for the defined benefit scheme was £225,000 (2001 £206,000).

10. NET RESOURCES

Net resources expended before transfers are stated after charging:

	2002 £'000	2001 £'000
Auditors' remuneration:		
Audit	45	35
Other services	55	-
Depreciation	1,640	1,641
Loss on disposals	23	6
<i>Charges for operating leases:</i>		
Land & Buildings	78	167
Other	30	62
	<hr/> <hr/>	<hr/> <hr/>

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS Year ended 31 March 2002

11. TANGIBLE FIXED ASSETS

Group	Long leasehold property £'000	Freehold land and buildings £'000	Furniture fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 April 2001	25,555	22,691	10,793	84	59,123
Additions	-	-	620	-	620
Disposals	-	-	(1,939)	-	(1,939)
At 31 March 2002	25,555	22,691	9,474	84	57,804
Depreciation					
At 1 April 2001	(1,021)	(901)	(8,486)	(74)	(10,482)
Disposals	-	-	1,916	-	1,916
Charge for the year	(511)	(452)	(675)	(3)	(1,641)
At 31 March 2002	(1,532)	(1,353)	(7,245)	(77)	(10,207)
Net Book Value					
At 31st March 2002	24,023	21,338	2,229	7	47,597
At 1 April 2001	24,534	21,790	2,307	10	48,641

£6,000 of the net book value of Furniture, Fittings and Equipment are held within the trading subsidiaries.

12. SUBSIDIARIES

	<i>bfi</i> Big Screen £000	Conn. Video Ltd £000	2002 Total £000	2001 Total £000
Trading Account				
Income	2,226	18	2,244	5,845
Expenditure	(2,374)	(18)	(2,392)	(6,354)
Net operating loss	(148)	-	(148)	(509)
Losses recovered from <i>bfi</i> under agency agreement	270	-	270	83
Non agency surplus gift aided to the <i>bfi</i>	(122)	-	(122)	(164)
Net Profit /(Loss)	-	-	-	(590)
Balance Sheets				
Tangible fixed assets	4	2	6	1
Stocks and work in progress	10	-	10	76
Debtors	269	-	269	228
Cash at bank and in hand	367	-	367	577
Current liabilities	(650)	94	(556)	(1,425)
Total (<i>bfi</i> interest)	-	96	96	(543)

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS

Year ended 31 March 2002

12. SUBSIDIARIES (CONTINUED)

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) Ltd

Connoisseur Films Ltd (dormant)

Connoisseur Video Ltd

Glenbuck Films Ltd (dormant)

MOMI Ltd (dormant)

Rosebud Project Ltd (e-commerce development – ceased trading 31 March 2001)

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) Ltd operates the commercial activities of the *bfi* London Imax and the theatrical operations of the Imax on an agency basis.

Connoisseur Video Ltd used to comprise all the *bfi*'s video publishing activity, but as from 1st April 2001 this company has only dealt with the Group's exports of such material.

Project Rosebud Ltd is an e-commerce development project that the *bfi* undertook with a number of partners in the IT sector. The company ceased trading on 31 March 2001. The company's net liabilities of £640,000 represent its intercompany liability to its holding company *bfi* which has provided against it in full. There is no net impact on the 2002 SOFA as this same loss had effectively been reflected on consolidation in the prior year.

13. STOCKS AND WORK IN PROGRESS

	Group 2002 £'000	Group 2001 £'000	Charity 2002 £'000	Charity 2001 £'000
Books and video publishing	188	127	178	51
Publications work in progress	80	142	80	142
Video development expenditure	233	51	233	51
	<u>501</u>	<u>320</u>	<u>491</u>	<u>244</u>

14. DEBTORS

	Group 2002 £'000	Group 2001 £'000	Charity 2002 £'000	Charity 2001 £'000
Trade debtors	1,098	1,256	961	1,028
Other debtors	500	870	438	870
Prepayments and accrued income	1,974	678	1,902	678
Lottery awards	543	553	543	553
Amount owed by subsidiary undertakings	-	-	13	826
	<u>4,115</u>	<u>3,357</u>	<u>3,857</u>	<u>3,955</u>

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

15. CASH AT BANK AND IN HAND

	Group 2002 £'000	Group 2001 £'000	Charity 2002 £'000	Charity 2001 £'000
Cash at bank	2,218	2,881	1,845	2,298
Cash in hand	27	29	22	24
	<u>2,245</u>	<u>2,910</u>	<u>1,867</u>	<u>2,322</u>

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2002 £'000	Group 2001 £'000	Charity 2002 £'000	Charity 2001 £'000
Trade creditors	(1,763)	(1,022)	(1,497)	(730)
Other creditors including taxes and social security costs	(829)	(529)	(717)	(465)
Accruals	(3,155)	(2,415)	(2,979)	(2,161)
Lottery awards owing	(175)	(310)	(175)	(310)
Film Council production liabilities	-	(3)	-	(3)
	<u>(5,922)</u>	<u>(4,279)</u>	<u>(5,368)</u>	<u>(3,669)</u>

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 unfunded liability to pay pensions to 46 former employees and their spouses. The total actuarial valuation of this liability at 31 March 2002 is estimated at £1,721,000. After adjusting for payments during the year, the annual cost of £125,000 is included within pension costs for the year (Note 8). The anticipated cost falling due in the year to 31 March 2003 of £129,000 is included within creditors, and the balance of £1,592,000 is included in provisions.

	2002 £'000	2001 £'000
Unfunded pension liability		
Valuation as at 1 April 2001	(1,854)	(1,777)
Utilised in the year	130	131
Credit/(charge) to SOFA	3	(208)
Net movement in year	<u>133</u>	<u>(77)</u>
Valuation as at 31 March 2002	<u>(1,721)</u>	<u>(1,854)</u>
Creditors: amounts falling due within one year	(129)	(130)
Provision for liabilities & charges	<u>(1,592)</u>	<u>(1,724)</u>
	<u>(1,721)</u>	<u>(1,854)</u>

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS
Year ended 31 March 2002

18. STATEMENT OF FUNDS

	At 1 April 2001 £'000	Income £'000	Expenditure £'000	Transfers £'000	At 31 March 2002 £'000
Unrestricted funds	32,109	24,609	(27,818)	-	28,900
Restricted funds:					
Fixed Assets	17,116	-	(403)	-	16,713
Charitable Activities:					
Depreciation on Fixed Assets					
TV Grants - recording TV programmes for Access to Moving Images	-	1,312	(826)	-	486
TV Grants - as above for Educational purposes	-	80	(60)	-	20
JP Getty & matching funding for Archive renovation	-	1,298	(627)	-	671
CH4 Animation Grant	-	48	(48)	-	-
Film Council	-	93	(93)	-	-
Youngs Brewery	-	34	(34)	-	-
GLA/Lambeth/Westminster Grants	-	19	(19)	-	-
Other Exhibition Grants	-	13	(13)	-	-
Other Education Grants	-	54	(54)	-	-
Guardian Lectures	-	54	(54)	-	-
Restricted Donations	-	1	(1)	-	-
NOF Project	-	213	(59)	-	154
Heritage Lottery Fund for Archive renovation	-	1,393	(1,393)	-	-
Total restricted funds	17,116	4,612	(3,684)	-	18,044
Total funds	49,225	29,221	(31,502)	-	46,944

Analysis of group net assets between funds

Fund balances at 31 March 2002 are represented by:

	Unrestricted £'000	Restricted £'000	Total £'000
Tangible fixed assets	30,884	16,713	47,597
Stocks and Work in Progress	501	-	501
Debtors	2,780	1,335	4,115
Cash at Bank and in hand	2,074	171	2,245
Current assets	5,355	1,506	6,861
Current liabilities	(5,747)	(175)	(5,922)
Long term liabilities	(1,592)	-	(1,592)
Total net assets	28,900	18,044	46,944

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.

BRITISH FILM INSTITUTE

NOTES TO THE ACCOUNTS Year ended 31 March 2002

19. LEASE COMMITMENTS

Annual commitments in respect of operating leases payable in the year ending 31 March 2002 are as follows:

	Land and buildings 2002 £'000	Land and buildings 2001 £'000	Other 2002 £'000	Other 2001 £'000
Leases which expire:				
Less than 1 year	-	-	7	-
Within 2 to 5 years	40	-	26	16
Over 5 years	42	102	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	82	102	33	16
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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.

It'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.